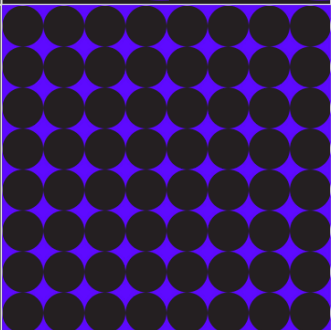
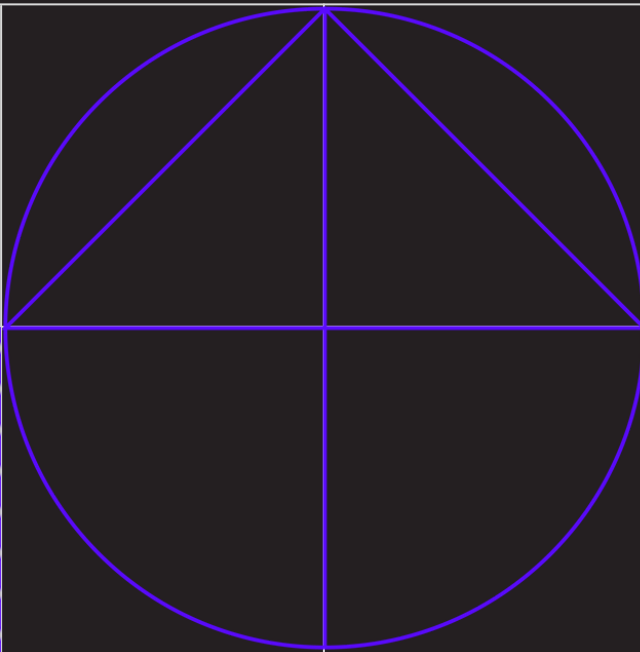
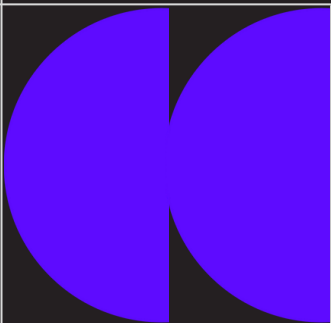


# INNOVATION NORTH



Session 14 Briefing Note:

## LEADING INNOVATION TEAMS



Innovation executives are often faced with a stark choice in shaping their innovation teams: either position the team far enough away from operations to ensure the room to foster exploration and creativity, or place the innovation function closer to operations to ensure that the innovations fit the organization. Seemingly an either/or decision that once made, feels hard to reverse.

In a recent conversation, one of our practice partners shared a sentiment that seems common across companies and sectors:

*“We have been operating the same way for a long period of time...we are set in our ways.”*

However, viewing this as an organizational structure issue may not be the right approach. In dynamic, unpredictable business environments, the decision should be less about structure – and more about team leadership. Session 14 of the Innovation North Lab will explore how to lead and organize innovation teams in a turbulent, interconnected environment.

## **The Challenges of Leading and Organizing Innovation Teams**

When innovation teams are set apart from operations – as part of a centralized or consultative structure – they tend to create formalized roles within the team and with respect to the organization. The innovation team often functions as a small island of working groups, each assigned its own set of activities and goals. It can then set its own reward structures and incentive systems which foster creativity and offer job clarity.

Yet, this approach to structuring innovation within organizations is characterized by separation and specialization, which comes with a set of challenges:

- The innovation function is often siloed, so that many good ideas are not implemented because the people who must execute the innovation have not fully bought into it.
- The innovation teams do not fully realize opportunities that can come through communication and collaboration with others in the organization.

For example, one of our partners also shared how the organizational structure makes it harder for them to get other teams in the organization involved in innovation projects:

*"We do try to include everyone from the start. The problem with that approach typically is that, unlike our team who is focused on this project 100 percent, it's a portion of someone else's job. They may dedicate half an hour to the project, but then they go back to the 'real' world and handle the rest of their day-to-day activities. That ends up becoming a challenge because you're battling for mindshare and you're battling for priority."*

When the innovation function is placed close to or within the organization's operations, another set of challenges arise:

- The people who innovate do not really form a team. They are often roped into the day-to-day operations – unable to see big trends and think creatively. Innovations end up becoming increasingly incremental, which is especially problematic as the business environment undergoes structural shifts.
- The operations function tends to reward people on performance – objective, measurable outcomes. Yet, the people who innovate are motivated not by short-term outcomes but by big ideas.

