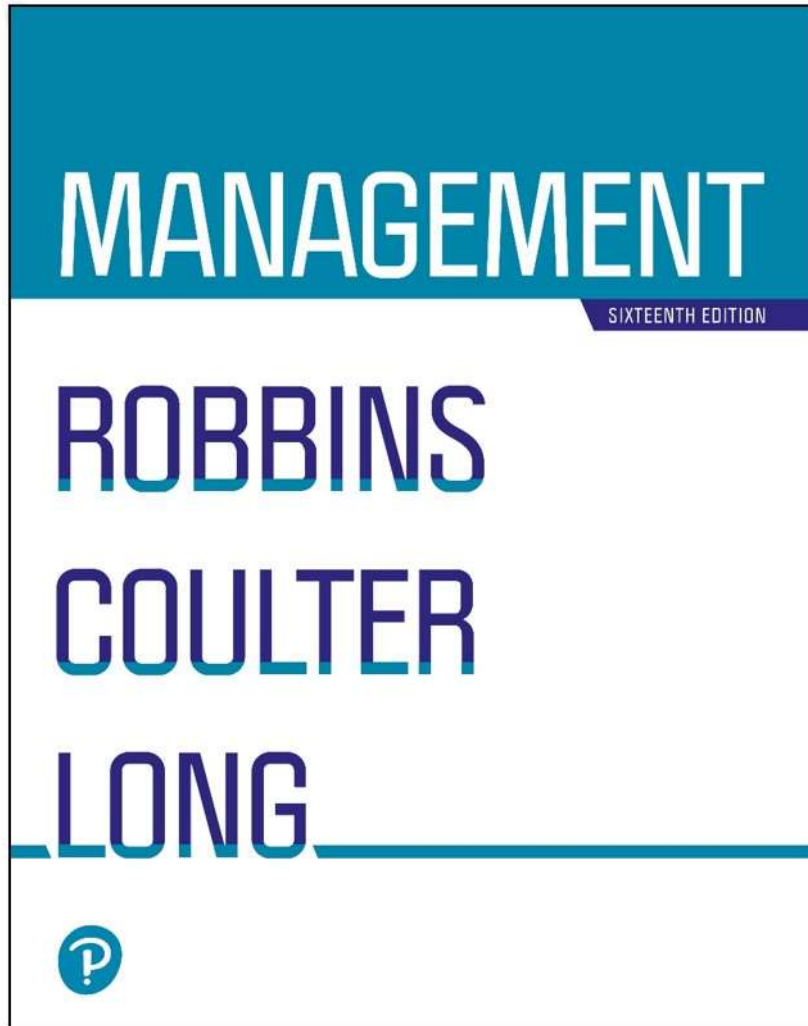


Management

Sixteenth Edition



Chapter 12

Managing Change and
Innovation

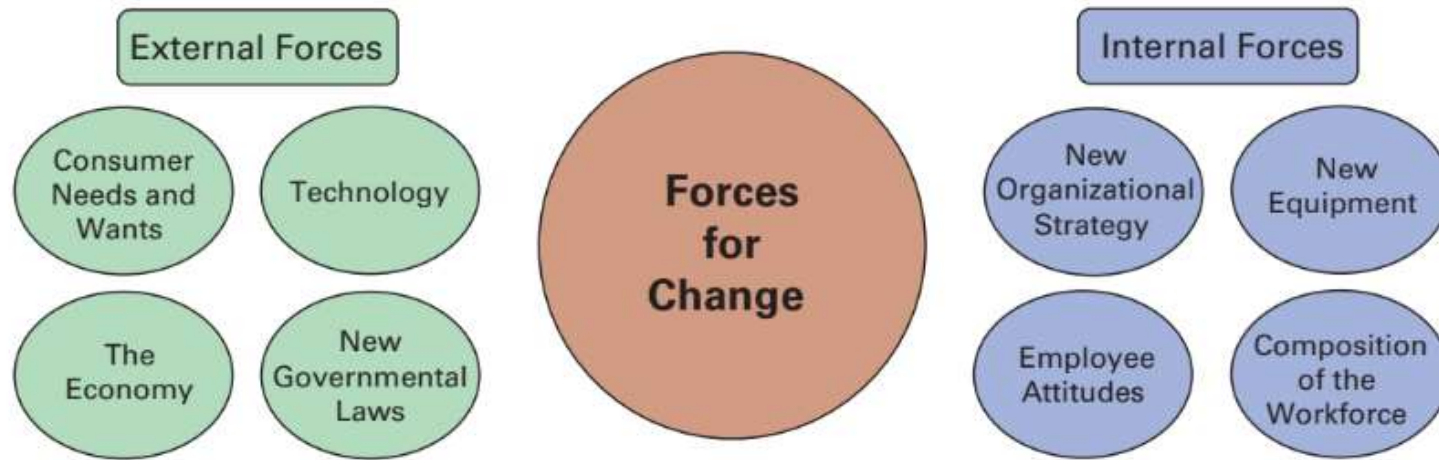
Learning Objectives

- 12.1 Describe** making the case for change.
- 12.2 Compare** and contrast views on the change process.
- 12.3 Classify** areas of organizational change.
- 12.4 Explain** how to manage change.
- 12.5 Compare** different types of innovation.
- 12.6 Describe** how managers can stimulate innovation.

The Case for Change

- **Organizational change:** any alteration of people, structure, or technology in an organization
- **Change agent:** someone who acts as a catalyst and assumes the responsibility for managing the change process
