

An aerial photograph of a large, colorful geometric plaza. The plaza is composed of various colored rectangular sections in shades of light blue, dark blue, red, and green. A large green square is the central focus, with several people walking on it. Other people are scattered across the surrounding light blue and dark blue sections. The overall design is reminiscent of Piet Mondrian's abstract art style.

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MANAGEMENT

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Managing change and innovation

CHAPTER 11



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Managing change and innovation

1

Explain how disruptive innovation and the ambidextrous approach are possible responses to the forces that drive innovation and change in today's organisations

2

Describe the exploration activities that organisations can undertake to ensure their products and technologies remain relevant for the work that they do and the value they create; the value of cooperation, creativity, a bottom-up approach, internal contests, idea incubators, idea champions, and new-venture teams for innovation

3

Describe the benefits of training and development for influencing employees and organisational culture

4

Outline some of the key reasons people tend to be resistant to change, and how managers should take these into account when implementing change in their business

5

Explain the challenges to implementing organisational change, including critical success factors such as people and culture, overcoming resistance, and developing and implementing tactics using force field analysis



Do you have true determination? _____

	Mostly true	Mostly false
1 I often set a goal but later choose to pursue a different one.		
2 I have been obsessed with a certain idea or project for a short time but later lose interest.		
3 I have difficulty maintaining my focus on projects that take more than a few months to complete.		
4 New ideas and projects sometimes distract me from previous ones.		
5 I finish whatever I begin.		
6 Setbacks don't discourage me.		
7 I am diligent.		
8 I am a hard worker.		



INNOVATION AND THE CHANGING WORKPLACE

- This chapter examines two key aspects of change in organisations:
 - changing organisational things – new products and technology
 - changing organisational people and culture
- The chapter also looks at some reasons people resist change and some techniques managers use to implement change

organisational change

- The adoption of a new idea or behaviour by an organisation.



DISRUPTIVE INNOVATION

- becoming a goal for companies that want to remain competitive on a global basis
- Changes can be in:
 - products
 - services
 - processes

disruptive innovation

- Innovations in products, services or processes that radically change an industry's rules of the game for producers and consumers.



THE AMBIDEXTROUS APPROACH

- Enables organisations to incorporate structures and processes that are appropriate for both the **creative impulse** and **implementation of ideas**
- Allows **flexibility** with **control** to ensure targets are met
- Managers encourage flexibility and freedom to innovate and propose new ideas with creative departments



CHANGING THINGS: NEW PRODUCTS AND TECHNOLOGIES

- New-product changes
 - A change in the organisation's product or service output
- Technology changes
 - Change which relates to an organisation's production process

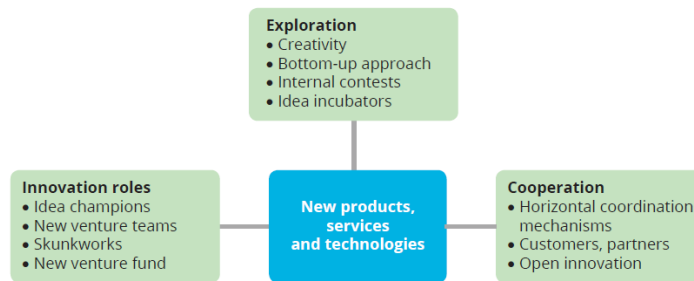


Exhibit 11.1 Three innovative strategies for new products and technologies

THREE CRITICAL INNOVATION STRATEGIES

- Exploration
 - New ideas are generated
- Cooperation
 - Mechanism for both internal and external coordination made available
- Entrepreneurship
 - Person within organisation who can see the need for and champions productive change within the organisation



EXPLORATION AND CREATIVITY

The creative individual

- 1
 - Conceptual fluency
 - Open-mindedness
- 2
 - Originality
- 3
 - Less authority
 - Independence
 - Self-confidence
- 4
 - Playfulness
 - Undisciplined exploration
 - Curiosity
- 5
 - Persistence
 - Commitment
 - Focused approach

