BUS108
W6

Chapter 7
Innovation and Adaptability

1

Learning Outcomes:

1. Understand the importance of building an *innovative* and *adaptable* organization.
2. Describe the forces that create the *need for change, innovation, and adaptability.*
3. Compare and contrast views of the *change process.*
4. Classify *types* of organizational change.
5. Describe techniques for *stimulating innovation and adaptability*.

2

Why Build an Adaptable Organization?

Successful Organizations:

- are not only efficient and effective. They are adaptable rather than simply flexible.
- recognize new problems, identify the potential impact of these problems, and offer solutions
- are proactive rather than reactive

3

Innovation

"Now, economic progress depends more than ever on innovation. And the potential for technology innovation to improve lives has never been greater."

—*Bill Gates, co-founder of Microsoft*

4

Adaptability

Wicked Problem

A problem that is impossible to solve because each attempt to create a solution changes the understanding of the problem.

5

Forces for Change (1 of 2)

External Forces

- The Marketplace
- Governmental laws and regulations
- Technology
- Labour markets
- Economic changes

6

Forces for Change (2 of 2)

Internal Forces

- Changes in organizational strategy
  - workforce changes
  - cultural changes
  - employee commitment

Two Views of the Change Process (1 of 2)

The Calm Waters Metaphor

- Lewin: a break in the organization's equilibrium state
  - **Unfreezing** the status quo
  - **Changing** to a new state
  - **Refreezing** to make the change permanent

Exhibit 7-1 The Change Process

Exhibit 7-1

The Change Process
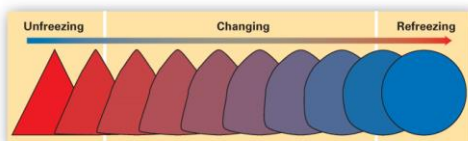
Copyright © 2019 Pearson Canada Inc.

Two Views of the Change Process (2 of 2)

White-Water Rapids Metaphor

The lack of environmental stability and predictability requires that managers and organizations continually adapt (manage change actively) to survive.

10

What Is Organizational Change

Organizational Change:

Any alterations of people, structure, or technology of an organization.

Change Agent:

Someone who acts as a catalyst and assumes the responsibility for managing the change process.

11

Managing Organizational Change (1 of 4)
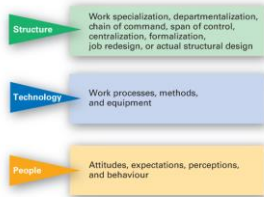
Characteristics of Change

- Is constant yet varies in degree and direction
- Produces uncertainty yet is not completely unpredictable
- Creates both threats and opportunities

12

Exhibit 7-2 Three Categories of Change

Exhibit 7-2
Three Categories of Change

Structure — Work specialization, departmentalization, chain of command, span of control, centralization, formalization, job redesign, or actual structural design

Technology — Work processes, methods, and equipment

People — Attitudes, expectations, perceptions, and behaviour

Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 13

13

Managing Organizational Change (2 of 4)

Types of Change

Structural:

Changing the organization's structural elements or design.

Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 14

14

Managing Organizational Change (3 of 4)

Technological:

Adopting new equipment or operating methods that displace old skills and require new ones.

– Automation: replacing certain tasks done by people with machines
– Computerization

Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 15

15

Managing Organizational Change (4 of 4)

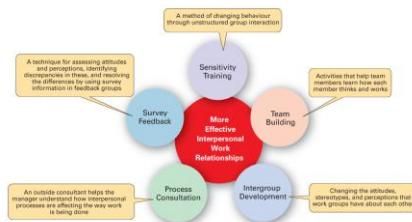**Changing People:**

Organizational development

Techniques or programs to change people and
the nature and quality of interpersonal work
relationships.

Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 16

16

Exhibit 7-3 Organizational Development Techniques

Copyright © 2019 Pearson Canada Inc.
Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 17

17

Managing Resistance to Change (1 of 3)

Global Organizational Development

• managers need to recognize that although there
  may be some similarities in the types of OD
  techniques used, some techniques that work for
  North American organizations may not be
  appropriate for organizations or organizational
  divisions based in other countries.

Pearson   Copyright © 2019 Pearson Canada Inc.   7 - 18

18

Managing Resistance to Change (2 of 3)

Managing Resistance to Change

• Organizations can build up inertia that motivates people to resist changing their status quo, even though change might be beneficial.

19

Managing Resistance to Change (3 of 3)

Why People Resist Change

• ambiguity and uncertainty

• comfort of old habits

• concern over fear of personal loss regarding: status, money, authority, friendships, and personal convenience

• perception that change is incompatible with the goals and interests of the organization

20

Exhibit 7-4 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

21

Stimulating Innovation & Adaptability (1 of 11)

Creativity:

The ability to combine ideas in a unique way or to make an unusual association.

Innovation:

Turning the outcomes of the creative process into useful products, services, or work methods.

22

Stimulating Innovation & Adaptability (2 of 11)

Adaptability:

Identifying change and disruptive innovation and making appropriate changes in advance of the impact of these changes; referred to as "being proactive."

