Organizing for Innovation in Internet Firms

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Motivation

- **Examine concepts from classroom**
  - Gate-keepers, New hires
  - Can dual ladders work?
  - Communication and distance

- **Why Internet Software Firms**
  - Rapid pace of innovation
  - Intangible product
  - Global teams
  - New, less-understood sector

Scope

- Focus
  - Internal structures
  - Processes, people

- Out of scope
  - Market dynamics
  - Financial and technological comparisons
  - Applicability beyond knowledge-intensive firms

- Inputs
  - 10-Ks, Public articles, Insider interviews

Key Facts

Origins	1998,Stanford research	1994, Stanford students	1995, Seattle
Company[1]	7B Revenue, 1.7B Income 6800 employees	5.2B Revenue, 1.9B Income 9800 employees	8.5B Revenue, 360M Income 12000 employees
Products	**Search,** Ad network, Email, IM, Maps, Desktop/Enterprise search	**Portal**, Email, IM, Media alliances, Verticals (hotjobs)	**E-tailing** (Amazon.com) Search (A9.com), Alexa, IMDB
Unique Factor	Largest Search engine	Most popular portal	E-tailing pioneer

Source: 2005 Public financial data, Wikipedia.org

Google

- **Customer focus**
  - Anticipate customer need vs. ask for requirements

- **Wisdom of Crowds**
  - Internal "Ideas" forum
  - Voting system to pick winning ideas
  - Prioritization by senior mgmt : strategic impact

- **"Giant VC firm"**
  - Team gets more resources with each milestone met
  - 20% personal projects time, "Founder's Award"

- **Hiring**
  - Thought Leaders - attract other talent

- **Communication**
  - mini-teams, little telecommuting

Yahoo!

- **Change in culture**
  - More mature
  - New Media executive CEO, founders in the background
  - More emphasis on bottom-line
- **Technical ladder**
  - salary, equity
  - rewards : "Super stars", "Yahoo Fellows"
- **Hiring**
  - "Project Guru" – new initiative to scout for and hire experts
- **Communication**
  - Distributed, virtual teams, matrix structure

Amazon

- **"Customer connection"**
  - Mandatory 1-wk warehouse training
- **Technical ladder**
  - Opinion Shapers (Gatekeepers) : Viable alternative to mgmt track
  - Engineers: Innovate and Execute, Can veto key decisions
- **Hiring**
  - New hire shadows two mentors – within & outside team
- **Communication**
  - "Two-Pizza" Rule - If you can't feed a team with two pizzas, it's too large.
  - Self-contained remote teams
  - Glass walls, open spaces for brainstorming

Lessons

- **Rapid pace needs nimble teams**

  - "two-pizza" teams – repeated theme
  - Need to cut across organizational boundaries
  - Freedom to experiment but accountability to deliver
  - Entrepreneurial skills valued

- **Effective Technical Ladder**

  - Power to veto management decisions
  - Internal Branding: "Tech=cool"
  - Clout to influence and shape opinions

Future work

- Spatial organization
- Quantitative studies
  (e.g. employee surveys)
- Virtual teams
- Longitudinal study
  (as companies, products, teams mature)

Thank You.
Q&A