

# Innovation and Change

t

# The Strategic Role of Change

- Organizations must run fast to keep up with changes taking place all around them
- Today's organizations must keep themselves open to continuous innovation to survive
- **Three** types of change:
  - Episodic change
  - Continuous change
  - Disruptive change
- ***Change has become the norm today***

## GLOBAL CHANGES, COMPETITION, AND MARKETS

- Technological change
- International economic integration
- Economic growth, recession, sovereign debt
- Arab Spring; Rise of BRIC countries

### MORE THREATS

- More domestic competition
- Increased speed
- Expanded international competition

### MORE OPPORTUNITIES

- Bigger markets
- Fewer barriers
- More international markets

## ENVIRONMENTAL DEMANDS FOR CHANGE

### Episodic

**Goal:** Manage change;  
Respond with technical  
and structural change as  
needed

### Continuous

**Goal:** Embrace change;  
Use R&D to build flow of  
new products and services

### Disruptive

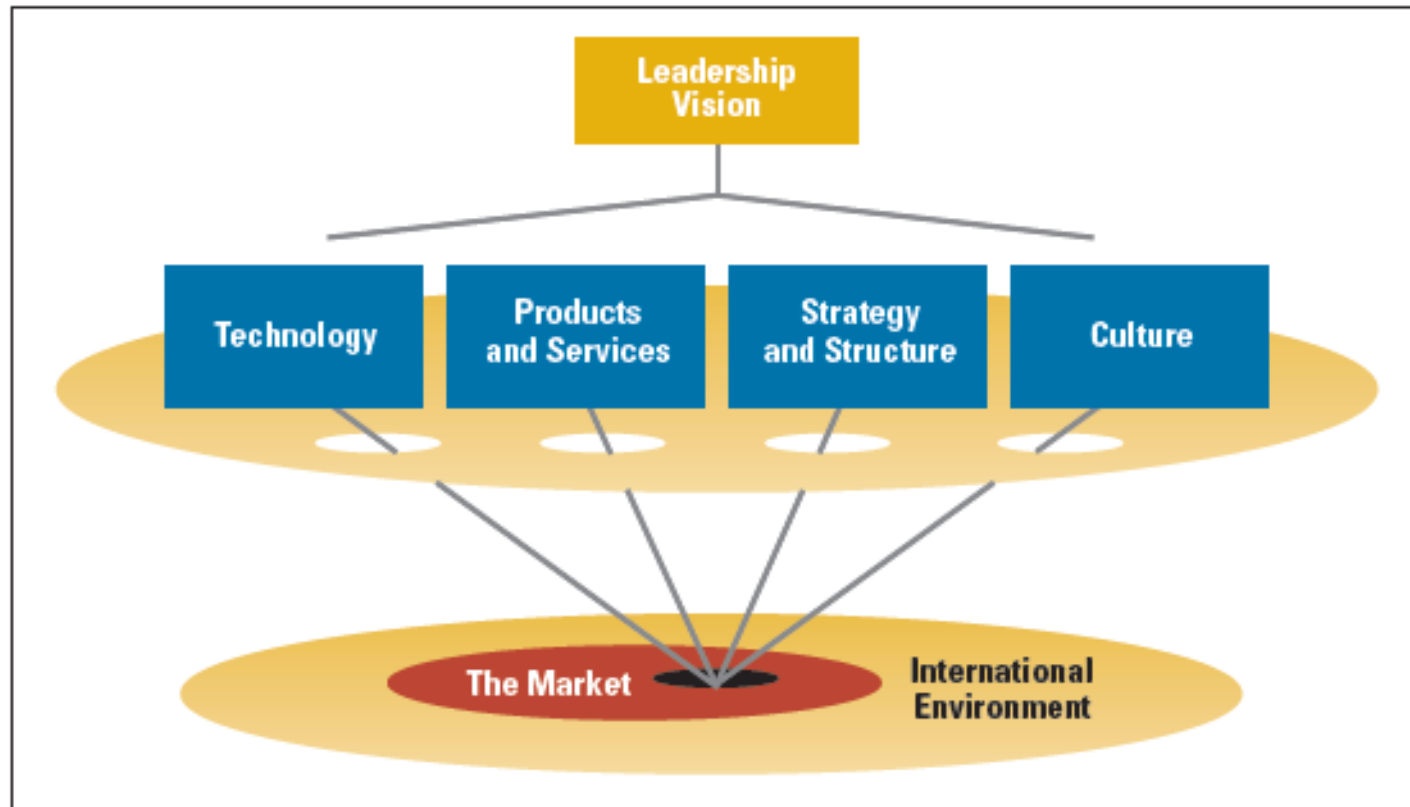
**Goal:** Plan for  
transformation of culture  
and way of doing  
business