- **VUCA:** volatility, uncertainty, complexity, and ambiguity
 - In today's world, change is the only constant
 - Managers must deal with that reality

Exhibit 12-1 External and Internal Forces for Change



External Forces for Change

- Consumer needs and wants
- New governmental laws
- Technology
- The economy

Internal Forces for Change

- New organizational strategy
- Composition of workforce
- New equipment
- Employee attitudes

Calm Waters Versus White-Water Rapids Metaphors

- **Calm waters metaphor:**
 - Unfreezing the status quo
 - Changing to a new state
 - Refreezing to make the change permanent

Exhibit 12-2 The Three-Step Change Process

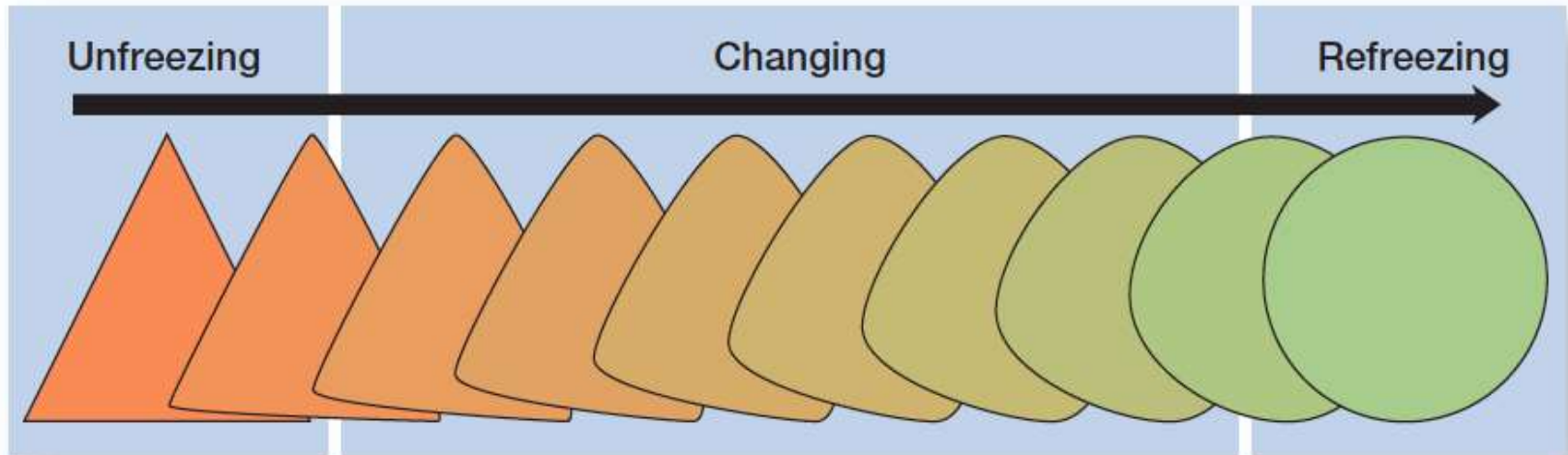


Exhibit 12-2 illustrates Kurt Lewin's three-step change process.

