



Organizational Change & Innovation:

Lifelong Challenges for
the Exceptional
Manager

Chapter Ten

Major Questions You Should Be Able to Answer

- 10.1** Since change is always with us, what should I understand about it?
- 10.2** How are employees threatened by change, and how can I help them adjust?
- 10.3** What are the uses of OD, and how effective is it?
- 10.4** What do I need to know to encourage innovation?

Ways to Deal With Change and Innovation

- ✦ Allow room for **failure**
- ✦ **Give** one consistent explanation for the change
- ✦ Look for **opportunities** in unconventional ways
- ✦ Have the courage to follow your **ideas**
- ✦ Allow **grieving**, then move on

Collins's Five Stages of Decline

- Stage 1** Hubris Born of Success
- Stage 2** Undisciplined Pursuit of More
- Stage 3** Denial of Risk and Peril
- Stage 4** Grasping for Salvation
- Stage 5** Capitulation to Irrelevance or Death

Fundamental Change: What Will You Be Called Upon to Deal With?

1. The marketplace is becoming more segmented & moving toward more niche products
2. There are more competitors offering targeted products, requiring faster speed-to-market
3. Some traditional companies may not survive radically innovative change

Fundamental Change: What Will You Be Called Upon to Deal With?

4. China, India, & other offshore suppliers are changing the way we work
5. Knowledge, not information, is becoming the new competitive advantage