The creative organisation

- 1
 - Open channels of communication
 - Contact with outside sources
 - Overlapping territories; cross-pollination of ideas across disciplines
 - Suggestion systems, brainstorming, freewheeling discussions
- 2
 - Assigning nonspecialists to problems
 - Eccentricity allowed
 - Hiring outside your comfort zone
- 3
 - Decentralisation, loosely defined positions, loose control
 - Acceptance of mistakes; rewarding risk-taking
 - People encouraged to challenge their bosses
- 4
 - Freedom to choose and pursue problems
 - Not a tight ship, playful culture, doing the impractical
 - Freedom to discuss ideas; long time horizon
- 5
 - Resources allocated to creative personnel and projects without immediate payoff
 - Reward system encourages innovation
 - Absolution of peripheral responsibilities

Exhibit 11.2 Characteristics of creative people and organisations

Sources: Based on Steiner, G. A. ed. (1965). *The Creative Organization* (Chicago: University of Chicago Press), pp. 16–18; Kanter, R. M. (July–August 1982). 'The Middle Manager as Innovator'. *Harvard Business Review*, 104–5; Quinn, J. B. (May–June 1985). 'Managing Innovation: Controlled Chaos'. *Harvard Business Review*, 73–84; Sutton, R. I. (September 2001). 'The Weird Rules of Creativity'. *Harvard Business Review*, 94–103; and Finn, B. (April 2005). 'Playbook: Brainstorming for Better Brainstorming'. *Business 2.0*, 109–14.



COOPERATION

- Ideas for product and technology innovations typically originate at lower levels of the organisation
- Need to flow horizontally across departments
- People and organisations outside the firm can be sources of innovative ideas
- Therefore, many companies are seeking to transform the way they find and use new ideas by improving cooperation, and internal and external coordination



INTERNAL COORDINATION

- Failed innovation is often the result of failed cooperation
- **Horizontal linkage model**
 - An approach to product change that emphasises shared development of innovations among several departments



Exhibit 11.4 Coordination model for innovation



EXTERNAL COOPERATION

- External coordination:
 - Organisations look outside their boundaries to find and develop new ideas
- Successful companies often include customers, strategic partners, suppliers development process
- **Open innovation**
 - Extending the search for and commercialisation of new ideas outside the boundaries of the organisation



INNOVATION ROLES

- Mechanisms to make sure new ideas are carried forward, accepted and implemented
- Requires roles in organisation:
 - Inventor
 - Champion
 - Sponsor
 - critic
- A **new idea champion**:
 - sees the need for and champions productive change within the organisation



ROLES IN INNOVATION

idea champion

- person who sees the need for and champions productive change within the organisation.

new-venture team

- a unit separate from the mainstream of the organisation that is responsible for developing and initiating innovations.

skunkworks

- separate small, informal, highly autonomous, and often secretive group that focuses on breakthrough ideas for the business.

new-venture fund

- a fund providing resources from which individuals and groups can draw to develop new ideas, products or businesses.



CHANGING PEOPLE AND CULTURE

- People change
 - Changing the attitudes and behaviours of a few employees
- Culture change
 - A major shift in the norm, values, attitudes and mindset of the organisation
- Training and development
 - Most frequently used approach to change



TRAINING AND DEVELOPMENT

- One of the most frequently used approaches to changing people's mindset
- Subjects such as teamwork, diversity, emotional intelligence, quality circles, communication skills or participative management
- Lead to culture change



ORGANISATIONAL DEVELOPMENT (OD)

- Planned, systematic process of change that uses behavioural science knowledge and techniques
- Improves organisational health and effectiveness through:
 - Ability to cope with environmental changes
 - Improvement of internal relationships
 - Increased problem-solving capabilities (cont'd)



ORGANISATIONAL DEVELOPMENT (CONT'D)

OD can address 3 types of current problems:

- 1 Mergers and acquisitions
- 2 Organisational decline/
revitalisation
- 3 Conflict management



ORGANISATION DEVELOPMENT ACTIVITIES

OD activities include:

team building

- A type of OD intervention that enhances the cohesiveness of departments by helping members learn to function as a team.

survey feedback

- A type of OD intervention in which questionnaires on organisational climate and other factors are distributed among employees and their results reported back to them by a change agent.

large-group intervention

- An approach that brings together participants from all parts of the organisation (and may include key outside stakeholders as well) to discuss problems or opportunities and plan for major change.



