

# Organizational Change & Innovation Lifelong Challenges for the Exceptional Manager

PPT7(A)  
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** What are three types of change, and how are Lewin's and Kotter's approaches designed to handle change?
- 10.3** What are the uses of OD, and how effective is it?
- 10.4** What do I need to know to encourage innovation?
- 10.5** How are employees threatened by change, and how can I help them adjust?

# 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

# 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

# Disruptive Innovation

## **Disruptive innovation**

↪ a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors

# 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**

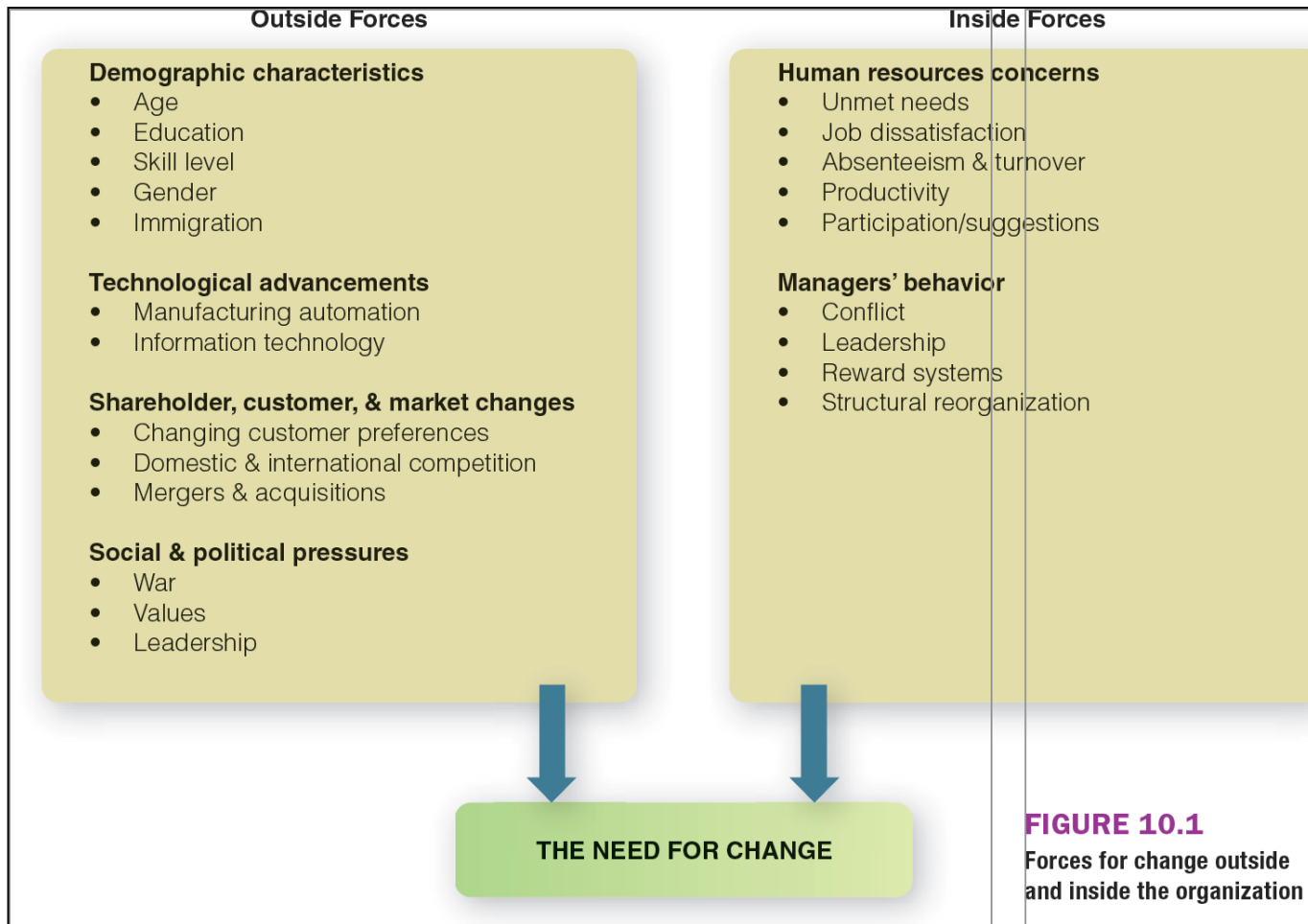
↳ making changes in response to problems or opportunities as they arise

## ★ **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





# The Forces for Change: Outside the Organization

1. Demographic characteristics
2. Technological advancement
3. Shareholder, customer, & market changes
4. Social & political pressures

