

Organizational Innovation



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

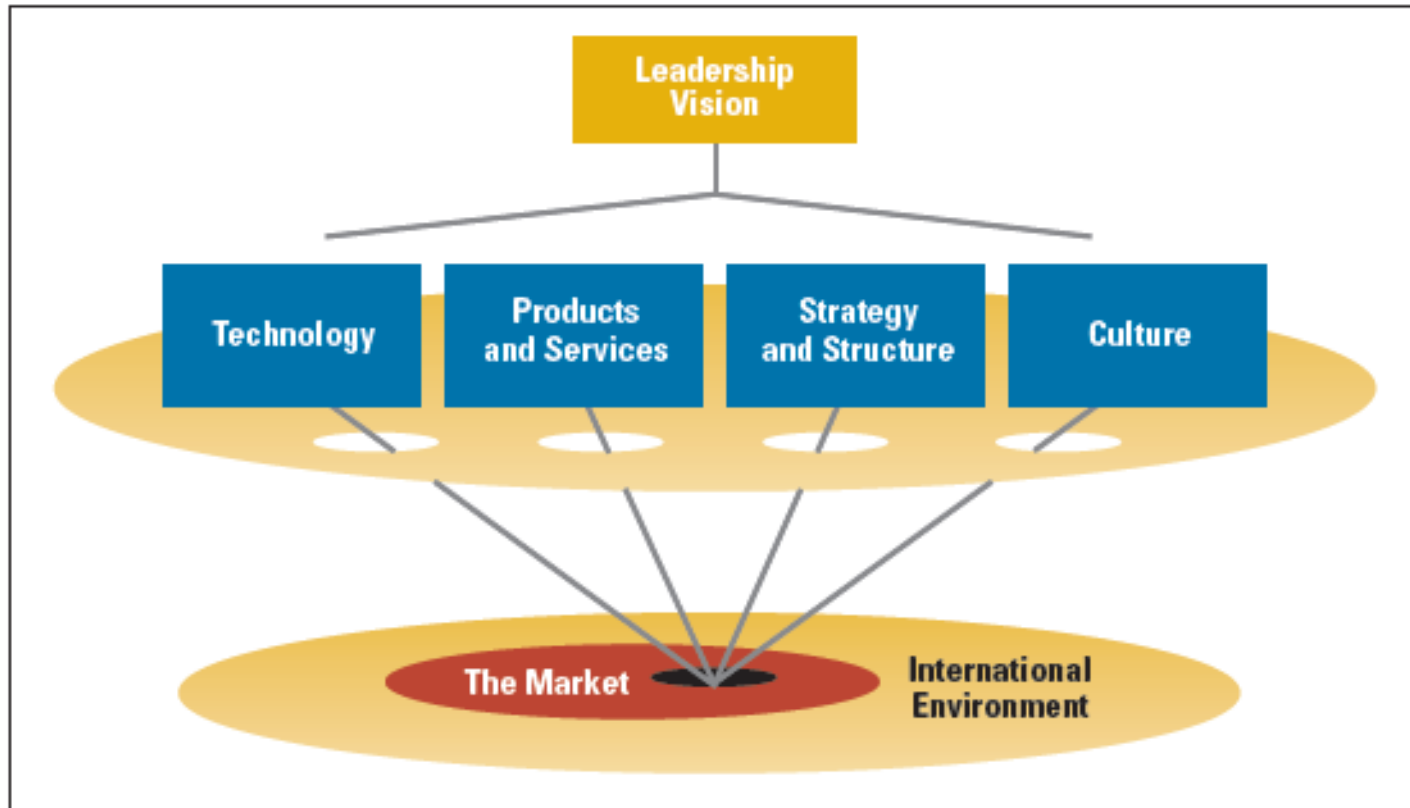
Disruptive

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



Forces Driving the Need for Major Organizational Change

Strategic Types of Change

