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Course Name: Managing Change in Organizations

Faculty Name: KBL Srivastava

Department: Humanities and Social Sciences

Indian Institute of Technology Kharagpur

Topic: Innovation and Change

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CONCEPTS COVERED

Concepts Covered:

- Innovation management
- The role of change in innovation
- Linking change and innovation

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Innovation & Change

The adoption of a new idea or behavior by an organization

Change and innovation can come from outside forces

Managers want to initiate change from the inside

Disruptive innovation is a goal for global competition

- **IBM**
  - (1960 – 2000) From hardware, software company
  - (2000 – present) To a **service** company (mainly, consulting)
- If organizations don't successfully change and innovate, ***they die***

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The World's Most Innovative Companies (Forbes, 2018)

Rank	Name	Country	Industry
1	TESLA MOTORS INC.	USA	Automobile Manufacturers
2	SALESFORCE.COM INC.	USA	Application Software
3	REGENERON PHARMACEUTICALS	USA	Biotechnology
4	INCYTE CORP	USA	Biotechnology
5	ALEXION PHARMACEUTICALS INC.	USA	Biotechnology
6	UNDER ARMOUR INC.	USA	Apparel, Accessories & Luxury Goods
7	MONSTER BEVERAGE CORP	USA	Soft Drinks
8	UNILEVER INDONESIA TBK PT	IDN	Household Products
9	VERTEX PHARMACEUTICALS INC.	USA	Biotechnology
10	BIOMARIN PHARMACEUTICAL INC.	USA	Biotechnology

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Managing change and innovation

Innovation requires change. Change requires learning.

Change triggers that motivate the investment in new learning needed to innovate. Triggers come from both internal and external sources and include:

External triggers	Internal Triggers
Customer needs, desires or expectations Competitive offers New technology Changing demographics Economic cycle Geo-political events Environmental change Societal change Industry structural changes Regulation change	Decisions Problems in operations Company growth or decline Leadership and personnel change Changes to inter-organization alliances

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Change in Products and Technologies

- ***Product Change*** – a change in the organization's product or service outputs

  Technology Change – a change in the organization's production process

  <u>Three innovation strategies</u>:

  1. **exploration,**
  2. **cooperation, and**
  3. **entrepreneurship**

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Types of Innovation

1. Product innovation: Change in the appearance or performance
of a product or the creation of a new one
2. Process innovation: Change in a way that a product is conceived,
manufactured or disseminated.
3. Incremental Innovation: -creation of products, services, or technologies
that modify existing ones
4. Radical change: -creation of products, services, or technologies that replace existing ones