White-Water Rapids Metaphor

- **White-water rapids metaphor:** the lack of environmental stability and predictability requires that managers and organizations continually adapt and manage change actively to survive

Areas of Change

Managers focus on four main areas of change:

- 1. Strategy:** modifying the approach to success
- 2. Structure:** structural components and structural design
- 3. Technology:** work processes or equipment
- 4. People:** attitudes, expectations, and other individual or group beliefs or behavior
- 5. Culture:** shifting in response to internal or external factors

Exhibit 12-3 Five Types of Change

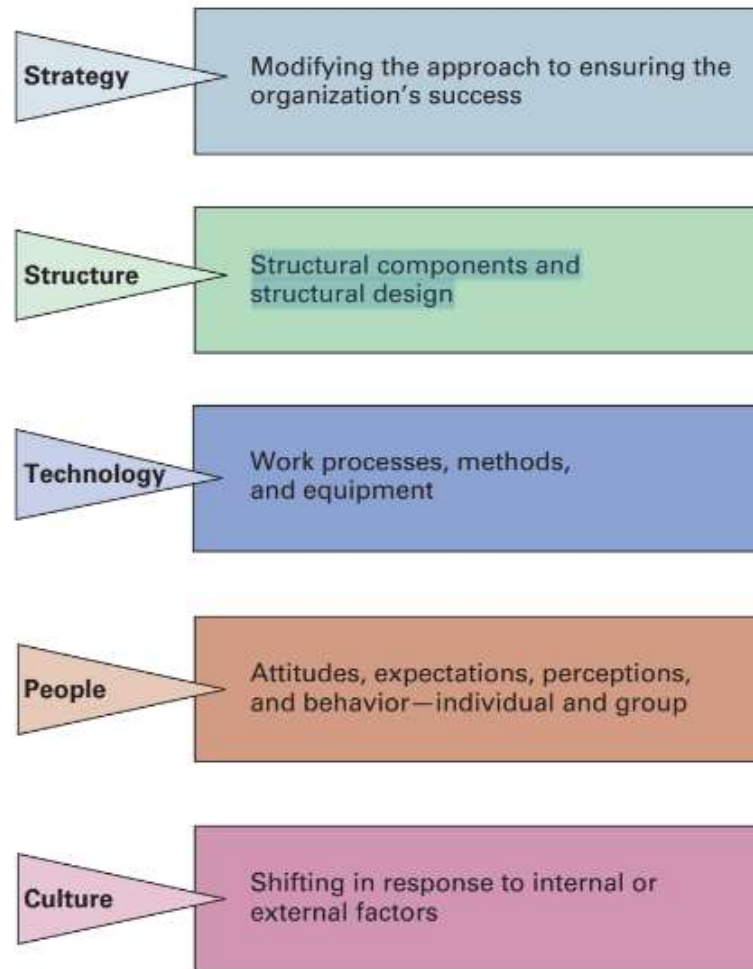


Exhibit 12-3 shows the four main areas of change managers face.

Types of Change: Strategy

- Failure to change strategy when circumstances dictate could undermine a company's success.
- Competition can dictate a change in strategy.
- Organizations that don't recognize a need to change strategy may not survive in the long run.

Types of Change: Structure

- Changing structural components
- Changing structural design

Types of Change: Culture

- An organization's culture is very difficult to change.
- Acknowledging that organizational cultures are hard to change doesn't mean that they can't be changed. They can.
- Culture is easier to change when
 - a dramatic crisis occurs
 - leadership changes hands
 - the organization is young and small
 - the culture is weak

Exhibit 12-4: Changing Culture

- Set the tone through management behavior; top managers, particularly, need to be positive role models.
- Create new stories, symbols, and rituals to replace those currently in use.
- Select, promote, and support employees who adopt the new values.
- Redesign socialization processes to align with the new values.
- To encourage acceptance of the new values, change the reward system.
- Replace unwritten norms with clearly specified expectations.
- Shake up current subcultures through job transfers, job rotation, and/or terminations.
- Work to get consensus through employee participation and creating a climate with a high level of trust.