# Forces Driving the Need for Major Organizational Change

Source: Based on John P. Kotter, *The New Rules: How to Succeed in Today's Post-Corporate World* (New York: The Free Press, 1995); and Joseph McCann, "Organizational Effectiveness: Changing Concepts for Changing Environments," *Human Resource Planning* 27, no. 1 (2004), 42-50.

# Strategic Types of Change

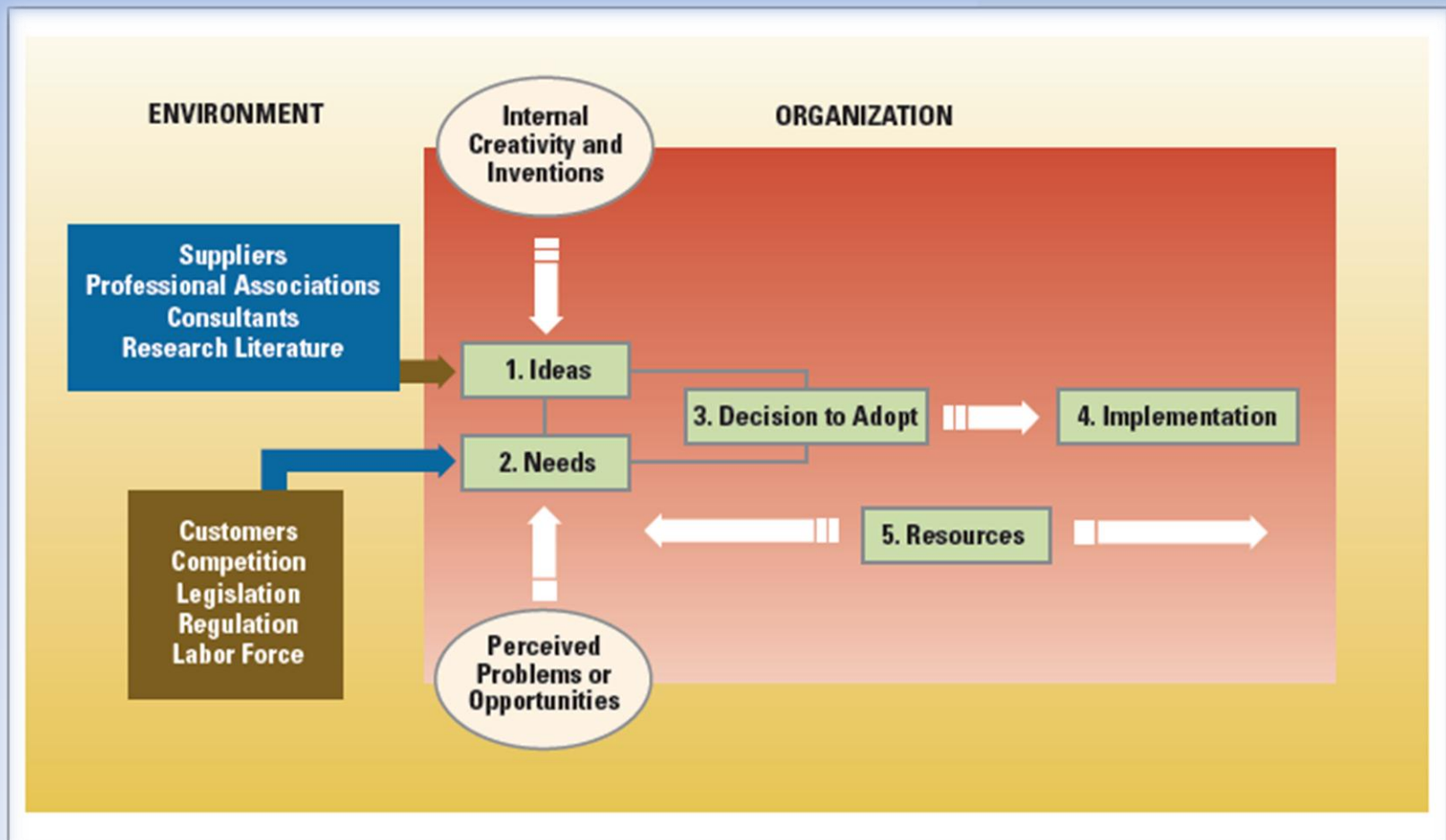


Source: Republished with permission of Academy of Management (NY), from Joseph E. McCann, "Design Principles for an Innovating Company," *Academy of Management Executive* 5, no. 2 (1991), 76–93; permission conveyed through Copyright Clearance Center, Inc.

# Elements for Successful Change

- ***Organizational change*** is the adoption of a new idea or behavior by an organization
- ***Organizational innovation*** is the adoption of an idea or behavior that is new to the organization's industry, market, or general environment
- ***Change process*** within organizations comes from innovation and new ideas regardless of timing
- **Successful change** includes ideas and creativity, need, decision to adopt, implementation, and resources