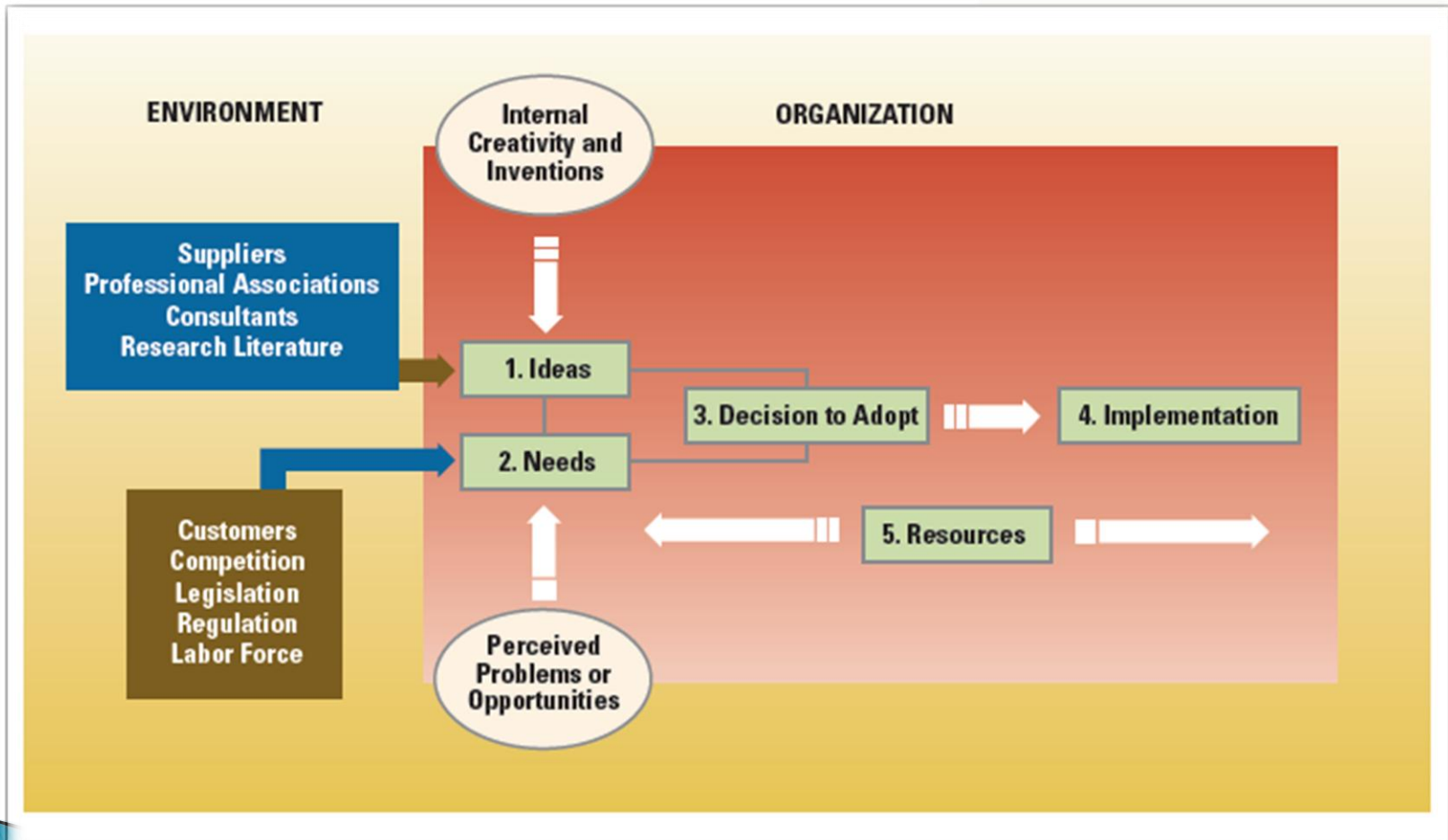


Source: Republished with permission of Academy of Management (NY), from Joseph E. McCann, "Design Principles for an Innovating Company," *Academy of Management Executive* 5, no. 2 (1991), 76-93; permission conveyed through Copyright Clearance Center, Inc.