# Technological Advancements

## **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

# 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. Human resource concerns
2. Managers' behavior



# Three Kinds of Change

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

# Three Kinds of Change

★ Very threatening: **Radically innovative change**

↪ Involves introducing a practice that is new to the industry



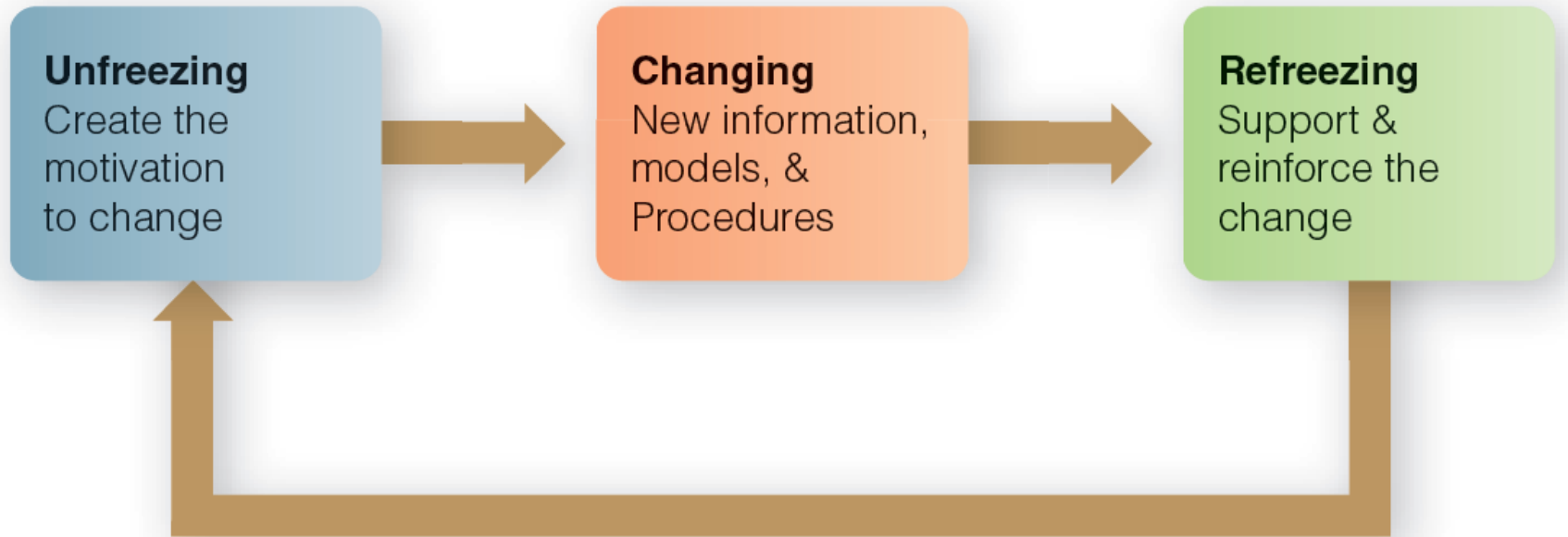
# Question

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

# Lewin's Change Model

Figure 10.2





# Kotter's Eight Steps for Leading Organizational Change

Table 10.1

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.