# Successful Change Elements



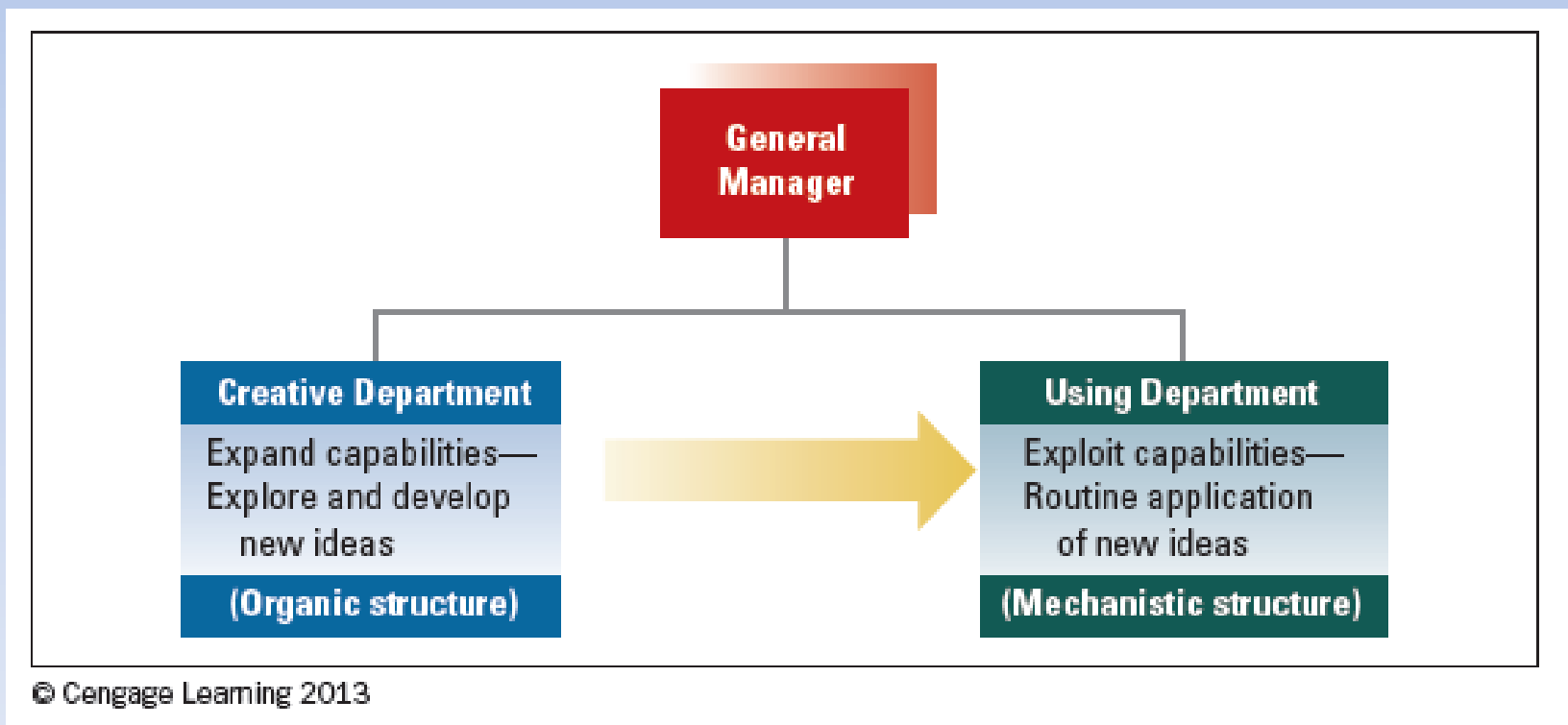
© Cengage Learning 2013

# Technology Change

- Technology is a key driver of organizational change
- Change is easily embraced by organizations with empowered employees
- Innovative organizations are flexible and free-flowing without rigid work rules