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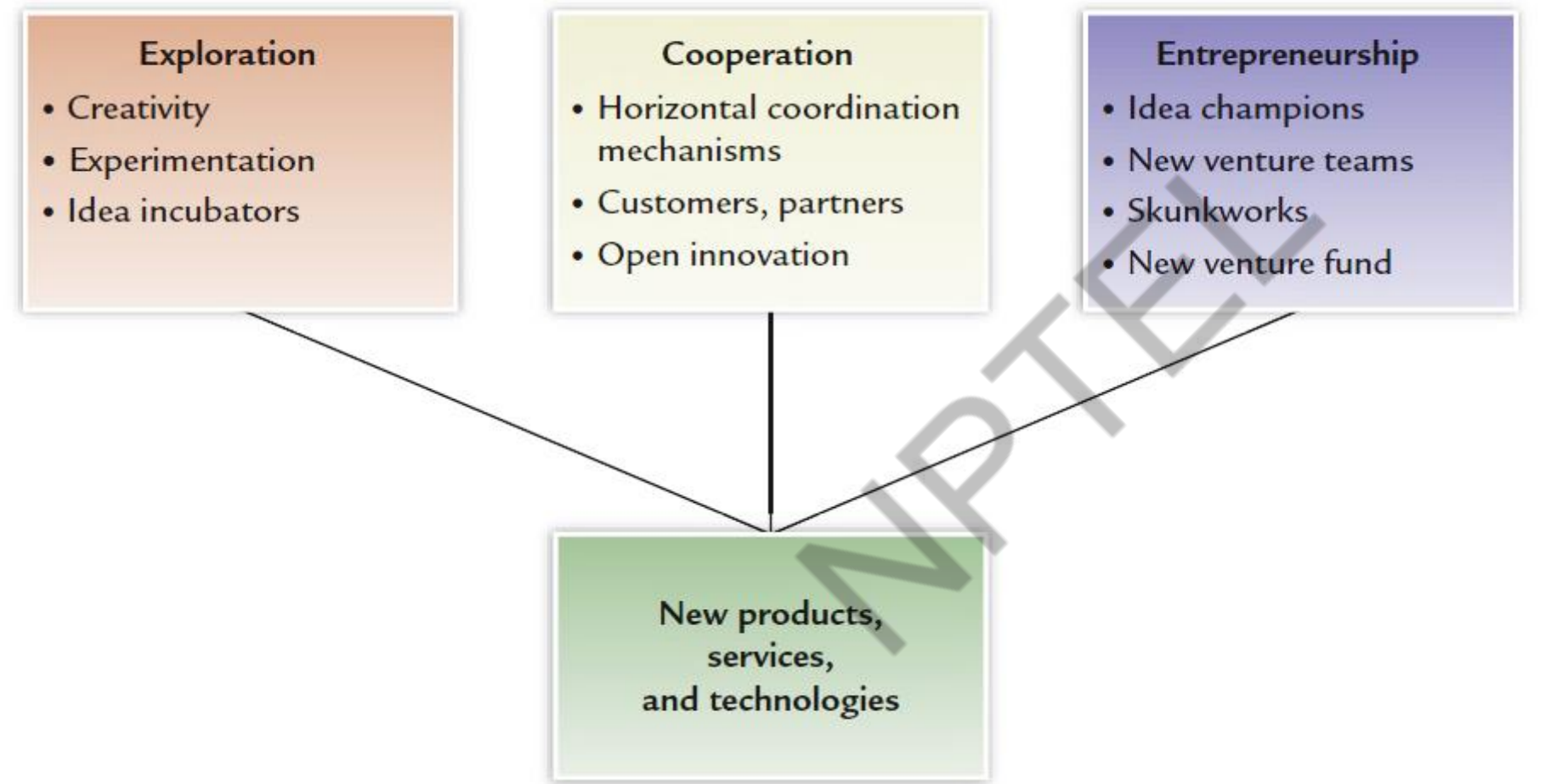
Three Innovation Strategies



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Exploration Strategies

Creativity – novel ideas that meet perceived needs or offer opportunities.

Idea incubator – a safe harbor where employees can develop ideas and experiment without interference from company bureaucracy or politics

Yahoo ➔ ***Brick house*** ➔ ***Top management support***

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Characteristics of Creative People and Organizations

The Creative Individual	The Creative Organization or Department
1. Conceptual fluency Open-mindedness	1. Open channels of communication Contact with outside sources Overlapping territories; cross-pollination of ideas across disciplines Suggestion systems, brainstorming, freewheeling discussions
2. Originality	2. Assigning nonspecialists to problems Eccentricity allowed Hiring outside your comfort zone
3. Less authority Independence Self-confidence	3. Decentralization, loosely defined positions, loose control Acceptance of mistakes; rewarding risk-taking People encouraged to challenge their bosses
4. Playfulness Undisciplined exploration Curiosity	4. Freedom to choose and pursue problems Not a tight ship, playful culture, doing the impractical Freedom to discuss ideas; long time horizon
5. Persistence Commitment Focused approach	5. Resources allocated to creative personnel and projects without immediate payoff Reward system encourages innovation Absolution of peripheral responsibilities

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Cooperation –

(1) Internal Coordination

Horizontal Linkage Model:
Simultaneously contribute to innovation
Horizontal coordination mechanisms:
Marketing = Research = Manufacturing
Key to Success:
MANAGEMENT – Planning, organizing, leadership, control, Team Building
Project Manager

(2) External Coordination

Includes customers, partners, suppliers
Open innovation – commercialization of ideas beyond the organization
P&G – Patent
LEGO + Hollywood studios

Crowdsoucing
Threadless – web 2.0 (open, share, participate)