ORGANISATION DEVELOPMENT APPROACHES TO CULTURE CHANGE

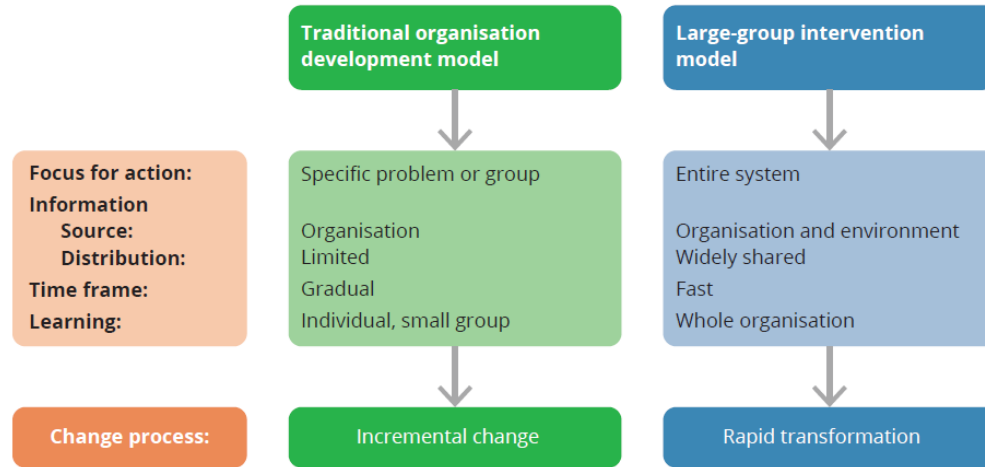


Exhibit 11.5 Organisation development approaches to culture change

Source: Adapted from Bunker, B. B. and Alban, B. T. (1992). "Conclusion: What Makes Large Group Interventions Effective?", *Journal of Applied Behavioral Science* 28, no. 4 (December 1992): 579–591.



ORGANISATION DEVELOPMENT STEPS

OD Steps:

1 Unfreezing

- Participants become aware of problems and become willing to change
- Use a change agent

2 Changing (intervention)

- Individuals experiment with new behaviour/skills

3 Refreezing

- Individuals acquire a desired new skill or attitude and are rewarded for it by the organisation



WHY CHANGE IS HARD

Self-interest

- people typically resist a change they believe conflicts with their self-interests
- the fear of personal loss is perhaps the biggest obstacle to organisational change

Lack of understanding and trust

- employees often distrust the intentions behind a change or do not understand the intended purpose of a change

Uncertainty

- lack of information about future events
- a fear of the unknown

Different assessments and goals

- may assess the situation differently from managers or promoters of a new idea
- critics frequently voice legitimate disagreements over the proposed benefits of a change



IMPLEMENTING CHANGE

- Final step in the change process is **implementation**
- Idea will not benefit the organisation until it is in place and being fully used
- Use techniques that can overcome resistance and enlist employee buy-in

Creating a sense of urgency

- strong need for change lowers resistance
- help employees and stakeholders *feel* the need for change
- emotion is a key component in persuading and influencing others

Apply force-field analysis

- grew from the work of Kurt Lewin
- proposed that change was a result of the competition between driving and restraining forces

Use implementation tactics

- tactics to overcome resistance
- five tactics:
- communication, participation, negotiation, coercion, top management support