Two Types of Change

★ **Reactive change**

↳ making changes in response to problems or opportunities as they arise

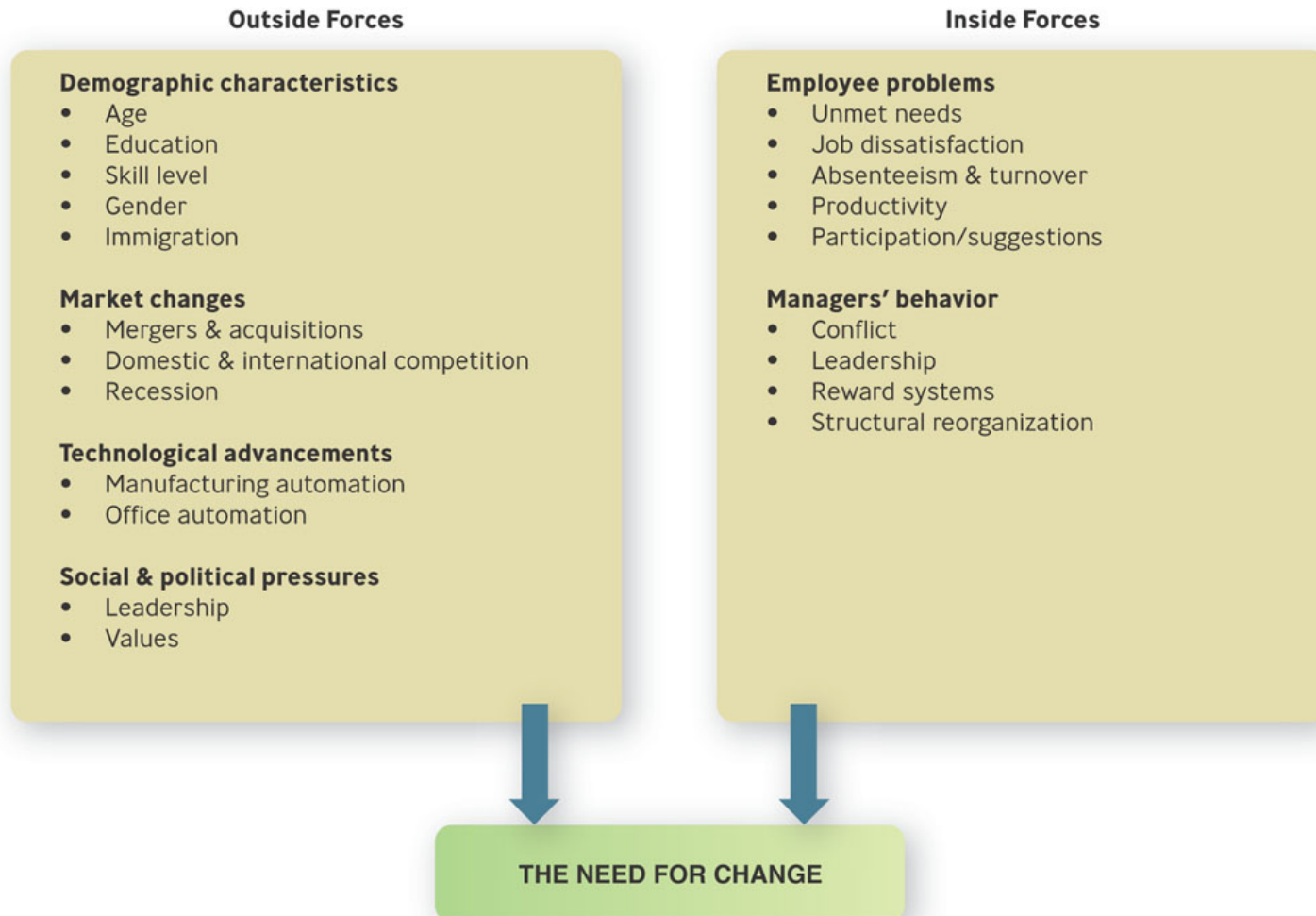
Two Types of Change

★ **Proactive change**

- ↳ involves making carefully thought-out changes in anticipation of possible or expected problems or opportunities
- ↳ also called planned change

Forces For Change Outside and Inside the Organization

Figure 10.1



The Forces for Change: Outside the Organization

1. Demographic characteristics
2. Market changes
3. Technological advancement
4. Shareholder & customer demands
5. Supplier practices
6. Social & political pressures

Question?

Tony, the owner of Cirodi Pasta restaurant on Cape Cod is open during the “high season” from May until October. He has always hired college students on summer vacation. In recent years, the number of workers who quit mid-summer has risen significantly. When he asks, they say they are quitting because they “have enough money” or “want the time off”. This is probably an example of a(n) _____ change.