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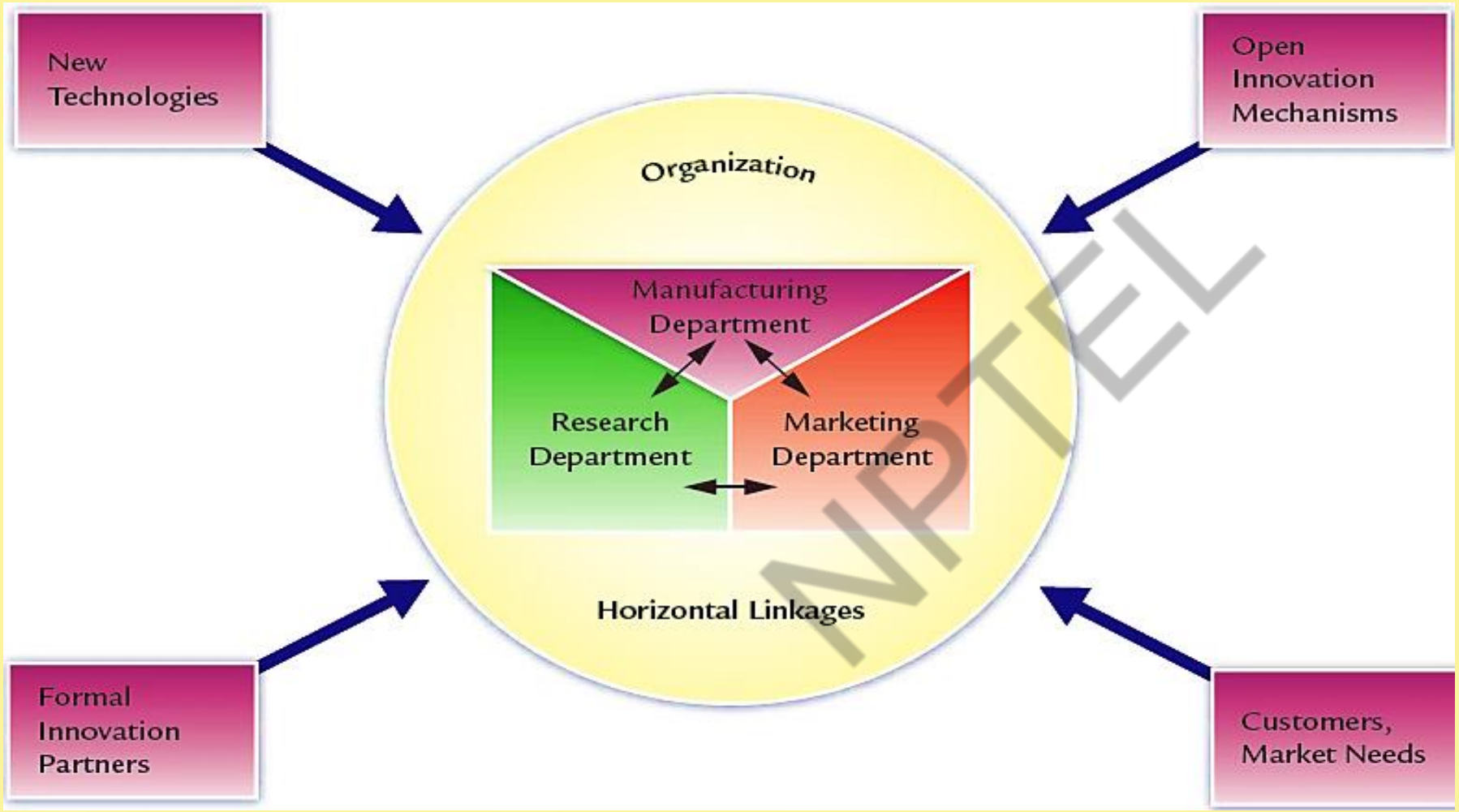
Coordination Model for Innovation



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Innovation Roles

Managers should support entrepreneurship activities and foster ***idea champions***

Energy and effort is required to promote a new idea

Sponsors approve and protect ideas when ***critics*** challenge the concept

New-venture teams give free rein to creativity

Skunkworks are informal, autonomous, secretive groups that focus on breakthrough ideas