- Mechanistic structures stifle innovation and focus on rules and regulations

# Ambidextrous Organization

Incorporates structures and management processes that are appropriate for innovation





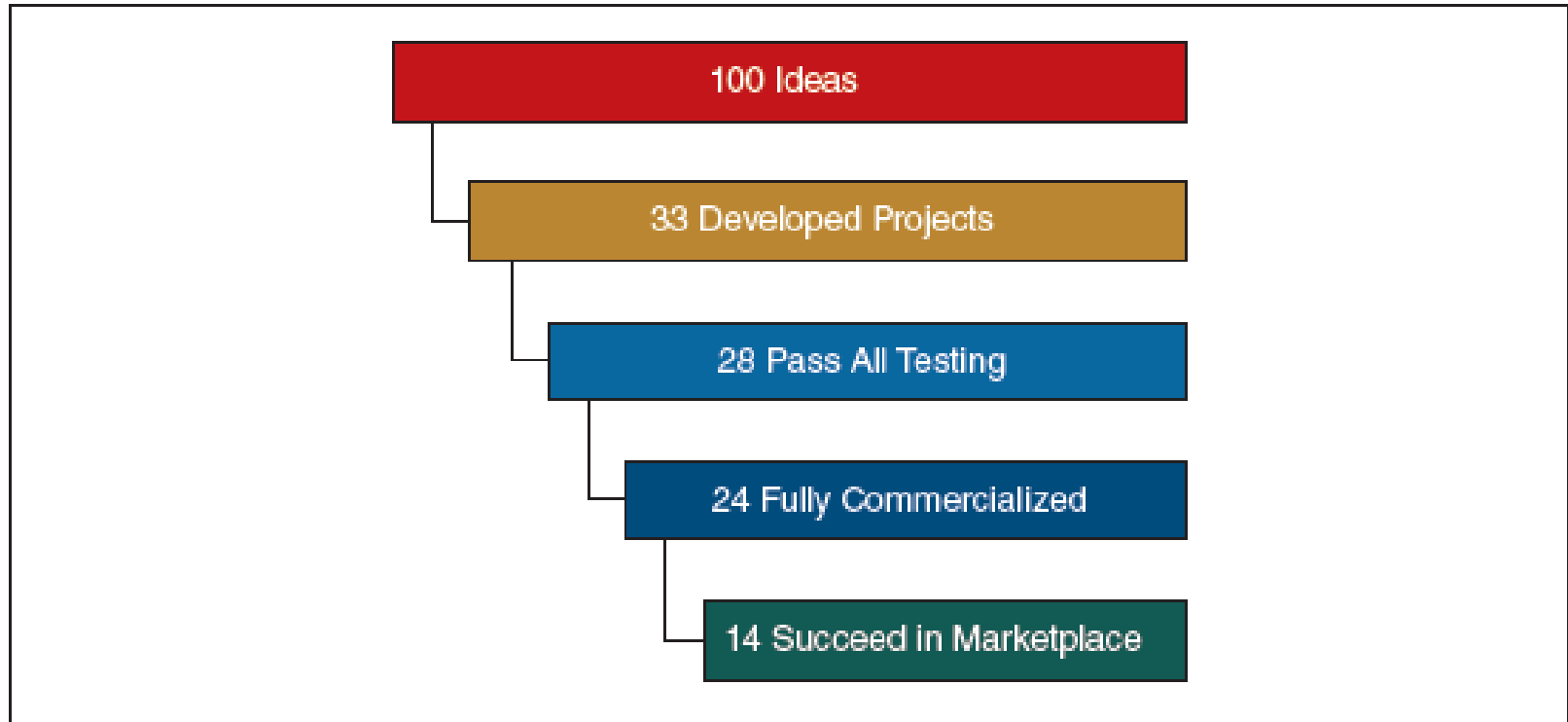
# Techniques for Encouraging Technology Change