23

Exhibit 7-5 Systems View of Innovation and Adaptability

Exhibit 7-5

Systems View of Innovation and Adaptability

Inputs	Transformation	Outputs
Creative individuals, groups, organizations	Creative environment, process, situation	Innovative product(s), work methods

Source: Adapted from R. W. Woodman, J. E. Sawyer, and R. W. Griffin, "Toward a Theory of Organizational Creativity," *Academy of Management Review*, April 1993, p. 309.

24

Exhibit 7-6 Innovation Variables

25

Stimulating Innovation & Adaptability (3 of 11)

Structural Variables:

- Adopt an organic structure
- Make available plentiful resources
- Engage in frequent inter-unit communication
- Minimize extreme time pressures on creative activities
- Provide explicit support for creativity

26

Stimulating Innovation & Adaptability (4 of 11)

Cultural Variables:

- Accept ambiguity
- Tolerate the impractical
- Keep external controls minimal
- Tolerate risk
- Tolerate conflict
- Focus on ends rather than means
- Use an open-system focus
- Provide positive feedback
- Exhibit empowering leadership

27

Stimulating Innovation & Adaptability (5 of 11)

Human Resource Variables:

- Actively promote training and development to keep employees' skills current.
- Offer high job security to encourage risk taking.
- Encourage individuals to be "champions" of change.

Stimulating Innovation & Adaptability (6 of 11)

Idea Champions:

Individuals who actively and enthusiastically support new ideas, build support, overcome resistance, and ensure that innovations are implemented.

Stimulating Innovation & Adaptability (7 of 11)

Adaptive Organizations

- Employees continually acquire and share new knowledge and apply that knowledge in making decisions or doing their work.
- Employees throughout the entire organization—across different functional specialties and even at different organizational levels—must share information and collaborate on work activities

Stimulating Innovation & Adaptability (8 of 11)

Innovation & Design Thinking

- Design thinking can do for innovation what Total Quality Management (TQM) did for quality.

- When using this strategy the emphasis is on getting a deeper understanding of what customers needs and wants are.

31

Stimulating Innovation & Adaptability (9 of 11)

Changing Organizational Culture

Today's change issues—changing organizational culture, handling employee stress, and making change happen successfully—are critical concerns for managers.

32

Stimulating Innovation & Adaptability (10 of 11)

Understanding the Situational Factors:

- Cultures are naturally resistant to change
- Conditions that help cultural change:
  - Dramatic crisis
  - Change of leadership
  - Young, flexible, and small organization
  - Weak organizational culture

33

Stimulating Innovation & Adaptability (11 of 11)

How Can Cultural Change Be Accomplished

- Unfreeze the current culture
- Implement new "ways of doing things"
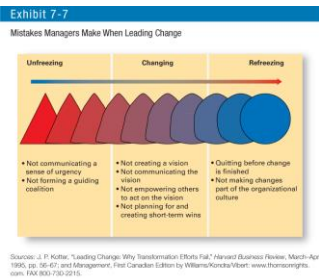- Reinforce the new values
- Not a "quick fix"

Exhibit 7-7 Mistakes Managers Make When Leading Change

Exhibit 7-7

Mistakes Managers Make When Leading Change

Unfreezing	Changing	Refreezing
• Not communicating a sense of urgency • Not forming a guiding coalition	• Not creating a vision • Not communicating the vision • Not empowering others to act on the vision • Not planning for and creating short-term wins	• Quitting before change is finished • Not making changes part of the organizational culture

Sources: J. P. Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review*, March–April 1995, pp. 56–67; and *Management*, First Canadian Edition by Williams/Kondra/Vibert: www.thomsonrights. com. FAX 800-730-2215.

Copyright © 2019 Pearson Canada Inc.

Exhibit 7-8: Characteristics of Adaptive Organizations

- Link the present and the future. Think of work as more than an extension of the past; think about future opportunities and issues and factor them into today's decisions.
- Make learning a way of life. Change-friendly organizations excel at knowledge sharing and management.
- Actively support and encourage day-to-day improvements and changes. Successful change can come from the small changes as well as the big ones.
- Ensure diverse teams. Diversity ensures that things won't be done the way they are always done.
- Encourage mavericks. Since their ideas and approaches are outside the mainstream, mavericks can help bring about radical change.
- Shelter breakthroughs. Change-friendly organizations have found ways to protect those breakthrough ideas.
- Integrate technology. Use technology to implement changes.
- Build and deepen trust. People are more likely to support changes when the organization's culture is trusting and managers have credibility and integrity.
- Couple permanence with perpetual change. Because change is the only constant, companies need to figure out how to protect their core strengths during times of change.
- Support an entrepreneurial mind-set. Many younger employees bring a more entrepreneurial mind-set to organizations and can serve as catalysts for radical change.

Source: Based on S. Ante, "Change Is Good—So Get Used to It," *BusinessWeek*, June 22, 2009, pp. 69–70; and P. A. McLagan, "The Change-Capable Organization," *Training & Development*, January 2003, pp. 50–59.

Characteristics of Adaptive Organizations

Making Change Happen Successfully:

- focus on making the organization ready for change
- managers need to understand their own role in the process
- managers need to encourage employees to be change agents

Copyright © 2019 Pearson Canada Inc.   7 - 37

37