- ***New-venture funds*** provide resources for new ideas

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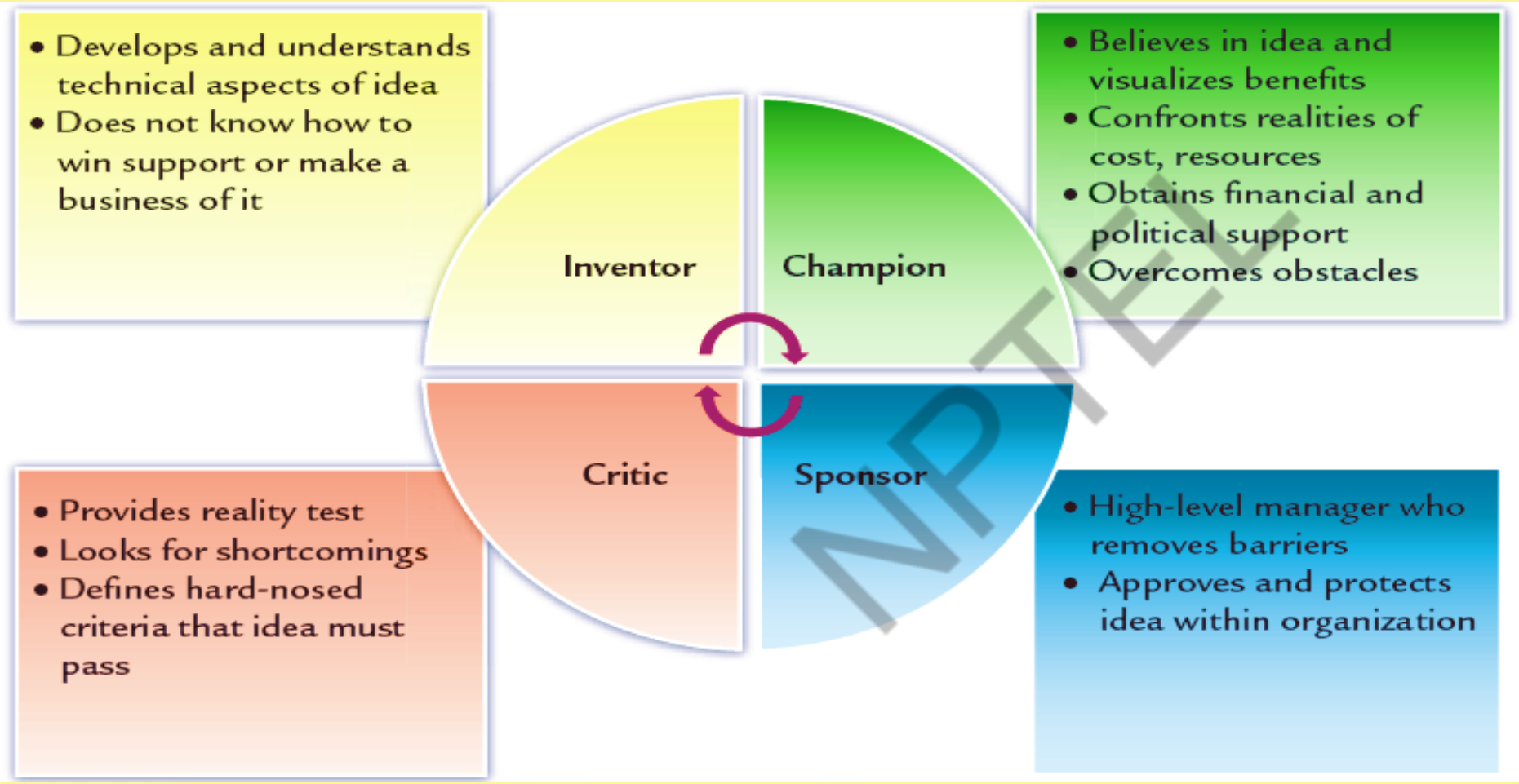
Four Roles in Organizational Change



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Linking Innovation and Change

Change type	Description
Organizational Change leading to innovation	Organizational change counts as innovation only if there is a measurable change in output, such as increased productivity or sales.
Cultural Change leading to innovation	Research has shown that a strong corporate culture can give a company a powerful advantage over its competitors, especially in highly competitive and commodity-like markets. Also the organizational culture is directly linked to the organization's productivity and profitability.
Technological Change leading to innovation	Technological product and process innovations comprise implemented technologically new products and processes and significant technological improvements in products and processes.
Knowledge Assets Change leading to innovation [1]	The tangible asset or what so called solid asset and the second part is the intangible asset which is mainly based on the intellectual properties, patents, trademarks, goodwill names, and positioning. Also what is available or kept in the brain of the key persons.
Reengineering leading to innovation	Radical change, top down, new organizational structure

