The Process of Innovation

Departmental Organization

Technology

| D1 | D2 | D3 | D4 | D5 | D6 |

Market

Departmental Organization

MIT International Center for Research on the Management of Technology
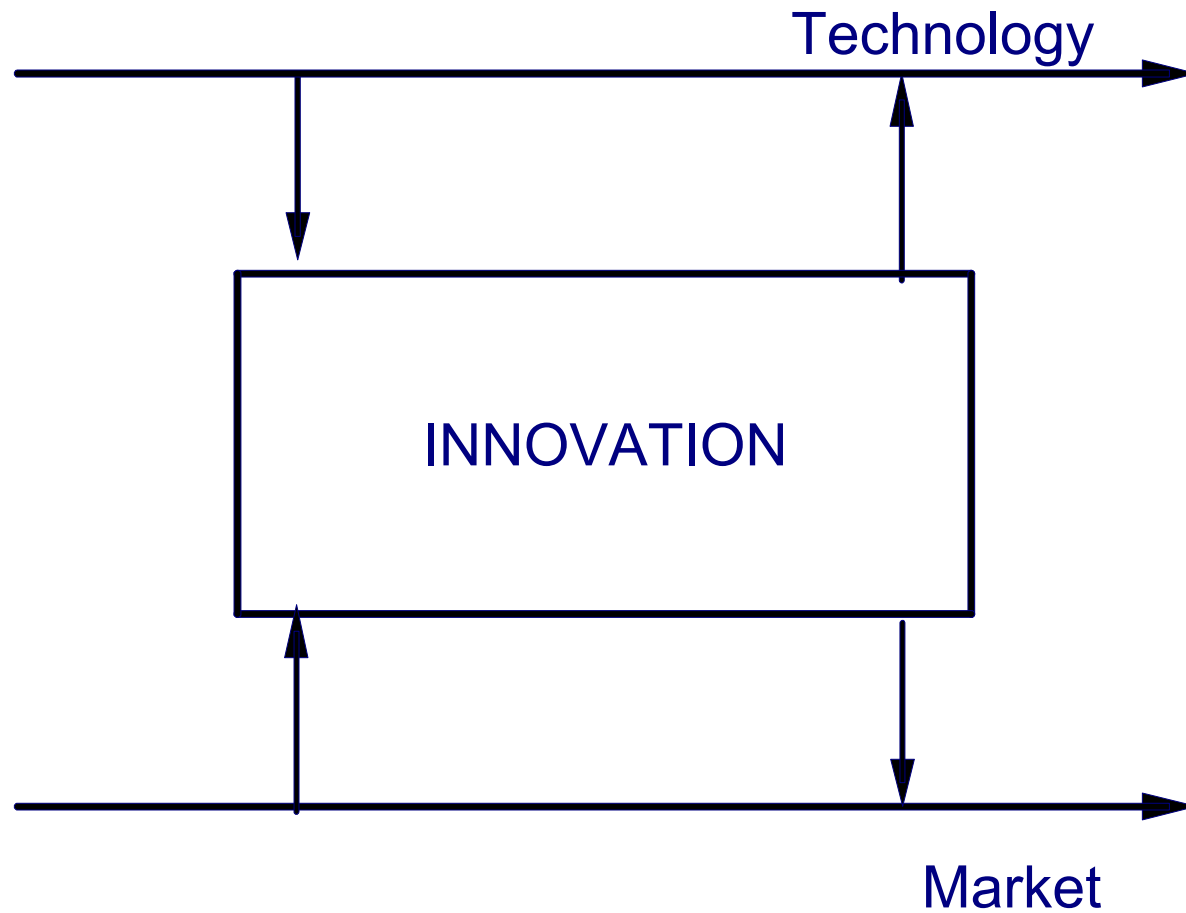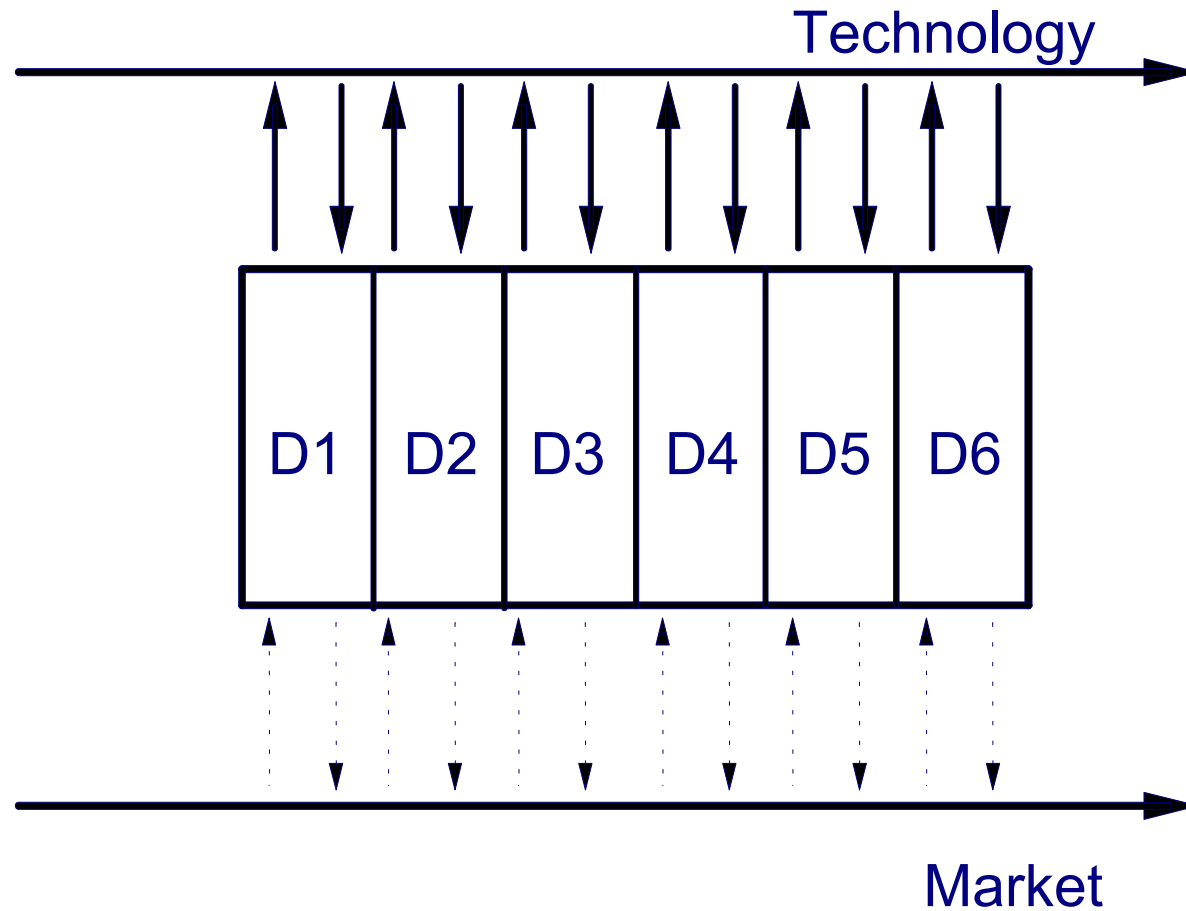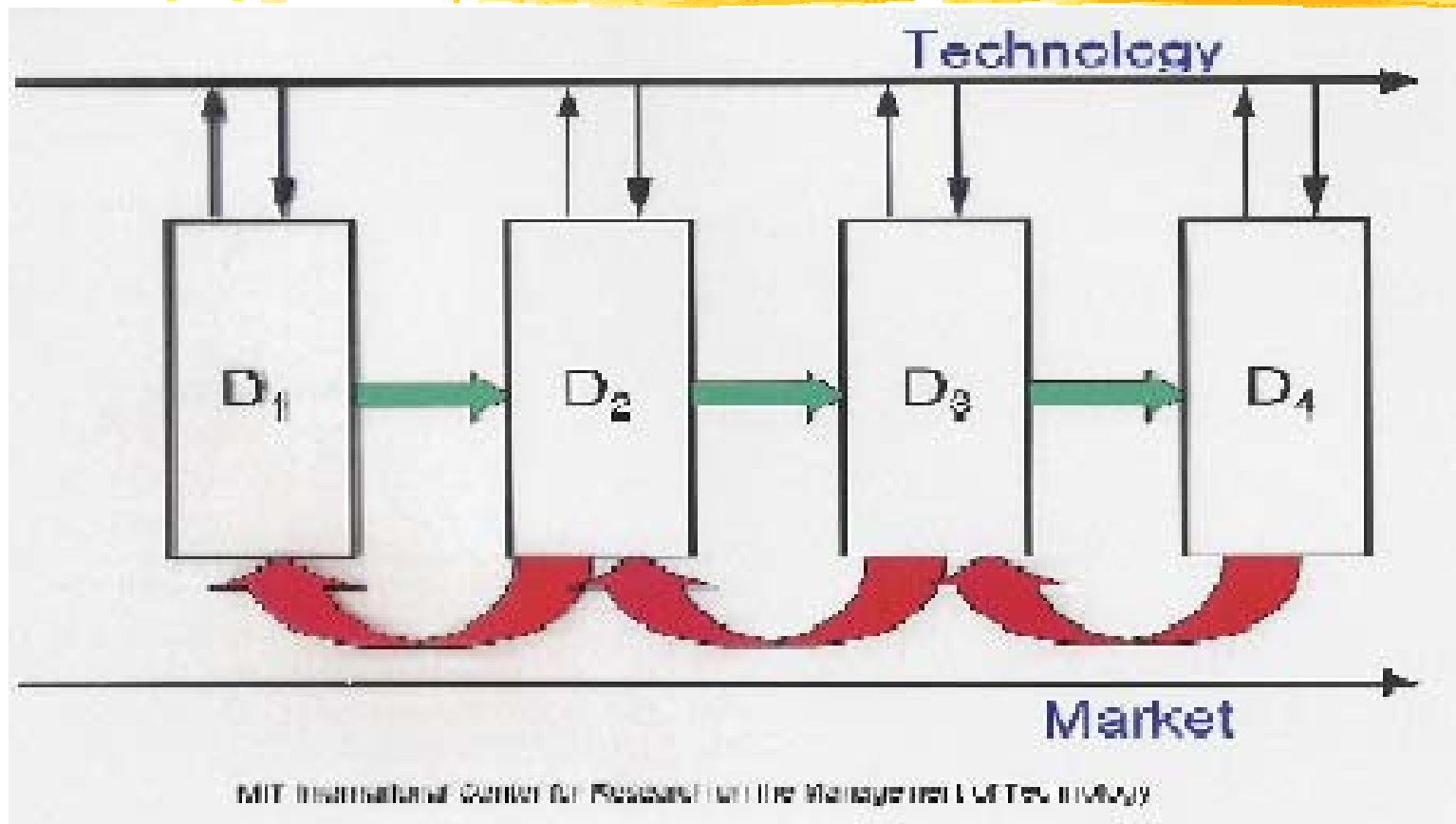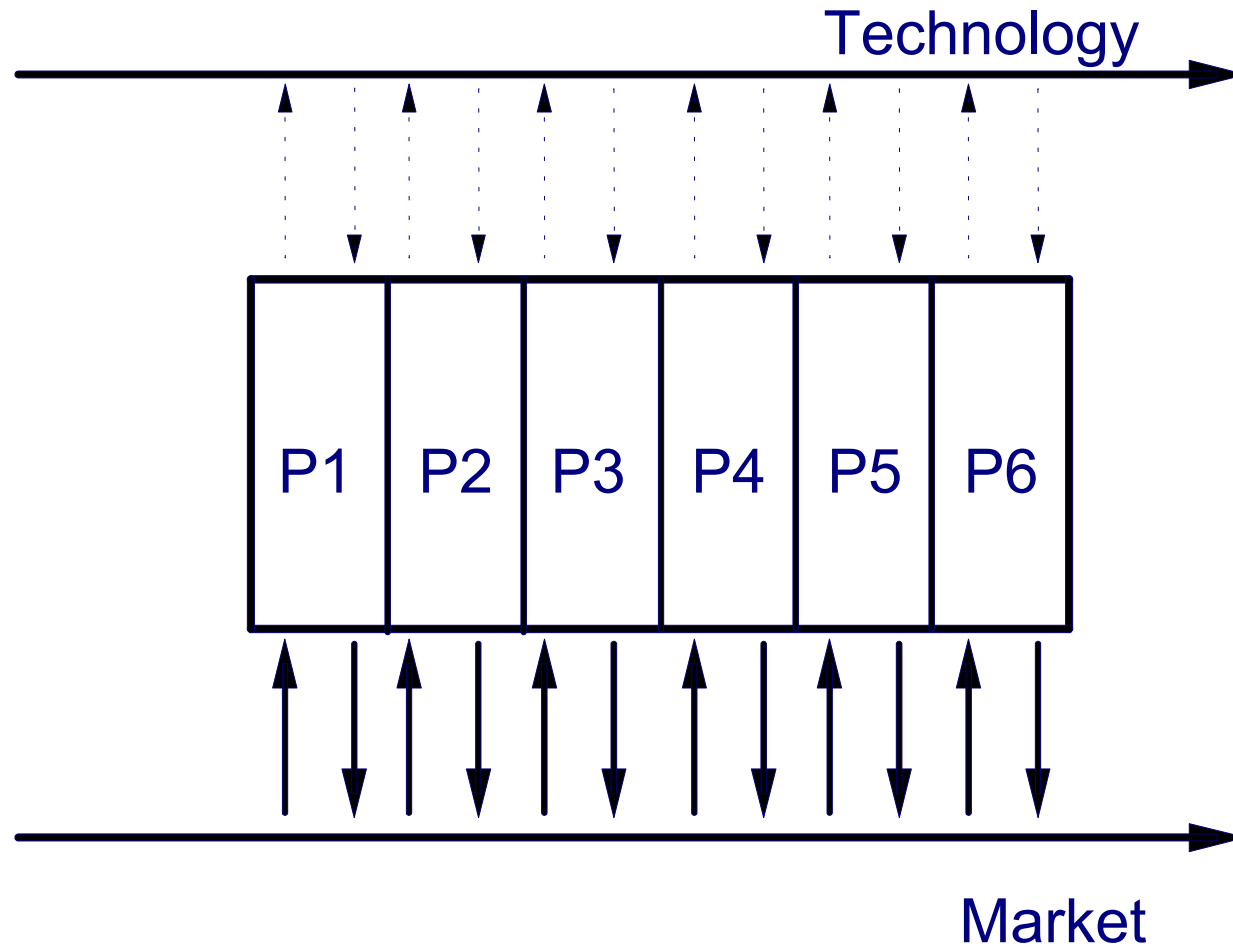