- A. Market
- B. Social or political
- C. Economic
- D. Technological

Forces Originating Inside the Organization

1. Employee problems
2. Managers' behavior



Areas in Which Change is Often Needed

1. Changing people

↳ Perceptions, attitudes, performance, skills

2. Changing technology

3. Changing structure

4. Changing strategy

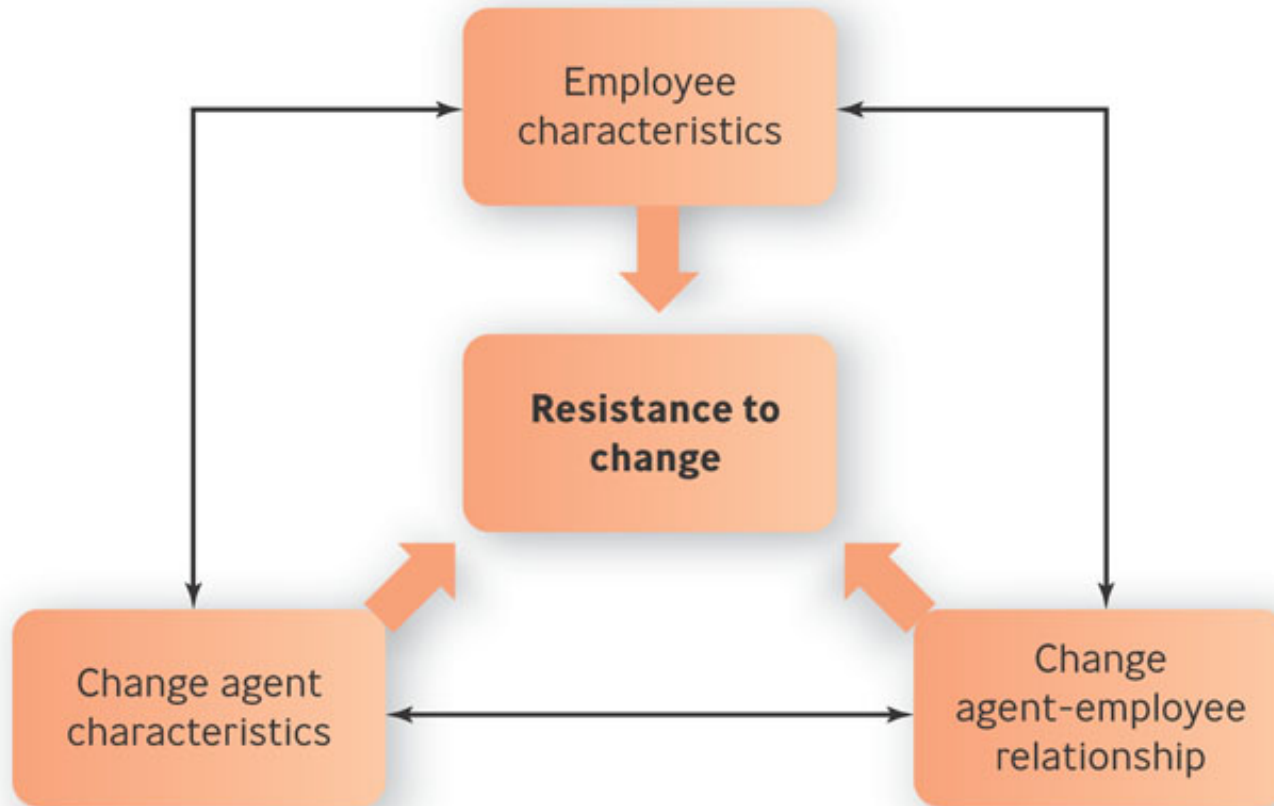
Changing Technology

★ **Technology**

- ↳ any machine or process that enables an organization to gain a competitive advantage in changing materials used to produce a finished product
- ↳ not just computer technology

A Model of Resistance to Change

Figure 10.2



The Causes of Resistance to Change

★ **Resistance to change**

↳ an emotional/behavioral response to real or imagined threats to an established work routine.

The Degree to Which Employees Fear Change

- ★ Least threatening: **Adaptive change**
 - ↳ Reintroduction of a familiar practice
- ★ Somewhat threatening: **Innovative change**
 - ↳ Introduction of a practice that is new to the organization

The Degree to Which Employees Fear Change

★ Very threatening: **Radically innovative change**

↳ Involves introducing a practice that is new to the industry



Question?

At the Big Peaches Department Store, employees generally know that during annual inventory, they are required to work overnight shifts. This is an example of a(n) _____ change.

- A. Adaptive
- B. Reactive
- C. Innovative
- D. Proactive

Reasons Employees Resist Change

- ✦ Individual's **predisposition** toward change
- ✦ Surprise and fear of the unknown
- ✦ **Climate** of mistrust
- ✦ Fear of failure
- ✦ Loss of status or **job security**

Reasons Employees Resist Change

- ★ Peer pressure
- ★ **Disruption** of cultural traditions or group relationships
- ★ Personality conflicts
- ★ Lack of tact or **poor timing**
- ★ Non-reinforcing reward system

Lewin's Change Model

★ **Unfreezing**

↳ creating the motivation to change

★ **Changing**

↳ learning new ways of doing things

★ **Refreezing**

↳ making the new ways normal

Steps to Leading Organizational Change

Table 10.2

Step	Description
1. Establish a sense of urgency.	Unfreeze the organization by creating a compelling reason for why change is needed.
2. Create the guiding coalition.	Create a cross-functional, cross-level group of people with enough power to lead the change.
3. Develop a vision and a strategy.	Create a vision and a strategic plan to guide the change process.
4. Communicate the change vision.	Create and implement a communication strategy that consistently communicates the new vision and strategic plan.
5. Empower broad-based action.	Eliminate barriers to change, and use target elements of change to transform the organization. Encourage risk taking and creative problem solving.
6. Generate short-term wins.	Plan for and create short-term “wins” or improvements. Recognize and reward people who contribute to the wins.
7. Consolidate gains and produce more change.	The guiding coalition uses credibility from short-term wins to create more change. Additional people are brought into the change process as change cascades throughout the organization. Attempts are made to reinvigorate the change process.
8. Anchor new approaches in the culture.	Reinforce the changes by highlighting connections between new behaviors and processes and organizational success. Develop methods to ensure leadership development and succession.