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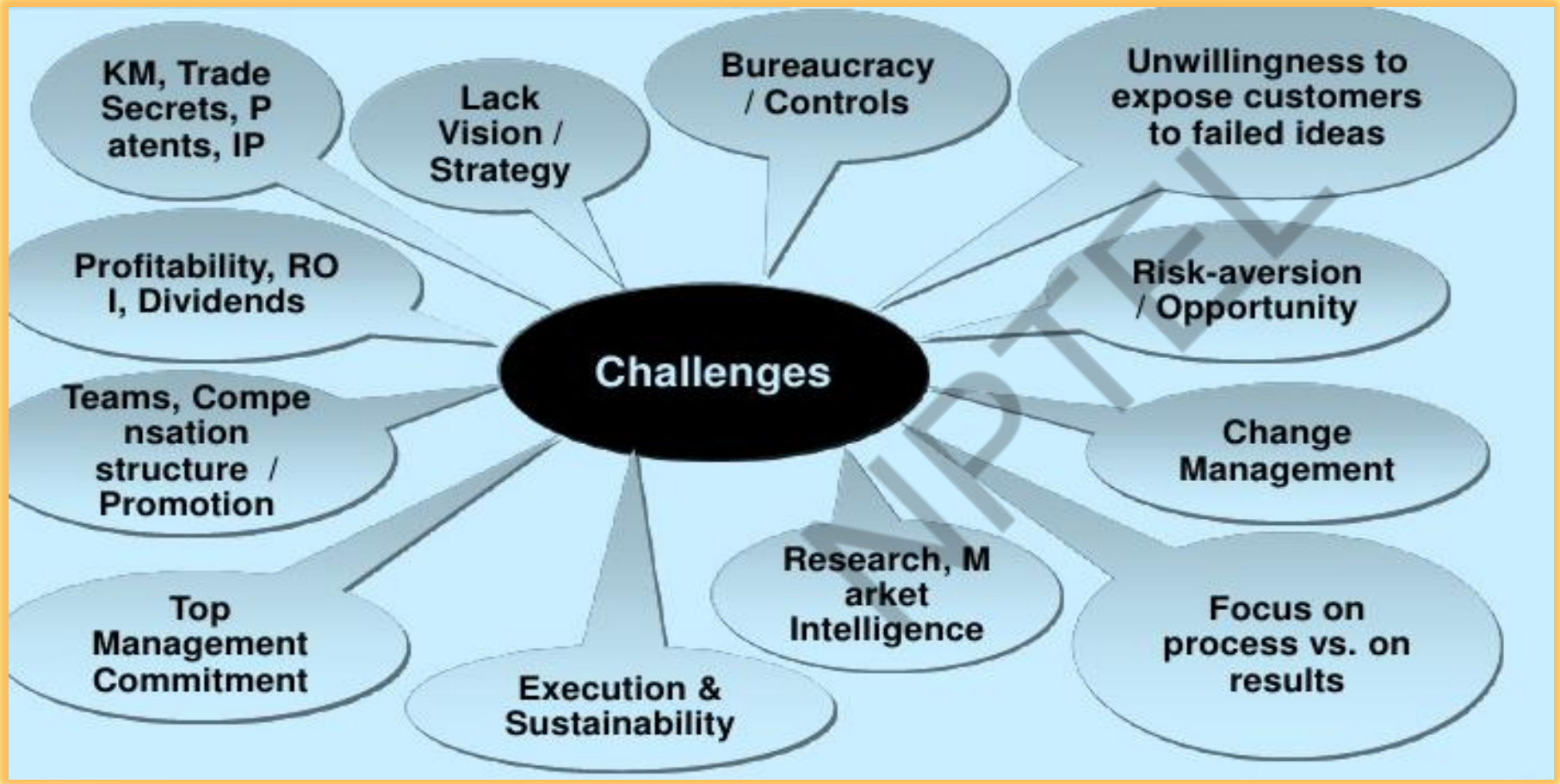
Innovation Challenges



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Why Innovation Matters

Technology Cycles

A cycle that begins with the birth of a new technology and ends when that technology reaches its limits and is replaced by a newer, better technology.