FORCE FIELD ANALYSIS

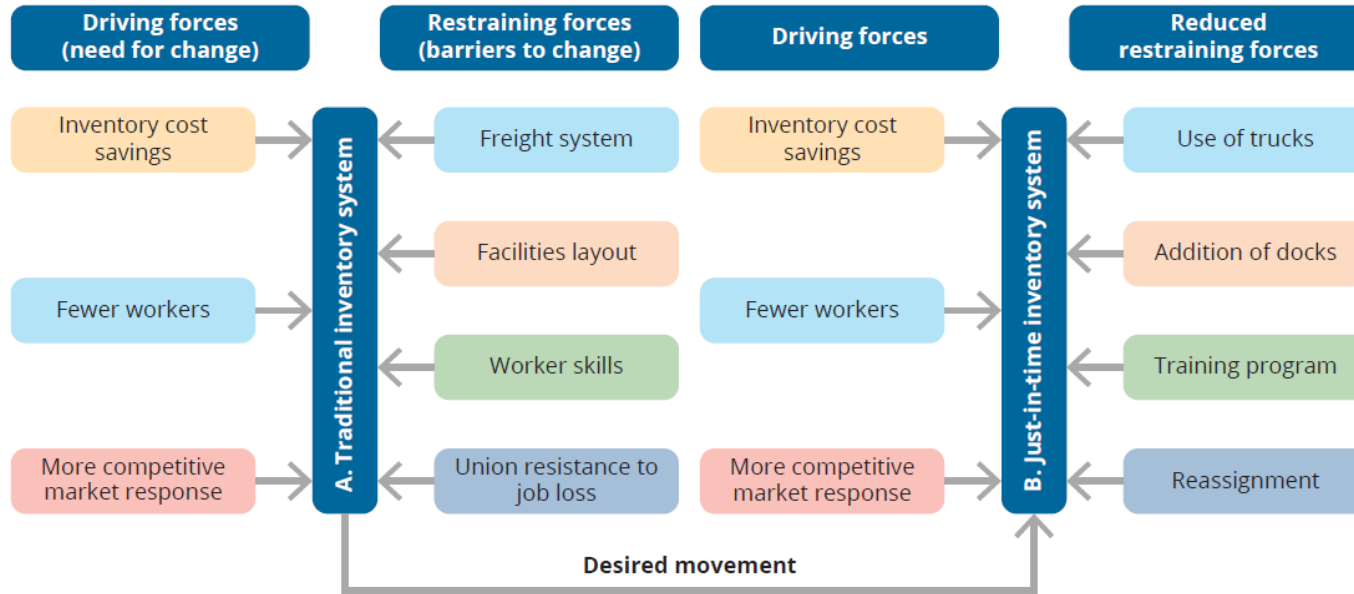


Exhibit 11.6 Using force-field analysis to change from traditional to just-in-time inventory system



IMPLEMENTATION TACTICS

Approach	When to use
Communication, education	Change is technical.
	Users need accurate information and analysis to understand change.
Participation	Users need to feel involved.
	Design requires information from others.
	Users have power to resist.
Negotiation	Group has power over implementation.
	Group will lose out in the change.
Coercion	A crisis exists.
	Initiators clearly have power.
	Other implementation techniques have failed.
Top management support	Change involves multiple departments or reallocation of resources.
	Users doubt legitimacy of change.

Exhibit 11.7 Tactics for overcoming resistance to change

Source: Reprinted by permission of *Harvard Business Review*. Based on Kotter, J. P. and Schlesinger, L. A. (March–April 1979). 'Choosing Strategies for Change'. Copyright © 1979 by the Harvard Business School Publishing Corporation. All rights reserved.



IMPLEMENTING SUSTAINABLE DEVELOPMENT IN THE ORGANISATION

- Implementation after strategy and structure for achieving mature sustainability is in place
- Assess the value of the change
- Be sensitive to current stakeholder expectations
- Giving staff a chance to share their thoughts, fears, hopes and insights
- Include external stakeholders
- Final piece of practical advice on managing changes, is to approach change as a rapid evolution rather than a revolution



CHAPTER 11 – BRIEF SUMMARY

11.1 Organisational change often focuses on shifting structures and processes that support employee behaviours. Change can be slow and methodical, or fast and disruptive, and depends largely on the strategic objectives of the organisation and the environment that the organisation faces.

11.2 Product change refers to change in an organisation's products or services, whereas technology change refers to a change in production processes – how the organisation does its work; while exploration involves designing the organisation to encourage creativity and the initiation of new ideas. Successful product and service innovation depend on strategies including exploration, cooperation, both within the organisation and with customers and others outside the organisation, and the creation of innovation roles.

11.3 Organisation development (OD) is a planned, systematic process of change that uses behavioural science techniques to improve an organisation's health and effectiveness through its ability to cope with environmental changes, improve internal relationships and increase learning and problem-solving capabilities.

11.4 For managers to effectively implement change, they need to be aware of and sensitive to the reasons that employees often resist change, which can include not only self-interest, but a lack of understanding and trust, uncertainty about the change, and differences in assessment and goals.

11.5 The support of top executives is crucial to the successful implementation of a change. In addition, managers use a variety of techniques to smooth the implementation process by influencing the forces that accelerate and decelerate change.

