

# Applied research case study

Business



He agonized that his team had worked tirelessly to make this project a reality and strongly believed they were now headed in the right direction.

But he also understood that the Filtration Unit's track record of failure during this product's development had hurt its credibility. If he supported the proposal, he knew he would be putting on the line not only his own personal credibility but also that of the entire unit. Due to the project's size, final approval would be made by Wash's boss, Cynthia lacks? the newly appointed vice president of ART's Water Management Division. Soon was acutely aware of the mounting losses in the Filtration Unit, and she had already devoted a significant amount of time trying to get them back on track. She had confided to one of her colleagues: When I took on this assignment, I was told my first task was to "fix" the Filtration Unit.

The unit only had one revenue-generating product line and had failed to bring a profitable new product to market in five years. It was clear that I was expected to either turn it around or shut it down. I'm trying to protect them and ensure they get support, but my initial feeling is if they re to survive, they must become much more disciplined.

They seem to be making progress on that front, but in all honesty, I sometimes wonder if it is time to cut our losses and initiate a harvest strategy for the unit. HUBS Professor Christopher A.

Bartlett and Heather Beckman prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. This case, though based

on real events, is fictionally, and any resemblance to actual persons or entities is coincidental.

There are occasional references to actual companies in the ration. Copyright © 2010 Harvard Business School Publishing. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business Publishing, Boston, MA 02163, or go to <http://www>.

Hubs. Harvard. Du. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business Publishing.

Harvard Business Publishing is an affiliate of Harvard Business School.

4168 | Applied Research Technologies, Inc. Global Innovation's Challenges  
Applied Research Technologies, Inc. ART was one of the technology world's emerging giants. The company had grown through the merger and acquisition of numerous technology-based industrial companies, acquired in the LOBO buyout waves of the aughts and aughts. By 2006, ART consisted of a portfolio of about 60 business units, each of which operated as a profit center.

Total corporate revenue was \$11 billion in 2006.

1 Major divisions in the corporation included Healthcare (medical diagnostic equipment), Industrial Automation (robotics), Energy (extraction, conversion, and transportation solutions for the oil and gas industry—including the Water Management Division), and HVAC (Heating Ventilation and Air Conditioning, <https://assignbuster.com/applied-research-case-study/>

including climate control solutions for residential, commercial, and industrial markets). Exhibit 1 shows the organization structure of the company. The company's success had been built on its innovative and entrepreneurial culture, coupled with a decentralized management philosophy. ART's vision statement, proudly displayed in almost every office and cubicle, stated: ' We aim to change the world through innovation, and to grow our place in it through entrepreneurship. Culture and Practices ART was dedicated to supporting innovation not only with funding (the company's R&D spending was double the rate for U. S.

Industrial companies), but also in its practices, several of which were deeply embedded in the company's culture.

ART encouraged employees to spend a half day each week " experimenting, brainstorming, and thinking outside the box. " It was a practice that the company's visionary founder and current CEO, David Hall, referred to as " tinker time. " He explained the concept: Innovation and entrepreneurship are the twin engines driving this company. It's the reason we've ingrained " tinker time" in our culture..

. ' expect all our managers, and particularly those on the front line, to create, promote, and back promising ideas.

But we understand that when you go for the big leap, you won't always clear the bar. So there is no shame in failure when you are stretching for big objectives. Around here we routinely celebrate what we call " worthy attempts"- even when they are unsuccessful.

Knowledge sharing and dissemination was another key part of ART's business philosophy, and despite the high level of decentralization and profit accountability, genealogy and human capital were both widely shared among divisions.

For example, experts in one division routinely served as advisors on project committees for other divisions, and it was not uncommon for employees to go “on loan” to help another unit with a promising product idea or technology. The company also moved quickly to bring products to market. If an idea showed promise, funding was usually available for small “beta batch” productions, which often allowed market testing to achieve what was called “proto to concept” within ART.

In response, the company had introduced the “Fast Track Pipeline,” a program that focused on the highest priority projects by providing them with additional resources and management attention. ART currently had 67 such projects in the pipeline, six in the Neater Division, but none in the Filtration Unit.

(The mini oxidation unit had not been identified as a “Fast Track” project). In the late 1990s, Hall began pushing to grow ART's global presence. “It's important not just to expand our market access, but also to broaden our talent access,” he insisted. Innovation and entrepreneurship know no national boundaries. “In the quest to meet this challenge “to attract the best and the brightest wherever they live,” in 2000, the corporate R&D group opened the India Technical Center (TIC)—a substantial operation that

Hall hoped would become a model for other R&D centers he planned to open up around the globe.

Ere Filtration Business Unit Ere Filtration Unit was part of a business ART acquired from an oil and gas services company in 1996.

Its core product line was in mobile water treatment that allowed oil and gas exploration companies to meet government water recycling requirements at well heads and drilling sites. These products were still the unit's core line, but in the late 1990s, new competition from Chinese manufacturers had led to a modernization of the business and an erosion of margins. ART's newly acquired filtration business had tried to develop the next generation of products and technologies, but after two high-profile new product failures, the unit had lost confidence. By 2006, it was losing about \$6 million annually.

New Management, New Energy In a promotion from his role as a lab manager in the HAVE Division, the 32-year-old Was had assumed the role of business manager for the Filtration Unit in June 2001.

He immediately confronted the unit's twin organizational problems of low morale and rising turnover, and in his first year, rebuilt the team by carefully selecting entrepreneurial-minded individuals to fill the vacancies left by turnover in the unit. One of his key recruits was Janice Wagner, whom he knew from her five years as a marketing manager in the HAVE Division.

She was excited to join a unit that had an opportunity to develop a new business from scratch. Convinced that survival depended on innovative

growth, Vass appointed a technology evaluation team early in his tenure, charging them with the responsibility to focus on technologies with the potential to turn the unit around. In one of his first reviews Ninth that team, Was learned that for almost a year, the filtration unit had been Morning with TIC technicians on an exciting new technology the young Indian team had developed based on a license obtained from a Delhi-based start-up company.