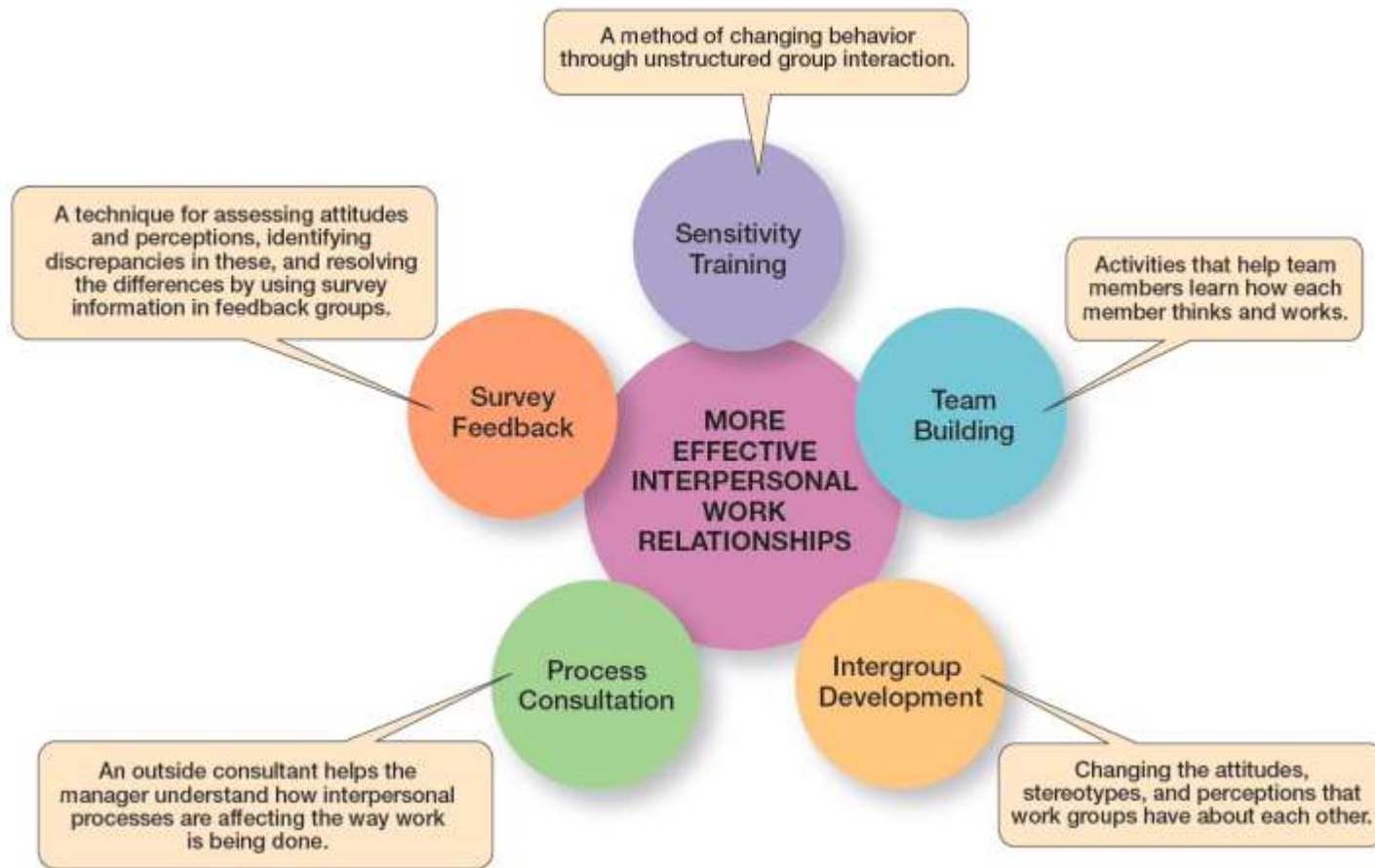
Types of Change: Technology

- New equipment, tools, or methods
- Automation
- Computerization
- The Internet of Things

Types of Change: People

- **Organizational development:** change methods that focus on people and the nature and quality of interpersonal work relationships

Exhibit 12-5 Popular OD Techniques



The most popular OD techniques are described in **Exhibit 12-5**.

Why Do People Resist Change?

