Strategic Types of Change

Managers can focus on four types of change within organizations to achieve strategic advantage: Technology; Products and Services; Strategy and Structure; Culture.

The four types of change serve as a competitive wedge to achieve an advantage in the international environment.

The four types of change are interdependent of each other, a change in one often means a change on another.

Technology change are changes in an organization's production process, including its knowledge and skill base, that enable distinctive competence.

These changes are designed to make production more efficient or to produce greater volume.

Changes in technology involve the techniques for making products or services.

They include work methods, equipment, and workflow.

Product and service changes pertain to the product or service outputs of an organization. New products include small adaptations of existing products or entirely new product lines. New products and services are normally designed to increase the market share or to develop new markets, customers, or clients.

Strategy and structure changes pertain to the administrative domain, including structure, goals, policies, reward systems, labor relation systems, coordination devices, management information and control systems, and accounting and budgeting systems.

Culture changes refer to changes in attitudes, skills, expectations, and behavior of employees. Culture changes pertain to changes in how employees think; these are

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changes in mind-set rather than technology, structure, or products.

Successful change includes:

1. **Ideas***.* No company can remain competitive without new ideas; change is the outward expression of those ideas. An idea is a new way of doing things. It may be a new product or service, a new management concept, or a new procedure for working together in the organization. Ideas can come from within or from outside the organization. Internal creativity is a dramatic element of organizational change.
   Creativity is the generation of novel ideas that may meet perceived needs or respond to opportunities.

2. **A perceived need for change**

3. **Adoption** occurs when decision makers choose to go ahead with an idea

4. **Implementation.** Implementation occurs when organization members actually use a new idea, technique, or behavior. Materials and equipment may have to be acquired, and workers may have to be trained to use the new idea. Implementation is a very important step because without it, previous steps are to no avail. Implementation of change is often the most difficult part of the change process.

5. **Resources**. Human energy and activity are required to bring about change. Change does not happen on its own; it requires time and resources, for both creating and implementing a new idea. Employees have to provide energy to see both the need and the idea to meet that need. Someone must develop a proposal and provide the time and effort to implement it.

Technology Change

Managers can create the conditions to encourage technology changes.

However, organizations face a contradiction when it comes to technology change, because the conditions that promote new ideas are not generally the best for implementing those ideas for routine production. An innovative organization is characterized by flexibility and empowered employees and the absence of rigid work rules.

The flexibility of an organic organization is attributed to people's freedom to be creative and introduce new ideas. Organic organizations encourage a bottom-up innovation process. Ideas bubble up from middle- and lower-level employees because they have the freedom to propose ideas and to experiment.

A mechanistic structure, in contrast, stifles innovation with its emphasis on rules and regulations, but it is often the best structure for efficiently producing routine products.

The Ambidextrous Approach

The **ambidextrous approach** refers to using different structures and management processes for creation and for implementation of innovation.

The organization can be designed to behave in an organic way for exploring new ideas and in a mechanistic way to exploit and use the ideas.

Techniques for Encouraging Technology Change

Some of the techniques used by companies to maintain an ambidextrous approach are switching structures, separate creative departments, venture teams, collaborative teams and corporate entrepreneurship.

Switching structures means an organization creates an organic structure when such a structure is needed for the initiation of new ideas.

Creative departments. In many large organizations the initiation of innovation is assigned to separate **creative departments**. Staff departments, such as research and development (R&D), engineering, design, and systems analysis, create changes for adoption in other departments.

Venture teams. Venture teams are a technique used to give free rein to creativity within organizations. Venture teams are often given a separate location and facilities so they are not constrained by organizational procedures.

Corporate entrepreneurship. Corporate entrepreneurship attempts to develop an internal entrepreneurial spirit, philosophy, and structure that will produce a higher-than-average number of innovations.

Collaborative teams. Although many individuals have creative ideas, most innovations are created through groups of people working together. Smart companies find ways to get people communicating and collaborating across boundaries.

New Products and Services
New products and services are a special case of innovation because they are used by customers outside the organization. Since new products are designed for sale in the environment, uncertainty about the suitability and success of an innovation is very high.

Reasons for New Product Success
Innovation success is related to collaboration between technical and marketing departments. Successful new products and services seem to be technologically sound and also carefully tailored to customer needs.

- Successful innovating companies had a much better understanding of customer needs and paid more attention to marketing.
- Successful innovating companies made more effective use of outside technology and outside advice, even though they did more work in-house.
- Top management support in the successful innovating companies was from people who were more senior and had greater authority.