Innovation Streams

Patterns of innovation over time that can create sustainable competitive advantage

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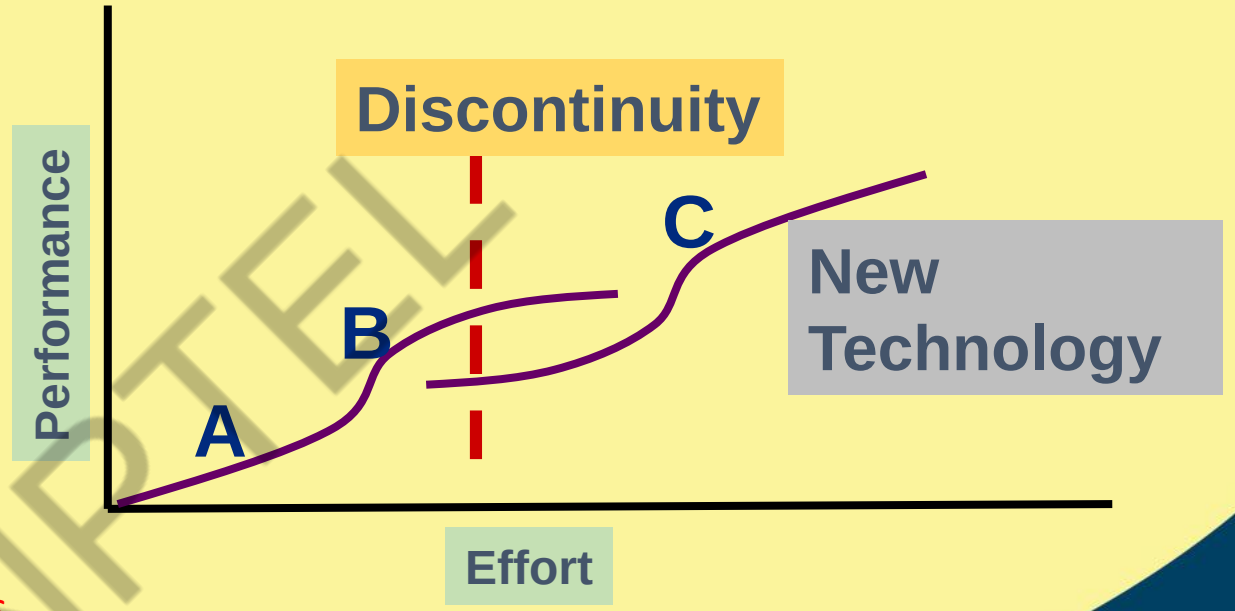
S-Curves and Technological Innovation

Early in a technology cycle as depicted by point A on the S-curve. The flat slope indicates that increased effort (i.e., money, research and development) brings only small improvements in technological performance. Intel's technology cycles have followed this pattern.

As the technology matures it helps in getting better performance from the new technology. This is represented by point B of the S-curve.

The steeper slope indicates that small amounts of effort will result in significant increases in performance. At point C, the flat slope again indicates that further efforts to develop technology will result in only small increases in performance



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Innovation Streams: Technology Cycles over Time

To sustain a competitive advantage firms need to create a stream of its own innovative ideas and products.

It begins with a technological discontinuity, in which a scientific advance or a unique combination of existing technologies creates a significant breakthrough in performance or function.

It is followed by a discontinuous change, which is characterized by technological substitution and design competition.

Technological substitution occurs when customers purchase new technologies to replace older technologies.

Discontinuous change the old technology and several different new technologies compete to establish a new technological standard or dominant design.

Discontinuous change is followed by the emergence of a dominant design, which becomes the new accepted market standard for technology. The emergence of a dominant design signals a shift from design experimentation and competition to incremental change, a phase in which companies innovate by lowering the cost and improving the functioning and performance of the dominant design.