- Uncertainty
- Habit
- Fear of loss
- Belief change is inconsistent with goals of organization
- **Exhibit 12-6** on the next slide shows techniques managers can use to reduce resistance to change

Exhibit 12-6 Techniques for Reducing Resistance to Change

Technique	When Used	Advantage	Disadvantage
Education and communication	When resistance is due to misinformation	Clear up misunderstandings	May not work when mutual trust and credibility are lacking
Participation	When resisters have the expertise to make a contribution	Increase involvement and acceptance	Time-consuming; has potential for a poor solution
Facilitation and support	When resisters are fearful and anxiety ridden	Can facilitate needed adjustments	Expensive; no guarantee of success
Negotiation	When resistance comes from a powerful group	Can “buy” commitment	Potentially high cost; opens doors for others to apply pressure too
Manipulation and co-optation	When a powerful group’s endorsement is needed	Inexpensive, easy way to gain support	Can backfire, causing change agent to lose credibility
Coercion	When a powerful group’s endorsement is needed	Inexpensive, easy way to gain support	May be illegal; may undermine change agent’s credibility

Creativity Versus Innovation

- **Creativity:** the ability to combine ideas in a unique way or to make unusual associations between ideas
- **Innovation:** taking creative ideas and turning them into useful products or work methods

Disruptive Innovation Definition

- **Disruptive innovation:** innovations in products, services, or processes that radically change an industry's rules of the game
- **Breakthrough innovation:** creates a market where one did not exist before
- **Sustaining innovation:** small and incremental changes in established products rather than dramatic breakthroughs

Exhibit 12-7 Examples of Past Disruptive Innovators

Established Business	Disruptor	Established Business	Disruptor
Compact disc	Apple iTunes	Traveler's checks	ATMs and Visa
Carbon paper	Xerox copy machine	Encyclopedias	Wikipedia
Canvas tennis shoes	Nike athletic shoes	Newspaper classified ads	Craigslist
Portable radio	Sony Walkman	AM/FM radio stations	Sirius XM
Sony Walkman	Apple iPod	Tax preparation services	Intuit's Turbo Tax
Typewriters	IBM PC	Yellow Pages	Google
Weekly news magazines	CNN	Paper maps	Garmin's GPS
TV networks	Cable and Netflix	Paperback books	Kindle
Local travel agencies	Expedia	Lawyers	Legal Zoom
Stockbrokers	eTrade	Taxis	Uber
		Hotels	Airbnb

Ways to Drive Innovation

Companies should be intentional about driving innovation.
Tactics include

- **Ideation:** the process of finding or creating new ideas
- **Incubation:** the process of testing and validating an idea

Stimulating and Nurturing Innovation

- An environment that stimulates innovation includes three variables: the organization's structure, culture, and human resource practices
- **Exhibit 12-8** on the next slide lists the innovation variables

