

New business systems, not just technology, drive hot products
“Rotating leadership” boosts innovation, MIT Sloan professor finds

Consumers happily using their iPods and Xboxes don't realize it, but what they hold in their hands is the result of not only innovative technology, but a whole new way of doing business, including one where even large firms yield total, though temporary, control of product development to another company, according to new research by MIT School of Management Professor Jason Davis.

The old model of larger companies keeping most aspects of product development under tight internal control is shifting into one of far more active collaboration, even among competing giants. But that doesn't necessarily mean constant interaction and daily meetings among partners. In fact, Davis, together with collaborator Prof. Kathleen Eisenhardt, co-director of the Stanford Technology Ventures Program, found that some of the most successful innovations are generated by what he calls “rotating leadership,” where one partner leaves the other completely alone for a period of time before taking over the reins itself.

“Many people still believe in this strong mythology that major technology firms are go-it-alone innovators,” said Davis, who researched successes and failures at collaboration among a number of top-tier technology firms. “The impact of rotating leadership on innovation was striking. In reality, many of the technology blockbusters of the last five years are the result of firms locking themselves into intense collaborative processes that can last up to three years.”

In such “symbiotic relationships,” one partner may be completely in control of product development. “Rotating leadership lets them take turns managing one segment of the development and then turning it over,” said Davis. “We found that firms were surprised to find how conducive it was for innovation to let their partner have unilateral control of the project for six months or some other period of time.”

With large companies, such rotating control is a matter of efficient coordination, not just innovation. “Sometimes these firms have hundreds of engineers and millions of dollars invested in collaborative innovation,” he said. “Rather than spend so much time jointly coordinating people and process, rotating leadership enables a firm with the strongest capabilities in one area to ‘own’ the project before turning control over to the firm with other strengths for another period of time.”

Revolving control means that decisions can be made even when one partner is occupied with other matters, Davis found. “More importantly, it increased commitment to the collaboration because partners knew they'd be able to influence decision-making during their turns at decision control,” he said. “The dawning of each new phase provided an occasion for each firm to change its plans to incorporate their partner's contributions from prior phases. The result was often some unexpected solution to current problems that brought development down unpredictable paths.”

The winners aren't just the companies that end up with exciting new products, said Davis, whose research is supported by the National Science Foundation. “The consumer is the real beneficiary, because this process brings together technologies that otherwise might not be created.”