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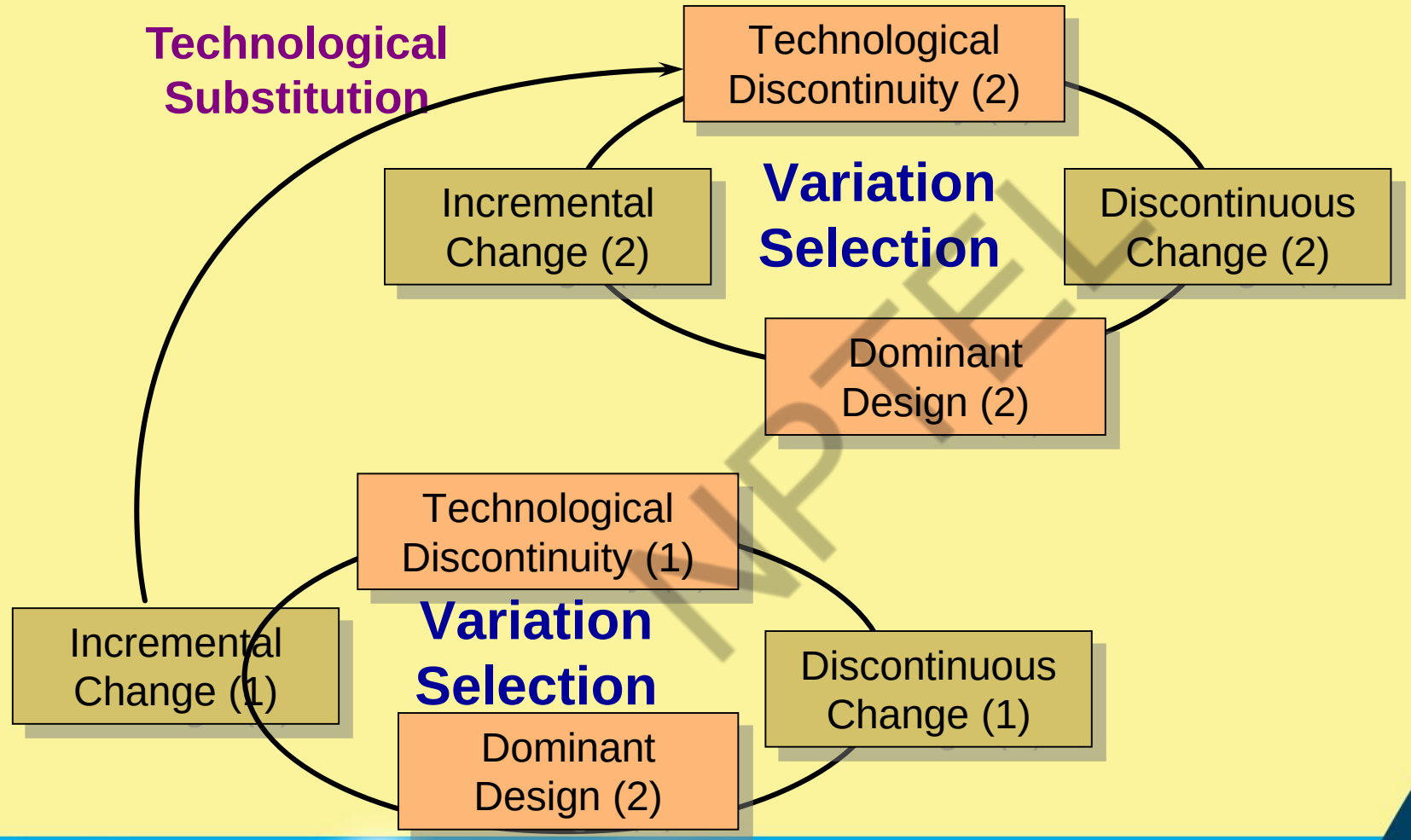
Innovation Streams: Technology Cycles over Time



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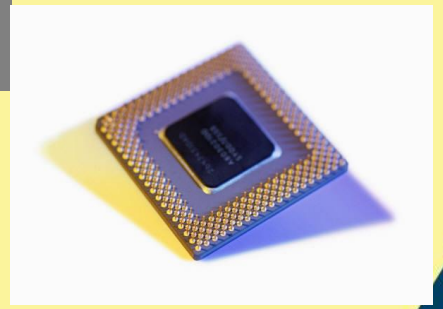
Innovation Streams

Technological Discontinuities

Discontinuous Change

- **Technological Substitution**
- **Design Competition**

Dominant Design



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Innovation Streams

An innovation stream begins with a technological discontinuity, in which a scientific advance or unique combination of existing technologies creates a significant breakthrough in performance or function. Technological discontinuities are followed by a discontinuous change which is characterized by technological substitution and design competition.

Discontinuous change is followed by the emergence of a dominant design. Dominant designs can emerge in several ways:

- critical mass (most people use it)
- solves a practical problem
- independent standards bodies

Example: Move from the portable radio, to portable cassette player (Walkman), to portable CD player, to music being stored on computer chips in digital music players.