Exhibit 12-8 Innovation Variables

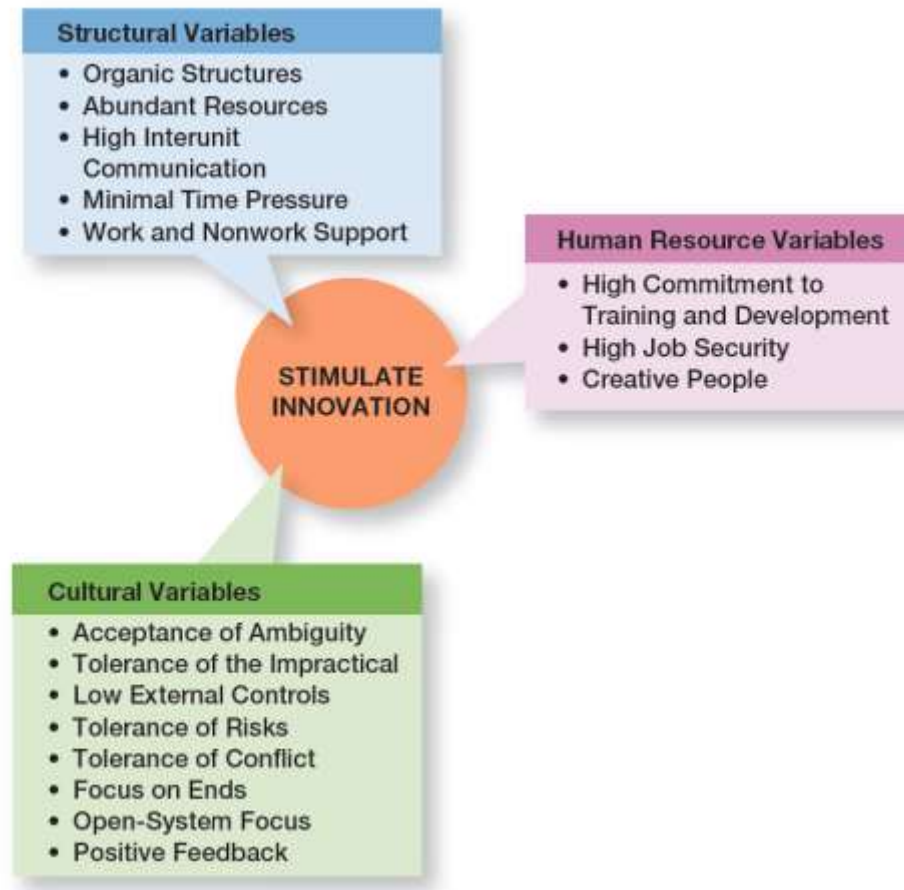


Exhibit 12-8 shows the three variables in an environment that stimulate innovation.

Structural Variables

- Organic structures
- Resources
- Communication
- Time
- Support creativity

Cultural Variables

- Acceptance of ambiguity
- Tolerate of the impractical
- Keep external controls minimal
- Tolerate risks
- Tolerate conflict
- Focus on ends rather than means
- Provide positive feedback

Human Resource Variables

Innovative organizations do the following:

- Actively promote the training and development of their members so their knowledge remains current
- Offer their employees high job security to reduce the fear of getting fired for making mistakes, and
- Encourage individuals to become idea champions
 - **Idea champion:** individual who actively and enthusiastically supports new ideas, builds support, overcomes resistance, and ensures that innovations are implemented

Ideation

Companies that manufacture products typically have a research and development department that focuses on creating new products. Three approaches to find or create new ideas are:

Design thinking: approaching management problems as designers approach design problems

Crowdsourcing: relying on a network of people outside of the organization for ideas via the internet

The use of artificial intelligence: AI tools can support creative ideation.

Four Steps of Design Thinking

1. Clarify for inspiration: The process starts with developing a clear problem statement focused on finding the best outcome and learning about the user of the solution through research, empathy, and observation.
2. Ideate: The goal at this step is divergent thinking, seeking out a lot of different ideas. A variety of methods can be used to ideate, such as brainstorming, mind mapping, or using analogies.
3. Develop: Next, an idea is selected and a prototype is developed to better understand the idea. This could be an actual prototype of a physical product or a storyboard of a service or process idea. The prototype is shared with users for feedback.
4. Implement and iterate: The idea is implemented, often as a pilot, to continue to iterate or improve the idea.