These ideas taken together indicate that the effective design for new product innovation is associated with horizontal coordination across departments.

Horizontal Coordination Model
The organization design for achieving new product innovation involves three components: departmental specialization, boundary spanning, and horizontal coordination.

- The departments of marketing and research must be highly *specialized* and competent at their own tasks.

- Boundary Spanning means that each department involved with new products has excellent linkage with the external environment.

- Horizontal Coordination means that technical, marketing, and production people share ideas and information.

Strategy and Structure Change

Companies throughout the world have faced the need to make radical changes in strategy, structure, and management processes to adapt to new competitive

demands. These types of changes are the responsibility of the organization's top managers.

The Dual Core Approach

The **dual core approach** compares management and technical changes.

Management change refers to the design and structure of an organization.

Management changes occur less often than technical changes. Management changes occur in response to different environmental sectors and follow a different process than technical changes.

Organizations have a *technical core* and a *management core.* The management core is above the technical core in the hierarchy.

The responsibility of the management core includes the structure, control, and coordination of the organization itself and concerns the environmental sectors of government, financial resources, economic conditions, human resources, and competitors.

The technical core is concerned with the transformation of raw materials into organizational products and services and involves the environmental sectors of customers and technology. Innovation can originate in either core.

Organization Design for Implementing Management Change

Organizations that adopt management changes have a larger administrative ratio, are larger in size, and are centralized and formalized compared with organizations that adopt technical changes.

Organizations that must adopt frequent management changes use a top-down process and a mechanistic structure.

Culture Change

Changing corporate culture shifts how work is done and can lead to renewed commitment and empowerment of employees. However, changing culture can be difficult because it challenges people's core values and established ways of thinking.

Forces for Culture Change

Reengineering and the shift to **horizontal forms** of organizing require greater focus on employee empowerment, collaboration, information sharing, and meeting customer needs, which means managers and employees need a new mind-set.

A growing emphasis on **learning** and **adaptation** in organizations calls for new cultural values. All these changes require new values, new attitudes, and new ways of thinking and working together.

Organizational Development Culture Change Interventions

Organization development *(**OD***)* focuses on human and social aspects of the organization to improve the organization's ability to adapt and solve problems.
Today the concept has been enlarged to examine how people and groups can change to a learning organization culture in a complex and turbulent environment.
OD is a process of fundamental change in the human and social systems of the organization, including organizational culture.

The **large group intervention** approach brings together participants from all parts of the organization in an off-site setting to discuss problems or opportunities and plan for change.

Team building promotes the idea that people who work together can work as a team. A work team can be brought together to discuss conflicts, goals, the decision-making process, communication, creativity, and leadership.

Interdepartmental Activities. Representatives from different departments are brought together in a mutual location to expose problems or conflicts, diagnose the causes, and plan improvements in communication and coordination.

Strategies for Implementing Change
Implementation is the most crucial part of the change process, but it is also the most difficult. Change is frequently disruptive and uncomfortable for managers as well as employees. Change is complex, dynamic, and messy, and implementation requires strong and persistent leadership.

Leadership for Change
Companies that are successful innovators reinforce the value **and importance of innovation.**
These leaders think about innovation, demonstrate its importance through their actions, and make sure that people are investing time and resources in innovation issues.
Leaders also build organization-wide commitment through three stages of the change commitment process:
- *Preparation*; employees hear about the change through memos, meetings, speeches, or personal contact and become aware that the change will directly affect their work.

- ***Acceptance***; leaders help employees develop an understanding of the full impact of the change and the positive outcomes of making the change. When employees perceive the change as positive, the decision to implement is made.
- **True *commitment* process begins**. The commitment stage involves the steps of installation and institutionalization.

Barriers to Change - at the organizational and individual levels:

- Excessive focus on costs.

- Failure to perceive benefits.

- Lack of coordination and cooperation.

- Uncertainty avoidance.

- Fear of loss of power or status.

Techniques for Implementation

- Establish a sense of urgency for change

- Establish a coalition to guide the change

- Create a vision and strategy for change

- Find an idea that fits the need

- Develop plans to overcome resistance to change.
  Align with needs and goals of users.
  Utilize extensive communication and training.
  Create an environment that affords psychological safety,

and participation and involvement.

- Create change teams

- Foster idea champions