Organization Development

★ **Organization development (OD)**

- ↳ set of techniques for implementing planned change to make people and organizations more effective

Organization Development

★ **Change agent**

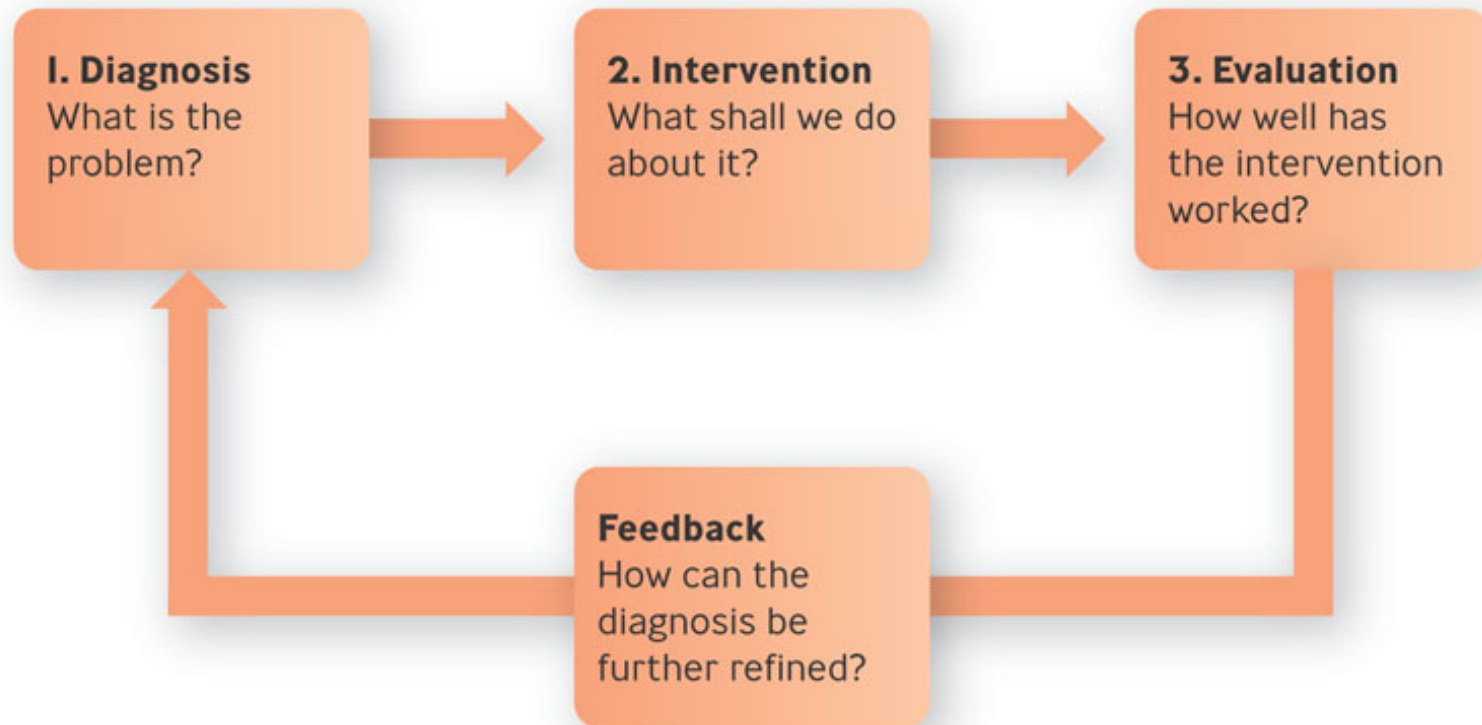
↳ a consultant with a background in behavioral sciences who can be a catalyst in helping organizations deal with old problems in new ways

What Can OD Be Used For?

1. Managing conflict
2. Revitalizing organizations
3. Adapting to mergers

The OD Process

Figure 10.3



How OD Works

1. Diagnosis: What is the **problem**?
2. Intervention: What shall we **do** about it?
 - ▣ Intervention – attempt to correct the diagnosed problem
3. Evaluation: How well has the intervention **worked**?