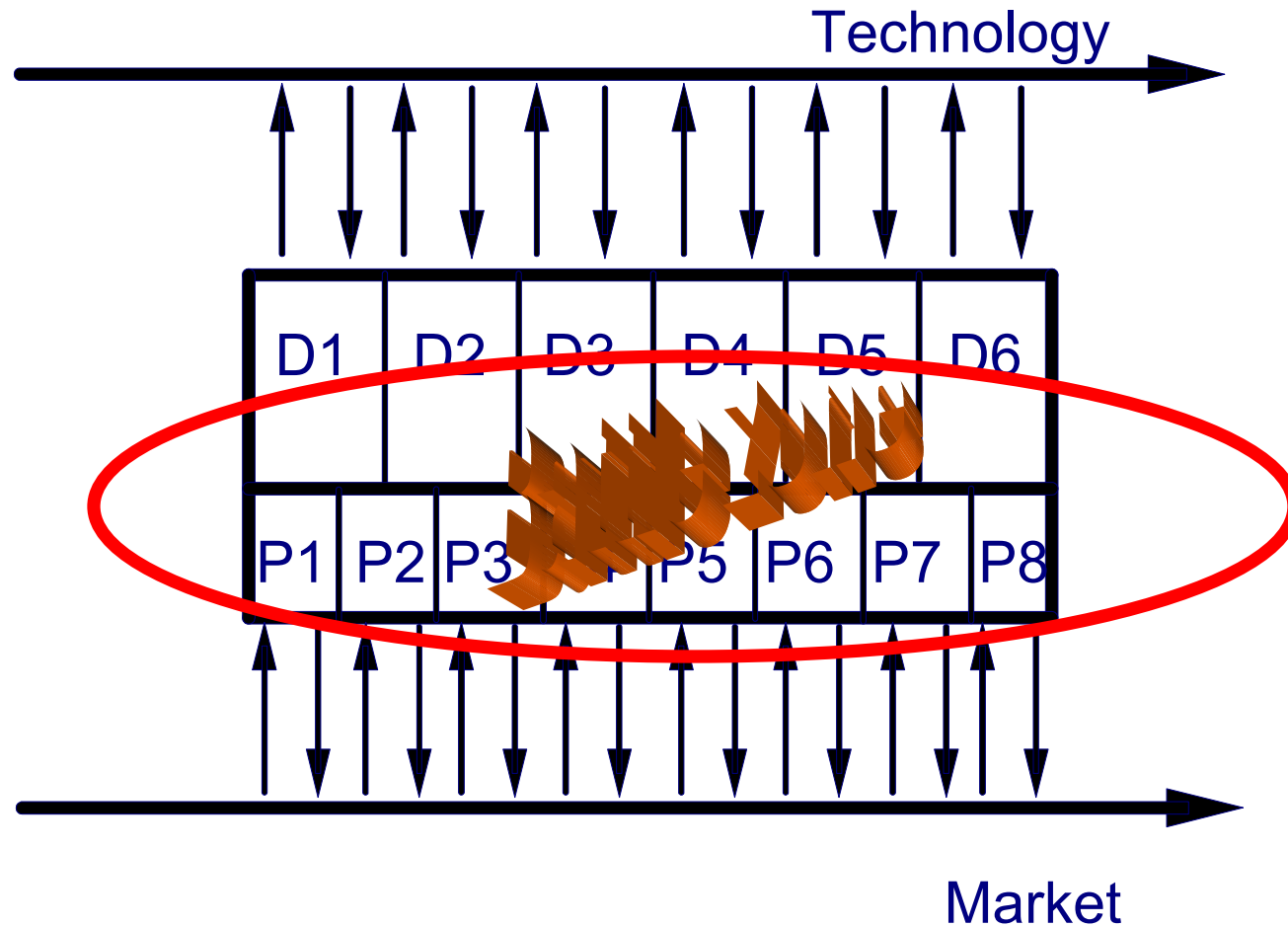
Time & Coordination

- Time can always be substituted for coordination!
- and the converse…
- Better coordination can reduce development time.

Project Team Organization

Technology

| P1 | P2 | P3 | P4 | P5 | P6 |

Market

Matrix Organization

Technology

| D1 | D2 | D3 | D4 | D5 | D6 |

| P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 |

Market

Matrix Organization

The Basic Tradeoff and Dilemma in Product Development Organization

- **Departmental Organization**
  - Departmental structure is more closely mapped to the structure of the supporting technologies
  - It thereby provides a better connection to those technologies and better ongoing technical support to the project effort.
  - This is, however, accomplished at the cost of much greater difficulty in coordination of the project tasks and less responsiveness to market change.

- **Project Team Organization**
  - Project Team structure groups people from different disciplines together in a single team all reporting to a common manager.
  - It thereby provides better coordination of the project tasks and increased sensitivity to market dynamics.
  - This is, however, accomplished at the cost of a separation from the disciplinary knowledge underlying the project effort. When this is carried to an extreme, it will gradually erode the technology base of the organization.