

# Chapter 5

## The Designing of Organization Structure in Innovative Firms

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### ABSTRACT

*Globalization and information technology are key factors for altering all dynamics of the business life. These factors push firms to create new tools for struggle with competitive markets. Nowadays, one of the key tools is innovation and to become an innovative firm. The firms focus on differentiation and offering a higher value to their customer. So, they must have suitable numbers of creative employees and infrastructure such as buildings, machines, so on. But, unless these factors integrate each other, it does not create a synergy of them. The structure is like that skeleton for a firm. The structure should coordinate all its factors so that it gets higher effectiveness as a result of the firm's operations. In other words, the firm's aims and strategies determine its structure. For this reason, innovative firms can prefer one or two of their organization structure's types simultaneously such as matrix organization based on projects, ambidexterous structure with its exploratory and explorative sides, or starfish structure with decentralization. In the chapter, innovative firm and its features are described. Then the innovative organization structure is analyzed. Which factors affect the organization structure, what types of innovative structure are, and why the choiced structure type is ideal for innovative operations are explored.*

### BACKGROUND

The understanding of interaction between organizational changing and innovation operations is a success key in business life. Firms protect competitive advantages and survivor power by innovation. So firms must organize a design structure for maximizing of innovation operations (Makimattila, Saunila & Salminen, 2014). Designing of organization structure that encourage innovation internalize facilitation innovation management system. The organization structure catalyses the all factors. Therefore, the organization structure and its designing are virtual for success of innovation in the firm. For this reason, many researchers in the related literature study how designing of an organization structure for maximizing firm's innovative potential and which factors affect to innovation activity. According to H. Mintzberg

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(1983), an innovative organization structure that enable a high level of contribution to innovation operations and effective knowledge management must design flexible. In this sense, he mentioned that adhocracy is the most suitable organization structure for innovative operations. Selwyn W. Becker and Thomas L. Whisler (1967) mentioned that the structure that promotes innovation is based in different tasks. William M. Evan and Guy Black (1967) said that the designing of organization structure must be constructed according to differentiated tasks and a level of individual and functional specialization. Fariborz Damanpour (1991) mentioned interaction between organizational culture, management support and structure. Fariborz Damanpour and Shanthi Gopalakrishnan (1998) pointed out to the existence of the structural factors that affect innovation success such as specialization, functional differentiation, centralization and vertical differentiation.

The structure allows to work together all factors harmoniously. So, first of all, the structure must be designed to allow a division of labor in different tasks and their coordination (Mintzberg, 1983). The innovative organization structure is studied according to firm size, formalization level, degree of decentralized or autonomy, individual and functional specialization in the literature (Evan & Black, 1967). The structure enables for using of process and resources at the optimal level. Besides the organization structure must have a design compatible with organizational culture. Innovation is not only to protect existing products, process but also to create new and different things. So management support is needed to occur organizational changing. It is related with organizational culture and climate.

A firm should be ready for change and to have high level of adoptive skills to alteration at its environment. Thus, there is an organization climate that is based on decentralization at the making decisions process. The designing of organization structure enable to collect knowledge at the same portal and create new ideas. The designing of an organization structure must ensure an effective division of labor and coordination among different tasks between firm's functions and project teams at innovative firms.

Innovation isn't limited to assign to a specific a person, team or authorised as a responsible; the designing of organization structure enables the staffs to contribute innovation at the firm. It hasn't been analysed enough how innovative organization structure is designed in the related literature. However, becoming an innovative firm is important to survive in global world. So many researches and managers focus further techniques that promote innovation management systems and to increase their outputs. But the techniques and their outputs are just a part of a innovation management process occurring in an innovative firm.

First of all, the firm's infrastructure such as its culture and designing organizational structure, a division of resources, should support the innovation management process. So the skeleton enables all innovation activities to manage. For this purpose, in the first section, it is discussed what can be features of innovative organizations and how innovative organizations need a design and which factors affect it. The second section is about the designing of organization structure in innovative organization. In the last section, it is forecasted about what potential organization structure and its features should be in today and in the future.

## **Innovative Organization**

Innovative firm creates trading and social value as a result of transformation from a new idea to a new product or process or improvement of them. This definition is improved from a cumulative evaluation of other definitions in the literature. It is seen that innovative firm's definitions are related with developing new ideas, exhibiting innovative behaviour, interaction of environment and creativeness.

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