As a result, innovators can become quickly demotivated:

*"So, to innovate, you have to place some bets now that won't pay off for 10 years, and when you're in an operating company that's trying to please shareholders at the end of the quarter, that just looks like money out the door with no return."*

In turbulent and dynamic systems, neither of the two organizational structures is sufficient for making innovation teams agile. Innovators need to be connected to what's happening internally and externally, and yet able to see problems and find solutions that are different from what the engineers and technicians identify. For systems innovation, companies need to go beyond understanding organizational innovation challenges merely as structural issues but instead, see them more holistically.

## **How To Effectively Design And Lead Teams For Systems Innovation**

As innovators navigate a business environment that is increasingly turbulent and dynamic, they must move away from seeking control, uniformity, and stability, to a more distributed form of leadership. The teams and collaborations they create should

be more purposeful, diverse, fluid, communicative, and cross-sectoral. Below are six ways to effectively design and lead teams for systems innovation:

## **1. Distribute Leadership**

Constant disruptions require innovators to continuously update their thinking on leadership. It used to be that leaders were the authorities – they were often seen as the most knowledgeable and the most capable.

In a complex business environment, no one person can know everything as there is so much that is hidden from view and it changes quickly.

Rather than expecting leaders to be experts, leading innovation through complexity requires leadership to be distributed and shared. Our Session 14 speaker Deborah Ancona defines distributed leadership as “collaborative and autonomous practices managed by a network of formal and informal leaders across an organization”.

Leaders may still need to hold enough knowledge to be able to make necessary connections and create teams, but they should also recognize and acknowledge their gaps and step aside when another team member’s strengths are more salient to a context or project. Their role is not to control, but to coordinate.

## **2. Create a Clear, Shared Purpose**

As we have learned from Gerry George in Session 10, having a shared desirable future is important in bringing diverse people together.

Purpose aligns and orients the team towards a common focus. It provides teams with shared vocabularies and effective communication channels through which members can jointly attend to important issues. It is especially important as the business environment changes, as team members can become distracted, lose their focus, and no longer know what they should be working on.

Having a purpose will only yield benefits if it goes beyond a statement posted on a website. Teams need to deeply engage with the purpose. It should inform what problems need to be addressed, which in turn shapes the types of capabilities and knowledge that need to be brought to the table to form a team.

### 3. Seek Cognitive Diversity

Equity, diversity, and inclusion have become important practices of contemporary organizations. However, when it comes to innovation, it's not just a nice-to-have, it's a need-to-have. The most creative ideas come from people who think differently. This isn't just about gender or race. It's about how people think.

Research on teams has long recognized that solving complex challenges requires engaging individuals and groups with diverse and complementary expertise, perspectives, and resources. Cognitive and knowledge diversity, for instance, expand the range of perspectives teams draw on to generate novel ideas. Although convening diverse individuals can be challenging, breaking down the silos and bringing together different perspectives allows teams to achieve results that otherwise might not happen.