- ***Switching Structures*** – create an organic structure
- ***Creative Departments*** – department for innovation
- ***Venture Teams*** – a small company within the organization
- ***Corporate Entrepreneurship*** – promote entrepreneurial spirit
- ***Bottom-up Approach*** – useful ideas come from people and daily work

# New Products and Services

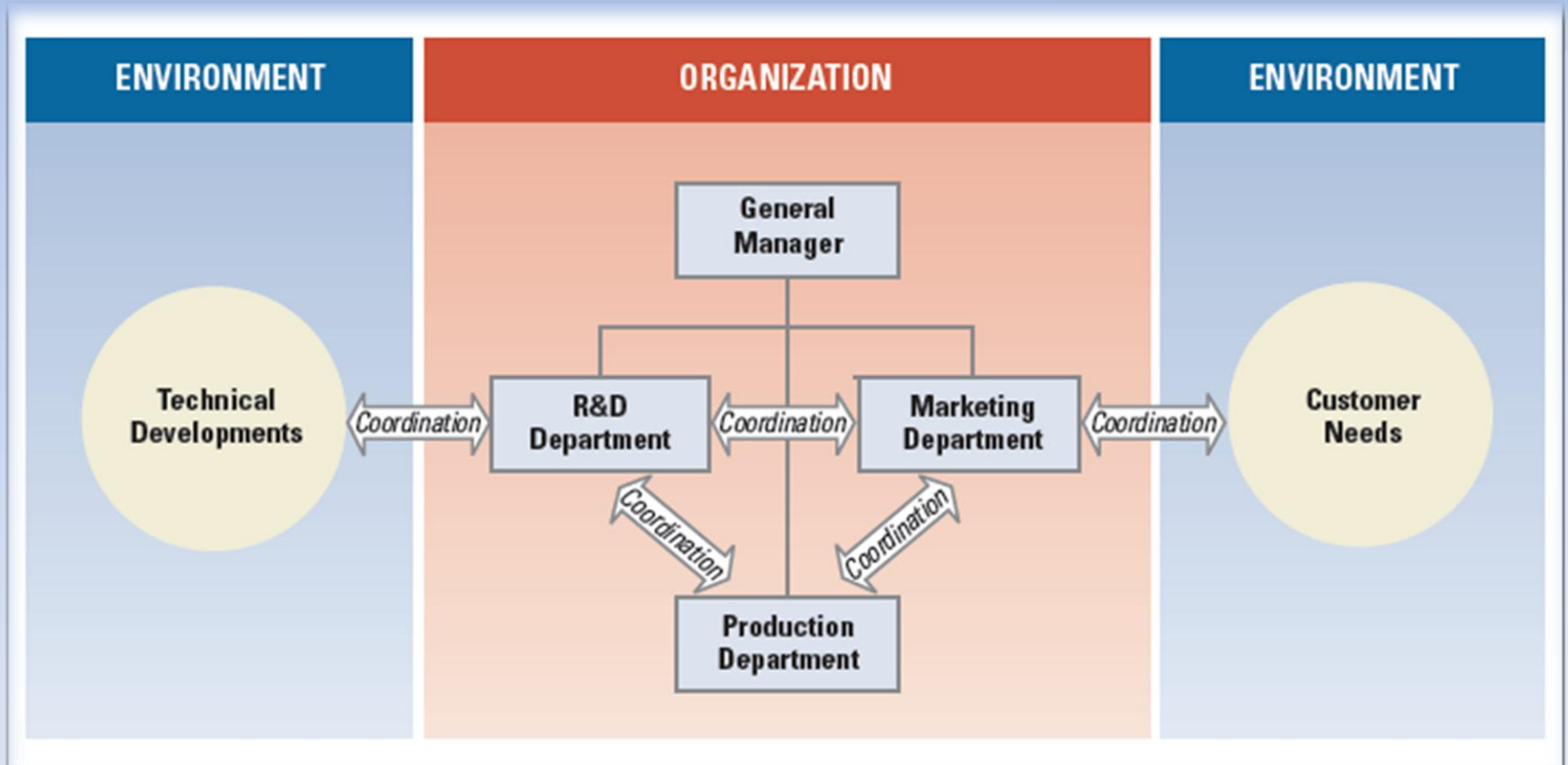
- The failure rate for new food products is **70-80%**
- Producing products that fail is part of business
- Reasons for **success**:
  - Innovating companies understand customers
  - Innovating companies successfully use technology
  - Top management supports innovation
- ***Horizontal Coordination Model***:
  - Specialization
  - Boundary Spanning
  - Horizontal Coordination
  - Open Innovation

