Most large companies do not use the correct organizational structure for managing transformational innovations.
Field of Genomics is exploding. Anticipated that it would be multibillion market in 10 years

Researchers "print" their own in a time consuming and costly process

Glass slide with thousands of DNA samples attached to it with a special adhesive coating

Corning has all of the competencies necessary to succeed

Value Proposition: Corning would mass produce reliable microarrays at a low cost. Projected revenues in 5 years at $250 million.

- Leadership was shared by three managers – a research head, a development head and a business unit head.
- Each reported to a different manager.
- Typical arrangement used for sustaining product development efforts.
Corning Microarray Technologies (Circa 1998)

May 1998
CMT formed

Jan 1999
CMT launches generation 1 (Unprinted coated slide)
Consumers describe product as superior to anything available
CMT launches generation 2 (Coated slide with DNA)

Tensions arise between biologists (good enough) and physical scientists (not meeting six sigma requirements). High batch to batch variability. Six sigma is one of Corning’s mantras. (10% variability was good enough)

Generation 2 cannot meet six sigma standards. (Large variation in DNA)
CMT receives a large order

Dec 1999
Corning Loses Confidence in CMT
- Budget has risen to $30M a year
- Generation 1 was not working
- Generation 2 was behind schedule
- Relationships between the team members became degraded
- Meetings were awkward and “charged”

CMT misses revenue projections

Separated

NewCo Senior Management
Emerging Business
Mfg Sales R&D

Executive Sponsor

SBU Senior Management (CoreCo)
Existing Business
Mfg Sales R&D
The Challenge of Disruptive Technologies

Disruptive Technologies
Disruptive Innovations
Separated

Useful for disruptive innovations with low synergy with existing businesses models and require long financial runway

Nespresso

• Began development in 1974
• Launched in 1987 in Italy and Switzerland into the office sector
  • Sales targets for both machines and capsules were behind targets
• Relaunched in 1989 – but targeted at the household market
• One of the fastest growing businesses in the Nestle group
• Average growth of 30%/year since 2000
• In 2011 sales were $3.9 billion
Post-it Note

• 1968 - Spence Silver develops low tack adhesive
• 1974 – Art Fry uses idea to develop book marks for hymnbooks
• 1977 – “Press n Peel” launched in four cities – results were disappointing
• 1978 – relaunched as free samples to consumers – with 94 percent indicating that they would purchase
• Roll out began in 1979
Ambidextrous

SBU Senior Management (CoreCo)

Emerging Business
- Mfg
- Sales
- R&D

Existing Business
- Mfg
- Sales
- R&D


Charles A. O'Reilly III
Michael L. Tushman

LEAD and DISRUPT

How to solve the innovator's dilemma
Why do successful businesses fail?

https://www.youtube.com/watch?v=lrTxzjfFhWw

https://www.youtube.com/watch?v=K0PKkJECNSVE
Ambidextrous organizations are 90% more effective in developing transformational innovations than either integrated or separated

Evidence

Case Studies from 15 companies managing transformational innovations


IBM Life Sciences

Started with 2 people in 2000 and was a $5 billion business in 2006
Cisco Telepresence

Started in October 2006 had revenue of $200 million in 2009 and $997 million in 2012

Ciba Vision
What can business leaders do to ensure their company’s continued success?

https://www.youtube.com/watch?v=K0PKrECNSVE

Conditions for an Ambidextrous Organization

• Strategic synergy between the existing and emerging business units
• Senior team that owns both the exiting and emerging business units
• Separate organizational architectures (i.e. business models, structures, incentives, metrics and cultures) between the existing and emerging business units
• Ability of senior leadership to tolerate and resolve tensions between the two units