Question?

Fred, an OD consultant, is designing a survey of employee attitudes to be given to workers at the Lemon Automobile Company. Fred is in the _____ stage of OD.

- A. Intervention
- B. Diagnosis
- C. Evaluation
- D. Process consultation

Example: Patagonia Tries to Become Greener

- ✦ Patagonia has long been a supporter of the environmental movement
- ✦ Company wondered how “green” the origins and handling of its products were
- ✦ Transportation took little energy, but manufacturing sometimes produced ecologically unfriendly by-products
- ✦ Patagonia did not want to sacrifice quality for environmental reasons

patagonia

The Effectiveness of OD

1. Multiple interventions
2. Management support
3. Goals geared to both short and long term results
4. OD is affected by culture

Two Myths about Innovation

- ✦ **Myth No. 1:** Innovation happens in a “Eureka!” moment
- ✦ **Myth No. 2:** Innovation can be **systematized**

Seeds of Innovation

Hard work in a specific direction

Hard work with direction change

Curiosity

Wealth & money

Necessity

Combination of seeds

Types of Innovation

★ **Product innovation**

↳ change in the appearance or performance of a product or the creation of a new one

★ **Process innovation**

↳ change in the way a product is conceived, manufactured, or disseminated

Types of Innovation

★ **Incremental innovation**

↳ creation of products, services, or technologies that modify existing ones

★ **Radical innovation**

↳ creation of products, services, or technologies that replace existing ones

Question?

Wendy's created display screens at its drive-thru windows that show customers their orders and prices. This is an example of a(n) _____ innovation.

- A. Product
- B. Process
- C. Adaptive
- D. Reactive

Celebrating Failure: Factors Encouraging Innovation

- ★ Organizations can make innovation happen by providing 1) the right organizational *culture*, 2) the appropriate *resources*, and 3) the correct *reward system*

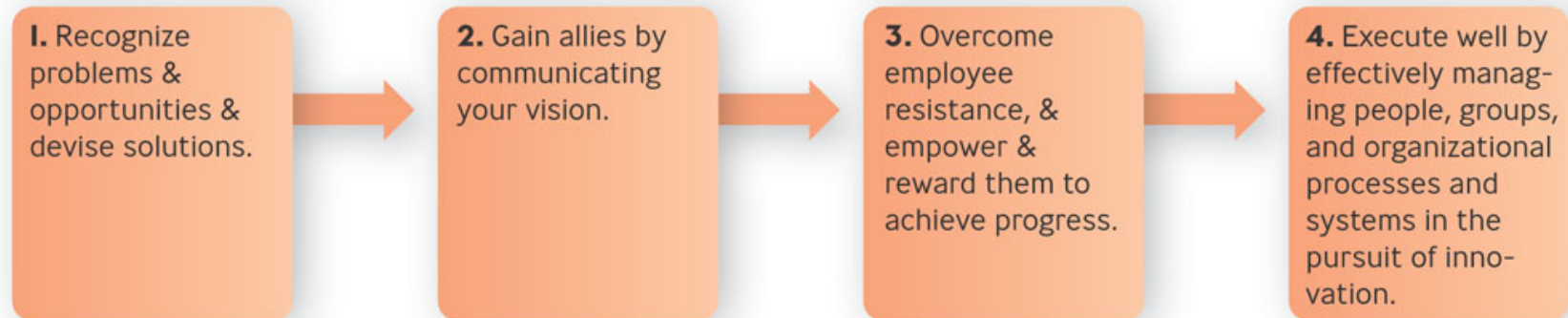


Celebrating Failure: Factors Encouraging Innovation

1. Culture: Is innovation viewed as a **benefit** or a **boondoggle**?
2. Resources: Do managers put **money** where their mouths are?
3. Rewards: Is experimentation **reinforced** in ways that matter?

Four Steps For Fostering Innovation

Figure 10.4



Gain Allies by Communicating Your Vision

- ★ Showing how the **product** or **service** will be made
- ★ Showing how **potential** customers will be reached
- ★ Demonstrating how you'll **beat** your competitors
- ★ Explaining when the **innovation** will take place