# Organizational Development

## ★ Organization development (OD)

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

## ★ Change agent

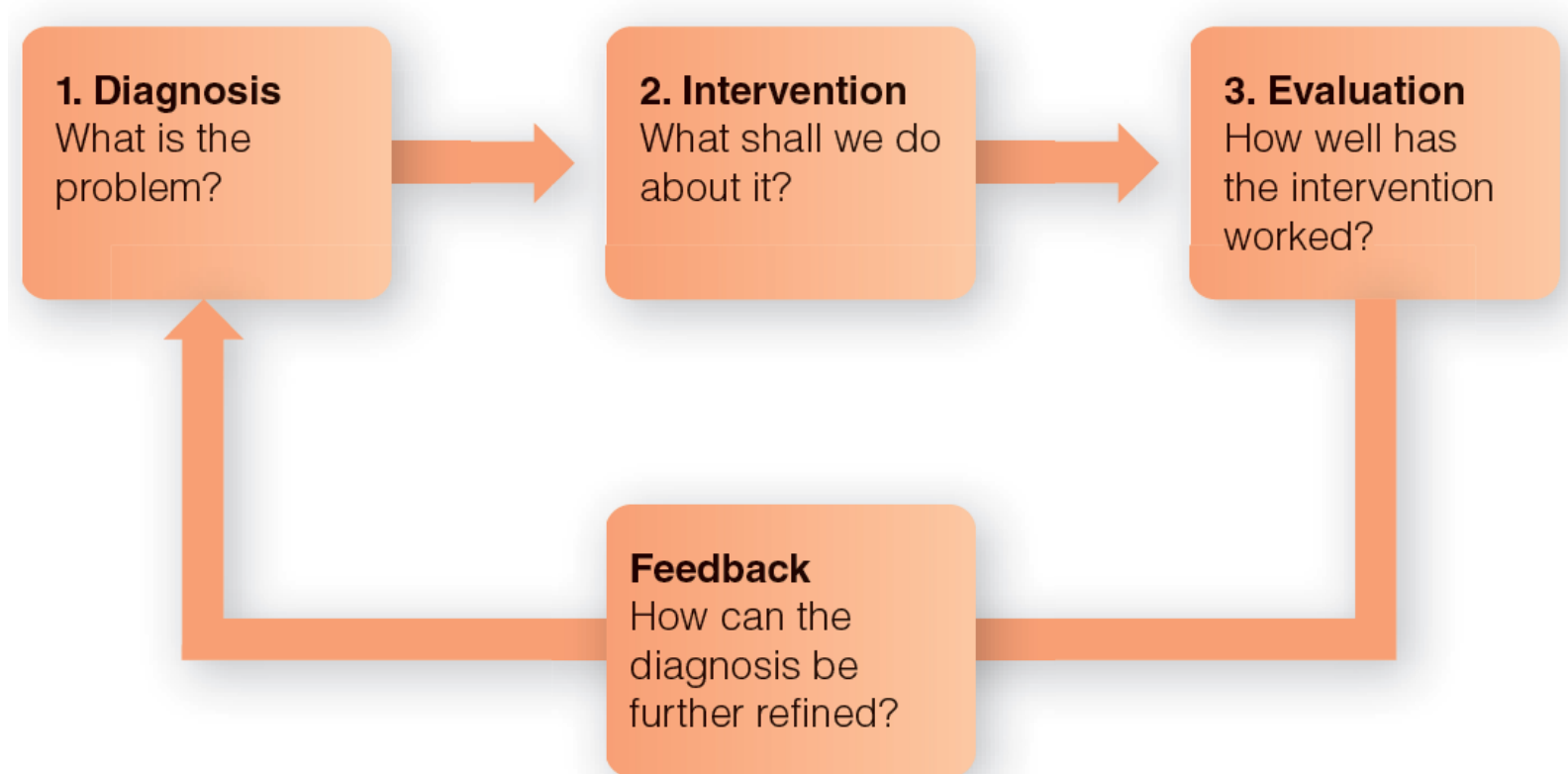
↪ a consultant with a background in behavioral sciences who can be a catalyst in helping organizations deal with old problems in new ways

# 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

# Organizational Development: Using OD to Make Money in the Restaurant Business

- ★ Eli Chait co-founded San Francisco–based Copilot Labs a restaurant marketing analytics company
- ★ “Restaurants are so focused on the day-to-day business,” says Chait, “that they don’t have time to grow the business.”
- ★ An owner might want to know: “Which is more effective—promoting our happy hours or promoting our daily deals?”
- ★ Up to the change agent to evaluate an activity’s success when put into practice

# 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

## ★ Core innovations

↳ the optimizing of products or services for existing customers

## ★ Transformational innovations

↳ the invention of breakthrough products or services that don't exist yet and that are aimed at creating brand new markets and customers,

# 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 right people, or *human capital*; (3) the appropriate *resources*, and (4) the correct *reward system*.