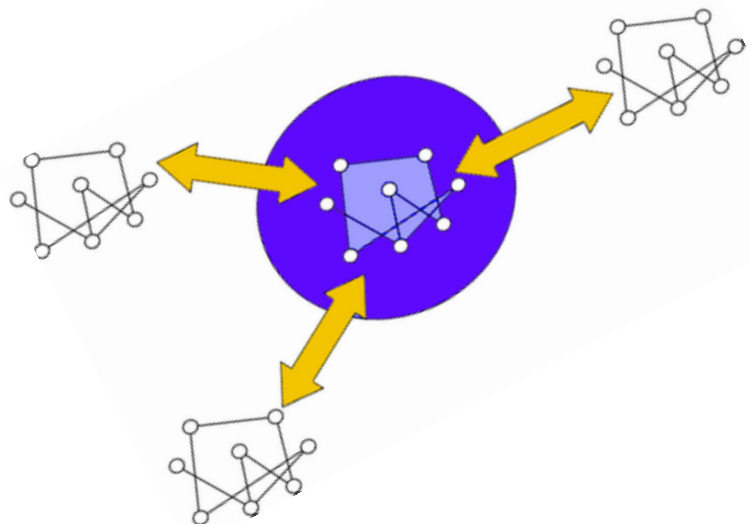
### 4. Foster Fluidity

As a project advances, it may call for different capabilities at different points in time. Our Session 14 speaker, Deborah Ancona, along with her colleague Henrik Bresman, developed a model of teams that emphasizes fluidity. To be innovative in times of disruption, teams need different tiers of members (see Figure 1). Some members are more core to the innovation project and others are more peripheral. The members on this outer layer are connected to the team by a specific task or function.

But, people are not fixed to a tier. They move around, depending on the project and their expertise. Teams also need a flexible membership, where members can be added or subtracted as needed.

It is no longer a stark choice of whether the innovation team is in operations or out. Rather, people should move around fluidly between innovation and operations, so each cross-fertilizes the other.

**Figure 1: X-Teams Build External Networks**



## **5. Communicate Wisely, Not Just Heavily**

How often have you heard 'you cannot communicate too much'? However, more communication is not always better.

The research suggests, especially when there are different functional subgroups within a team, that more intermittent communication is preferable. It is important to figure out the right amount of separation and integration. Separation can foster innovation in pockets and integration is time-intensive. So, reaching a balance between the two is vital. Functional integration does not always yield better innovation.

## **6. Orient Towards the Outside and Cross Boundaries**

Deborah Ancona's model for teams emphasizes external orientation: members should create weak (i.e. infrequent, arms-length) and strong (i.e. frequent, close) connections with outsiders and external stakeholders.

Teams do not always have to be formed within an organization. When solving complex problems, beyond creating internal teams that are externally oriented, organizations may need to establish collaborations with other organizations and multiteam systems (a team of teams) across boundaries and sectors. As exemplified by innovation leaders in pharma (call-out box below), companies need to be ready to experiment with novel ways of engaging with other organizations.

## Innovation Teams Adapt To Disruption In Pharma

COVID-19 created havoc among pharmaceutical companies. After clinicians experimented with drugs for other viruses, it became clear that existing solutions had very limited results. The world would need a tailor-made treatment for the new coronavirus. The increasing death toll led big pharma companies to reach outside of their organizations to solve a problem that seemed too big to be solved by any one company alone.

In 2020, a phone call between five R&D leaders was the start of gatherings that later became an alliance. Although competitors, most had developed relationships over time and are even friends, according to Takeda's President of R&D, Andrew Plump. In the beginning, the leaders were sharing logistical information, such as how to maintain vital research while rigorous lockdowns were taking place. Soon, conversations expanded, and as Novartis leader, Jay Bradner said: "R&D leaders started mapping out what it would look like to organize around repurposing science." It was less important to establish where ideas came from; the priority became collective problem-solving.

Out of the larger alliance, emerged a smaller team of "like-minded research organizations", as described by Steve Hitchcock, Takeda's Head of Research. This smaller team has the purpose of creating a virtual drug discovery pipeline. In their team, roles are defined by each organization's strengths. Novartis is focused on antivirals that target SARS-CoV-2's main protease; Takeda is working on several antivirals, a library of protease inhibitors plus structural and computational biology expertise; Gilead is exploring RNA polymerase inhibitors; WuXi is providing assays and chemistry; and Schrödinger is providing computational screens of target proteins as well as a data-sharing platform.

By shifting their focus outwards, the innovation teams in each of these companies could focus on their core competencies, giving each of them an opportunity to help contain the devastating impacts of COVID-19.

Citation: **Lee, J. Y., Mascena, A., & Bansal, T.** (2023). Session 14 Briefing Note: Leading Innovation Teams Successfully. Innovation North, Powered By Ivey, London, ON.

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