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

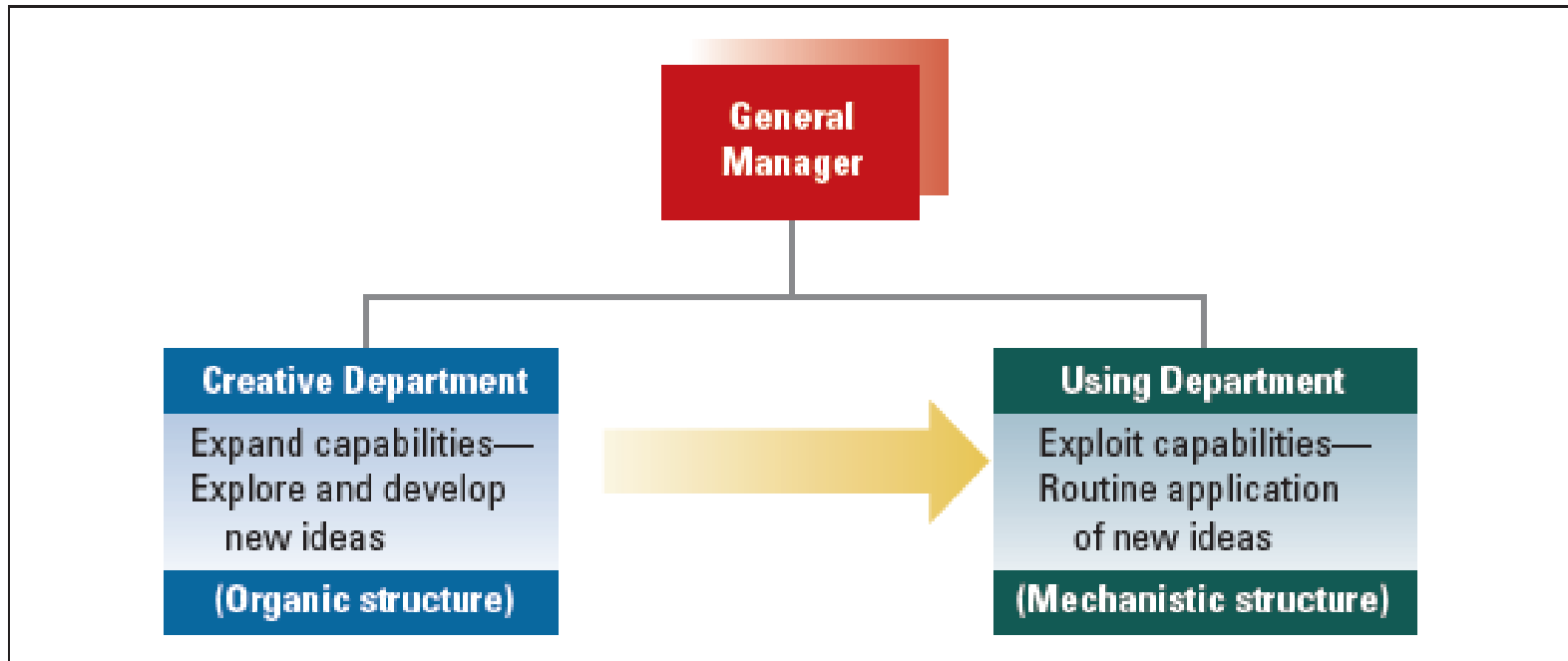


Technology Change

