

3. What do you believe the challenges are in having very different structure and controls for Google's creative side versus the other parts of the company?
4. Some analysts have argued that Google's free-form structure and the 20 percent time to work on personal projects is only possible because Google's prior success has created financial slack in the company. Do you agree with this? Would Google be able to continue this management style if it had closer competitors?

<sup>a</sup> J. Manyika, "Google's View on the Future of Business: An Interview with CEO Eric Schmidt," *McKinsey Quarterly*, November 2008.

<sup>b</sup> From "The Google Culture," [www.google.com](http://www.google.com).

<sup>c</sup> Manyika, "Google's View on the Future of Business."

<sup>d</sup> B. Iyer and T. H. Davenport, "Reverse Engineering Google's Innovation Machine," *Harvard Business Review*, April 2008.

<sup>e</sup> Podcast retrieved on April 13, 2009, at <http://iinnovate.blogspot.com/2007/03/eric-schmidt-ceoof-google.html>.

## OVERVIEW

The structure of an organization and the degree to which it uses formalized and standardized procedures and controls can significantly influence its likelihood of innovating, the effectiveness of its innovation projects, and the speed of its new product development processes.<sup>1</sup> For example, it is often argued that small, flexible organizations with a minimum of rules and procedures will encourage creativity and experimentation, leading to more innovative ideas. At the same time, it is also frequently pointed out that well-developed procedures and standards can ensure that the organization makes better development investment decisions and is able to implement projects quickly and efficiently. How then do managers decide what structure and controls would make the most sense for their firm?

A vast majority of firms use some type of product team structure to organize their new product development process, and we will look closely at how teams are composed and structured in Chapter Twelve, Managing New Product Development Teams. This chapter focuses on the organization-wide structural dimensions that shape the firm's propensity and ability to innovate effectively and efficiently. We will review the research on how firm size and structural dimensions such as formalization, standardization, and centralization affect a firm's innovativeness. By focusing on these underlying structural dimensions, we will elucidate why some structures may be better for encouraging the creativity that leads to idea generation, while other structures may be better suited for efficient production of new products. We will also explore structural forms that attempt to achieve the best of both worlds—the free-flowing organic and entrepreneurial structures and controls that foster innovation, plus the formalized and standardized forms that maximize efficiency while ensuring coherence across all of the corporation's development activities. The chapter then turns to the challenge of managing innovation across borders. Multinational firms face particularly difficult questions about where to locate—and how to manage—their development activities. We will review some of the work emerging on how multinational firms can balance the trade-offs inherent in these choices.