# New Product Success Rates



Source: Based on M. Adams and the Product Development and Management Association, "Comparative Performance Assessment Study 2004," available for purchase at <http://www.pdma.org> (search on CPAS). Results reported in Jeff Cope, "Lessons Learned—Commercialization Success Rates: A Brief Review," *RTI Tech Ventures* newsletter 4, no. 4 (December 2007).

# Horizontal Coordination for Innovation



© Cengage Learning 2013

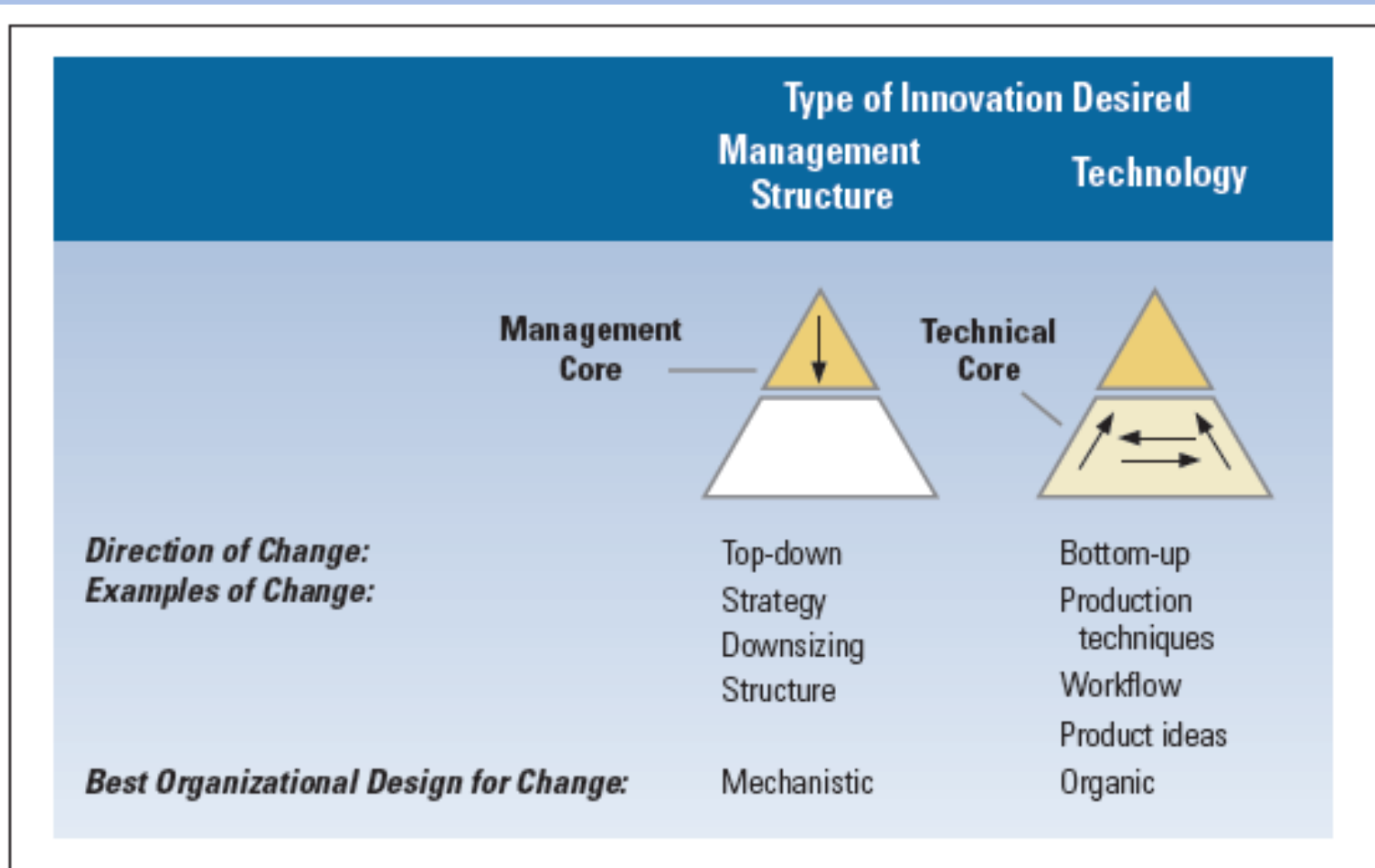
# Achieving Competitive Advantage: The Need for Speed

- The rapid development of new products and services can be a major strategic weapon
- ***Time-based competition*** means delivering products and services faster than competitors
- Many companies use ***fast cycle teams*** to support highly important projects

# Strategy and Structure Change

- Organizations need to change strategies, structures, processes, and procedures more often to adapt
- Many organizations are preparing for more change by:
  - Cutting out layers
  - Decentralizing decision making
  - Shift toward horizontal structures
  - Empowered teams and workers
  - Virtual network strategies
  - Incorporating eBusiness

# Dual-Core Approach to Organization Change



© Cengage Learning 2013

# Organization Design for Implementing Management Change

- Change related to restructuring and downsizing can be painful for employees
- Managers should be quick, authoritative, and humane
- Successful change managers are fast and focused to implement change