- ▶ 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



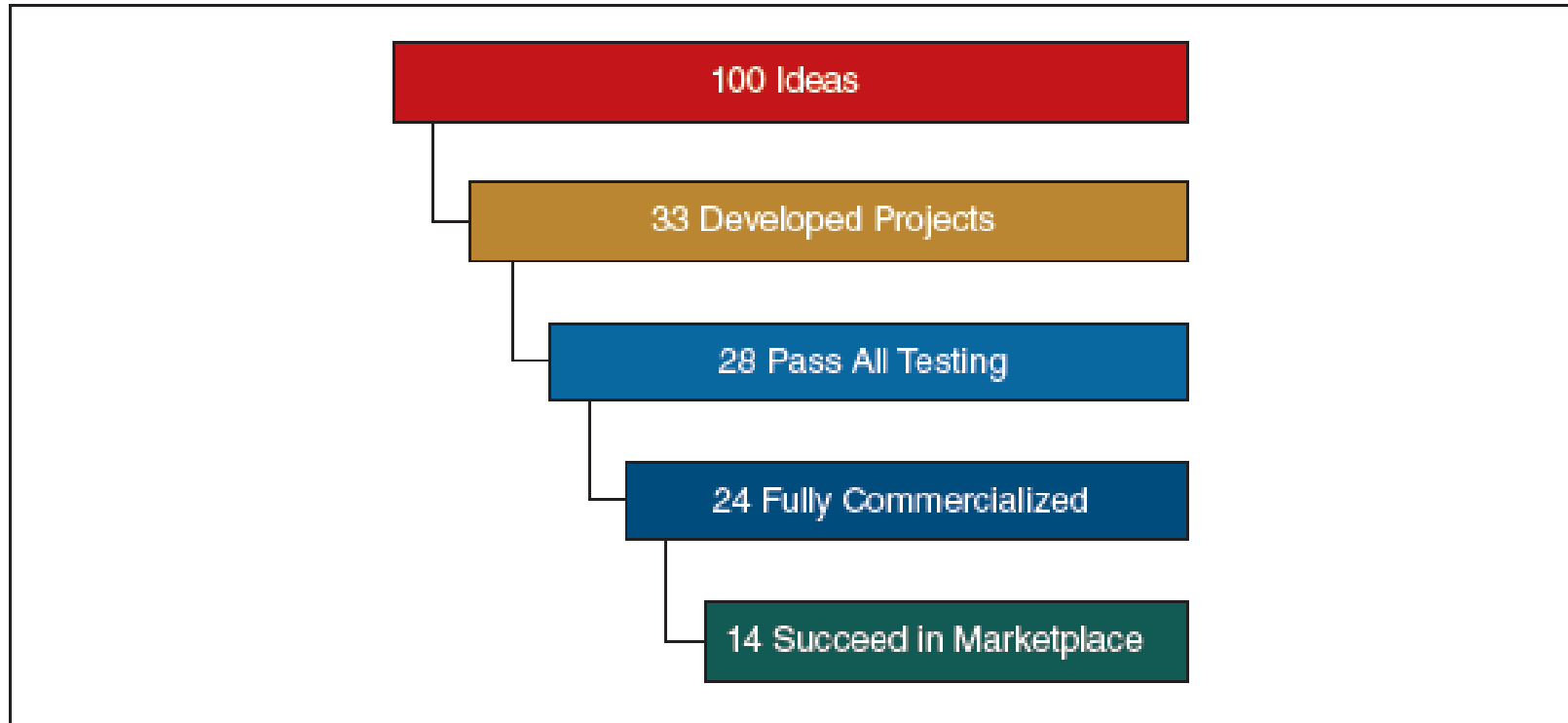
Techniques for Encouraging Technology Change