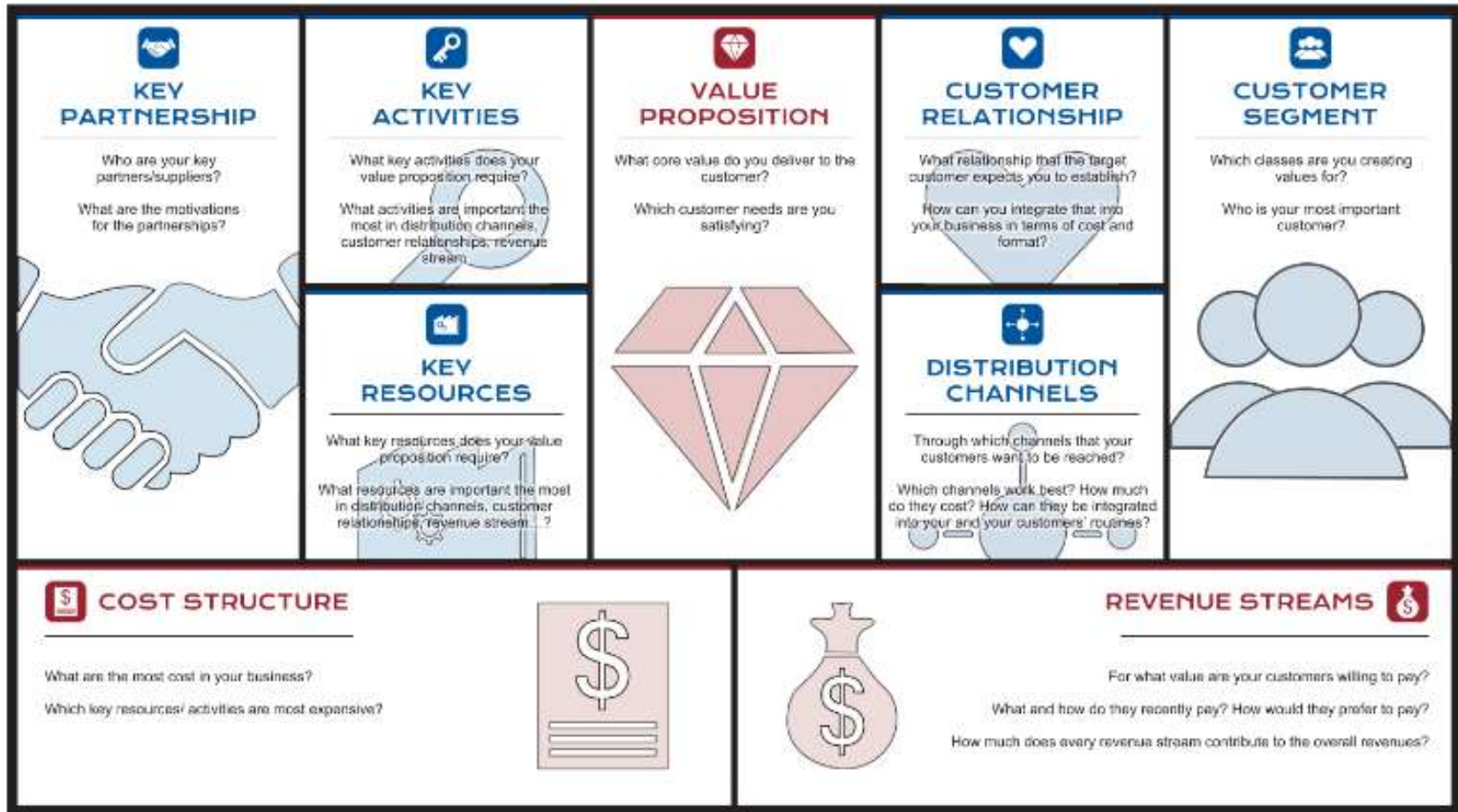
Incubation

- Incubation helps a company determine whether to make an investment in a specific idea.
- A business model canvas (BCM) can help determine whether the Idea should be pursued.
- A sample BCM is shown after the next slide on AI prompts.

Exhibit 12-9 Sample AI Prompts for Ideation

Type of Prompt	Example
What if	In the context of our product, which helps people work better by organizing tasks with our software, what if we could create a new tool for their mobile phone? What benefits could a tool provide our customer? Give ten ideas and include five characteristics the tool would need to be beneficial.
Challenge	In the context of our product, which helps people work better by organizing tasks with our software, how can we create a new tool for their mobile phone that they will download without increasing our marketing costs or staff? Give ten ideas and include five characteristics the tool would need to be beneficial.
Association	In the context of our product, which helps people work better by organizing tasks with our software, imagine that instead of software, our product is a restaurant. How can we create a new tool for our customer's mobile phone? List ten ideas that could help us achieve this goal.
Solution-Oriented	How can we reduce the number of customers we lose each month by 20 percent within the next quarter?

Business Model Canvas (BMC)



Innovators can use the business model canvas to validate new ideas by working through the building blocks to explore and describe how the idea creates value for customers.

Source: Febrizio – Vector0z/Shutterstock

Skunk Works

Skunk works: a small group within a large organization, given a high degree of autonomy and unhampered by corporate bureaucracy, whose mission is to develop a project primarily for the sake of radical innovation

Review Learning Objective 12.1

Describe making the case for change.

- Change agent
- External forces
- Internal forces

Review Learning Objective 12.2

Compare and contrast views on the change process.

- Calm waters metaphor
- White-water rapids metaphor
- Lewin's three-step model

Review Learning Objective 12.3

Classify areas of organizational change.

- Strategy
- Structure
- Technology
- People

Review Learning Objective 12.4

Explain how to manage change.

- People resist change because of uncertainty, habit, concern over personal loss, and the belief that the change is not in the organization's best interest.
- Techniques for reducing resistance to change include: education and communication, participation, facilitation, negotiation, manipulation and co-optation, and coercion.

Review Learning Objective 12.5

Compare different types of innovation.

Review Learning Objective 12.6

Describe how managers can stimulate innovation.

- Creativity
- Innovation
- Design thinking and innovation

Copyright



This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from it should never be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.