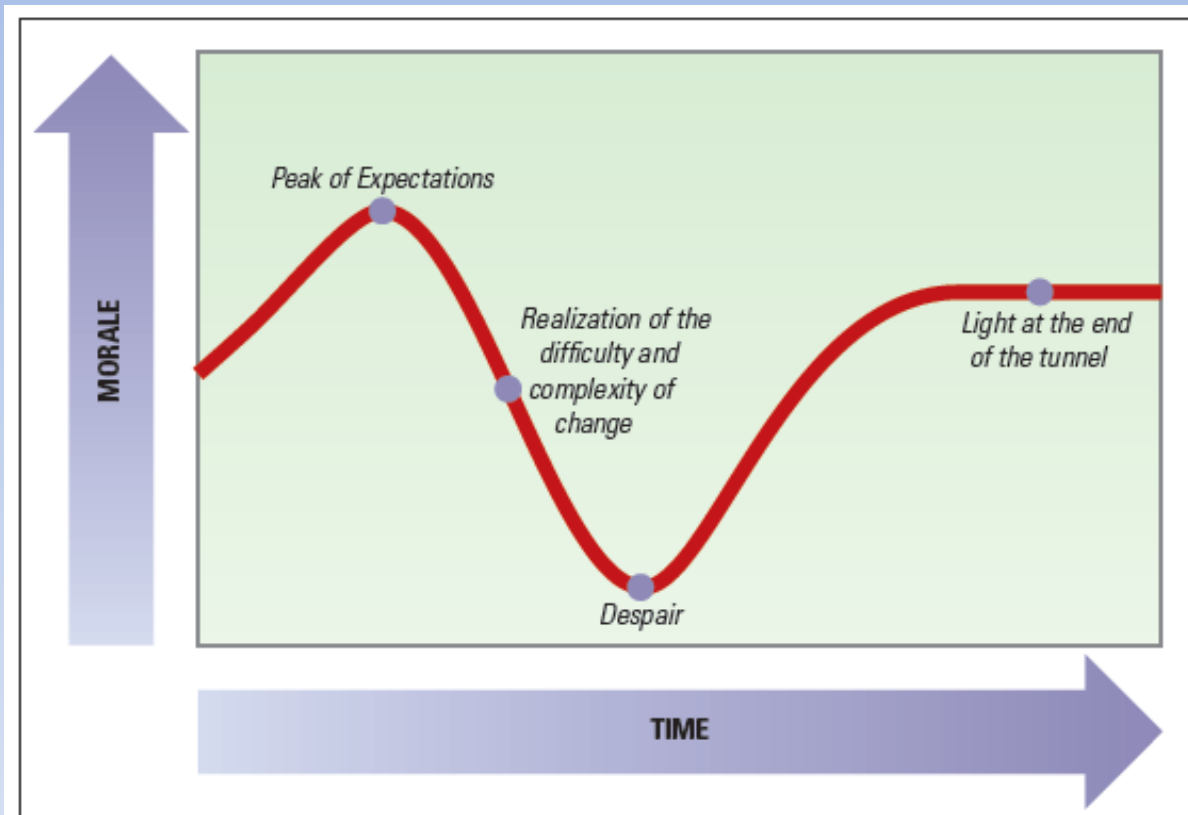
# Forces for Culture Change

- Reengineering and Horizontal Organization
- Diversity
- The Learning Organization

# OD Culture Change Interventions

- ✓ Large Group Intervention
- ✓ Team Building
- ✓ Interdepartmental Activities

# The Change Curve



Source: Based on "Gartner Hype Cycle: Interpreting Technology Hype," Gartner Research, <http://www.gartner.com/technology/research/methodologies/hype-cycle.jsp> (accessed May 20, 2011); "The Change Equation and Curve," 21st Century Leader, [http://www.21stcenturyleader.co.uk/change\\_equation](http://www.21stcenturyleader.co.uk/change_equation) (accessed May 20, 2011); David M. Schneider and Charles Goldwasser, "Be a Model Leader of Change," *Management Review* (March 1998), 41-45; and Daryl R. Conner, *Managing at the Speed of Change* (New York: Villard Books, 1992).

# Barriers to Change

- Excessive focus on costs
- Failure to perceive benefits
- Lack of coordination and cooperation
- Uncertainty avoidance
- Fear of loss

***Leadership for Change:*** 80% of successful innovative companies have top leaders who reinforce the value and importance of innovation. Transformational leadership is well-suited for leading change.

# Techniques for Change Implementation

1. Establish a sense of urgency for change
2. Establish a coalition to guide the change
3. Create a vision and strategy for change
4. Find an idea that fits the need
5. Develop plans to overcome resistance
6. Create change teams
7. Foster idea champions

# Techniques for Overcoming Resistance

1. Alignment with needs and goals of users
2. Communication and training
3. An environment with psychological safety
4. Participation and involvement
5. Forcing and coercion

# Design Essentials

- ✓ Change, not stability, is the challenge for managers
- ✓ There are four types of change
- ✓ Organic structures foster innovation
- ✓ A top-down approach is best for change and strategy
- ✓ Top managers must foster culture change
- ✓ The implementation of change can be difficult