- ▶ **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

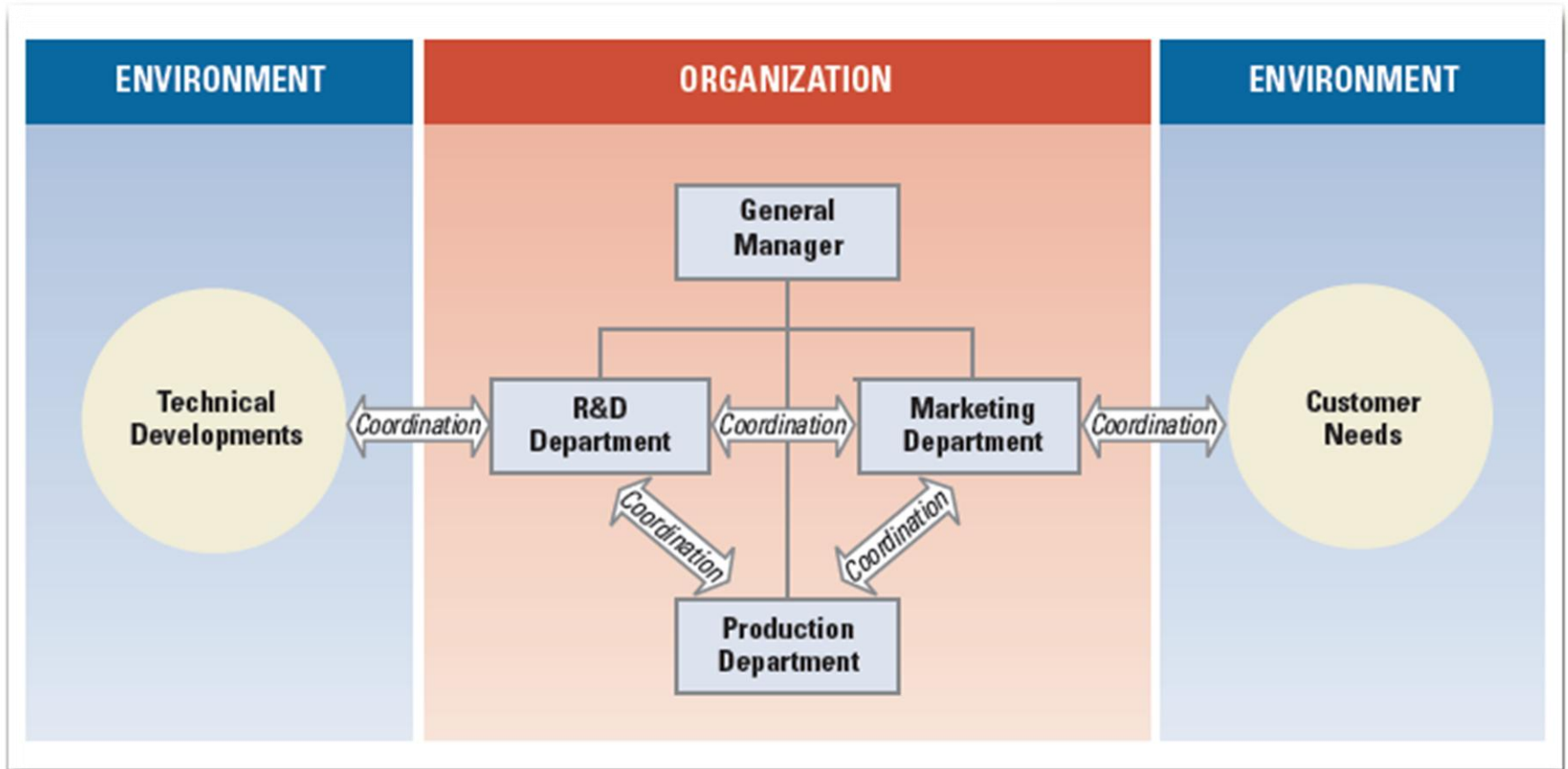
- ▶ The failure rate for new food products is **70–80%**
 - ▶ Producing products that fail is part of business
 - ▶ Reasons for **success**:
 - Innovating companies understand customers
 - Innovating companies successfully use technology
 - Top management supports innovation
 - ▶ **Horizontal Coordination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