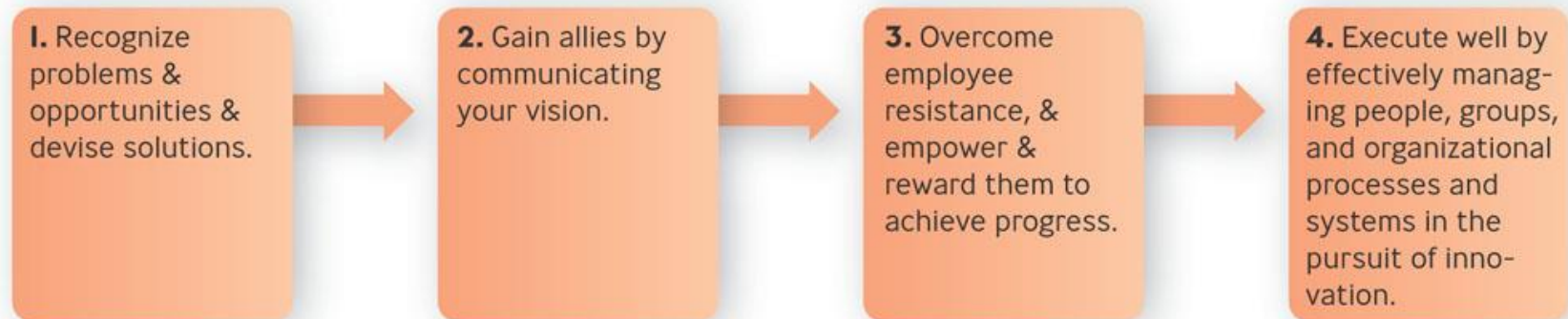


# Celebrating Failure: Factors Encouraging Innovation

1. Culture: Is innovation viewed as a **benefit** or a **boondoggle**?
2. Human Capital: Are the Right Kind of People Available?
3. Resources: Do managers put **money** where their mouths are?
4. 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

# 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

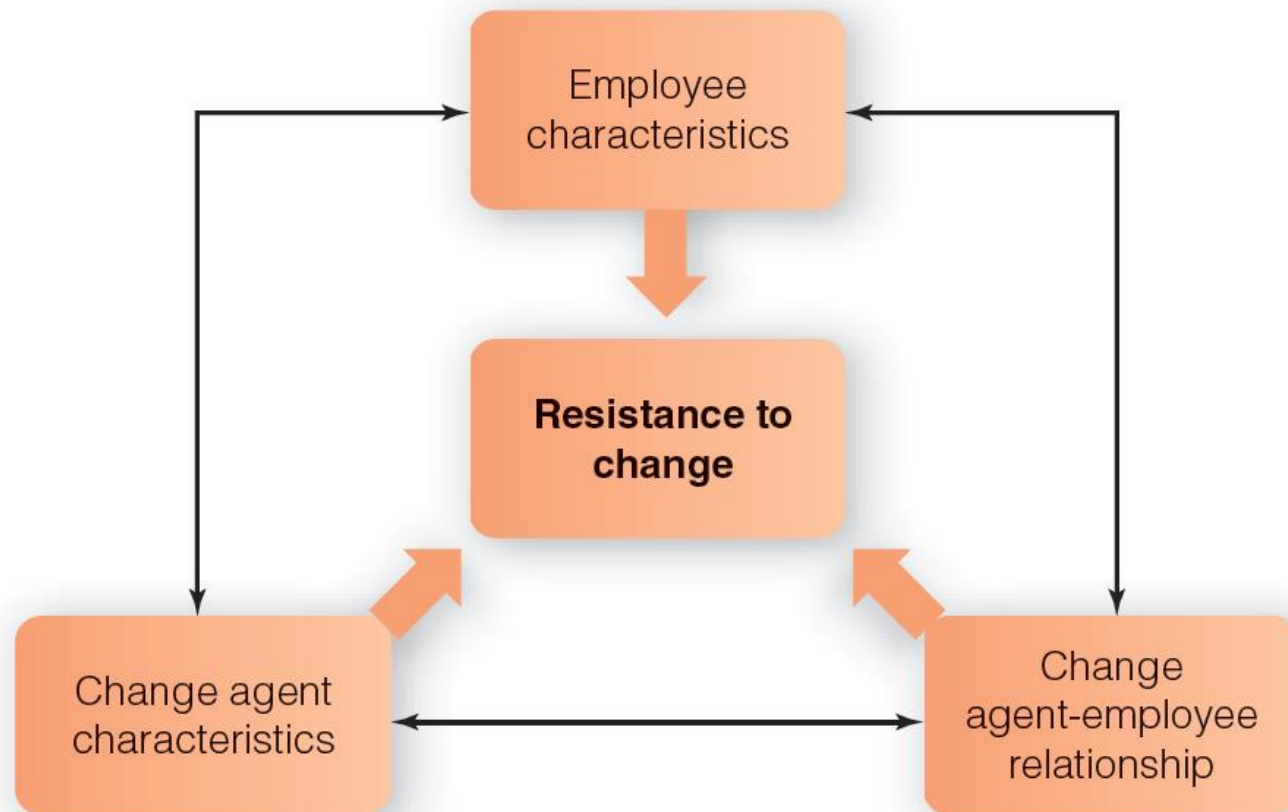
# The Causes of Resistance to Change

## Resistance to change

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

# A Model of Resistance to Change

Figure 10.5



# 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