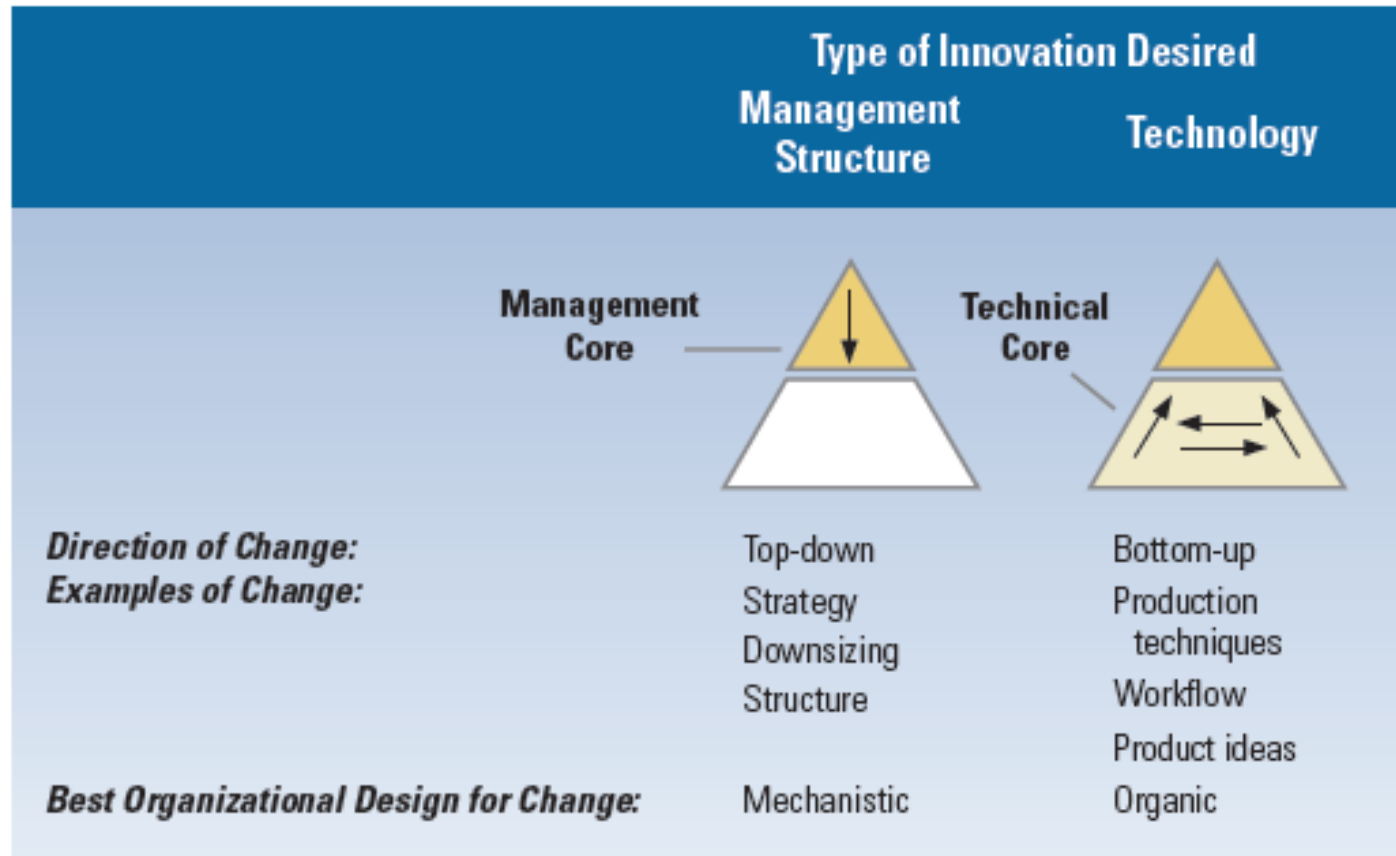
Achieving Competitive Advantage: The Need for Speed

- ▶ 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

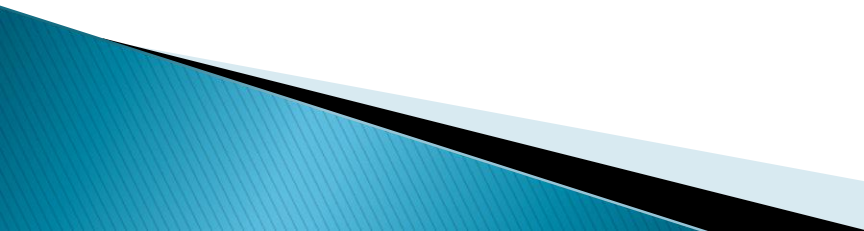
Strategy and Structure Change

- ▶ 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



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
- 

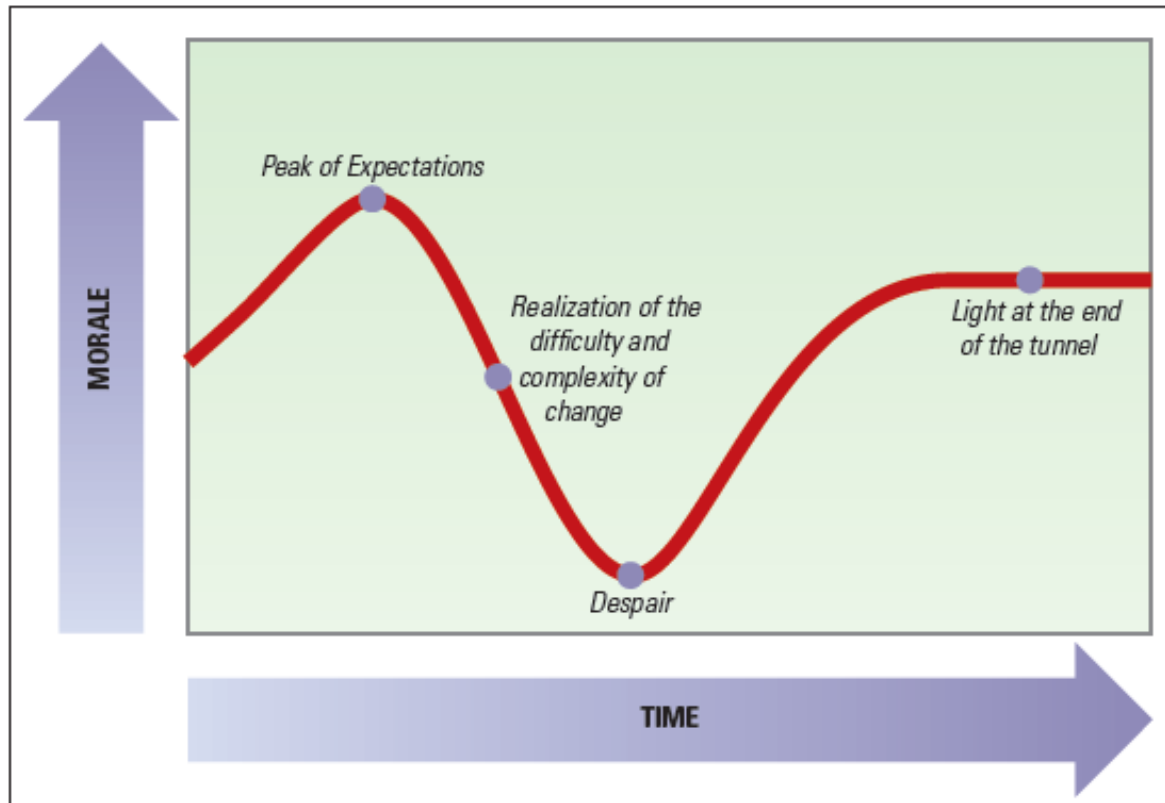
Forces for Culture Change

- 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 (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