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Managing Sources of Innovation

Creative work environments

Workplace cultures in which workers perceive that new ideas are encouraged

Flow

The psychological state of effortlessness in which you become absorbed in your work and time seems to pass quickly

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Managing source of Innovation

Innovation begins with creativity

- Creativity is the production of novel and useful ideas.
- While companies can't command creativity from employees ("You will be more creative!"), they can jump-start innovation by building creative work environments, in which workers perceive that creative thoughts and ideas are welcomed and valued.
- Challenging work promotes creativity because it creates a rewarding psychological experience known as "flow".
- Flow is a psychological state of effortlessness, in which you become completely absorbed in what you're doing and time seems to fly

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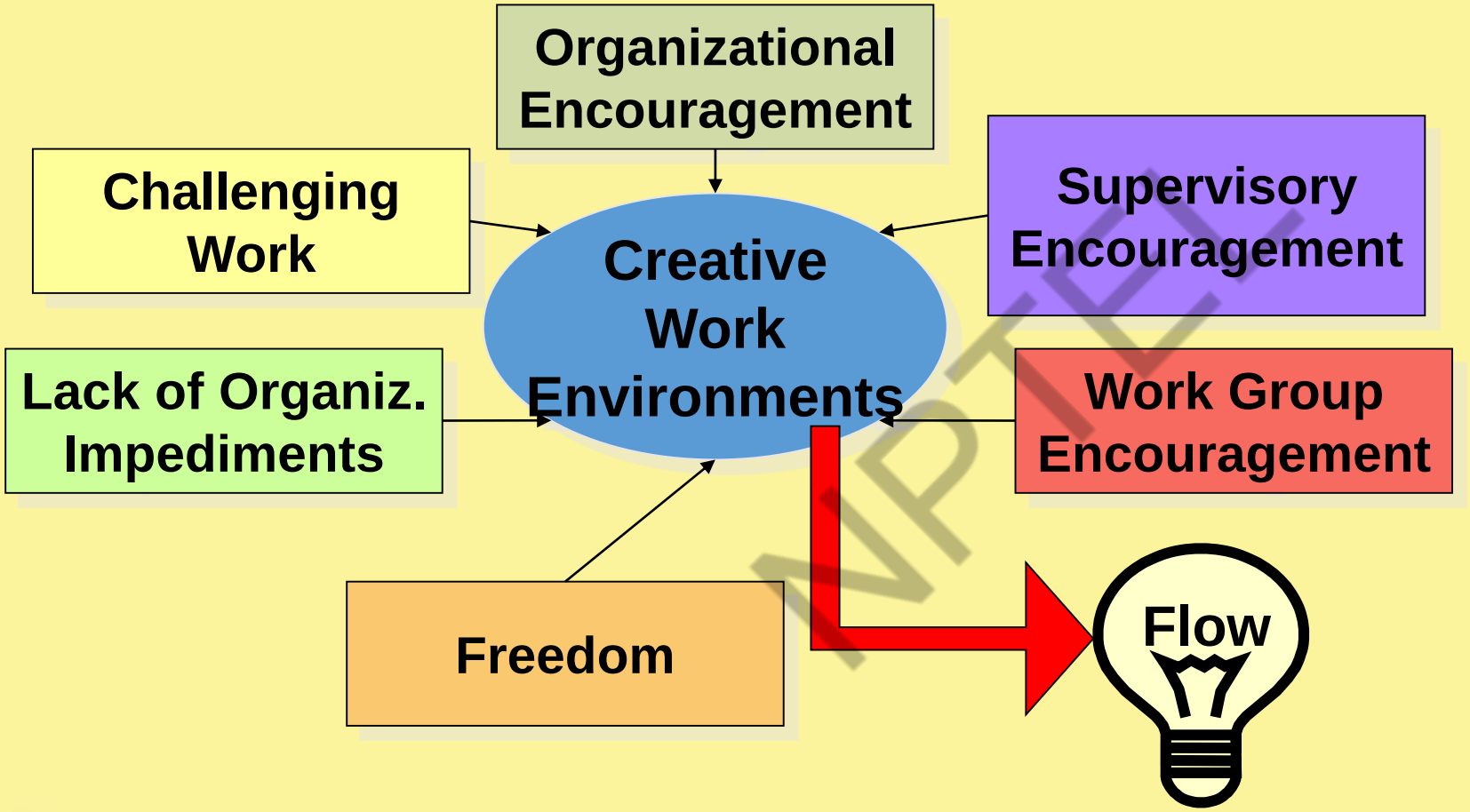
Components of Creative Work Environments



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Managing Innovation During Discontinuous Change

Experiential approach to innovation

- innovation is occurring within an uncertain environment the key to innovation is to use:
  - intuition
  - flexible options
  - hands-on experience
  - A study of 72 product development projects (i.e., innovation) in 36 computer companies across the U.S., Europe, and Asia found that companies that succeeded in periods of discontinuous change followed an experiential approach to innovation

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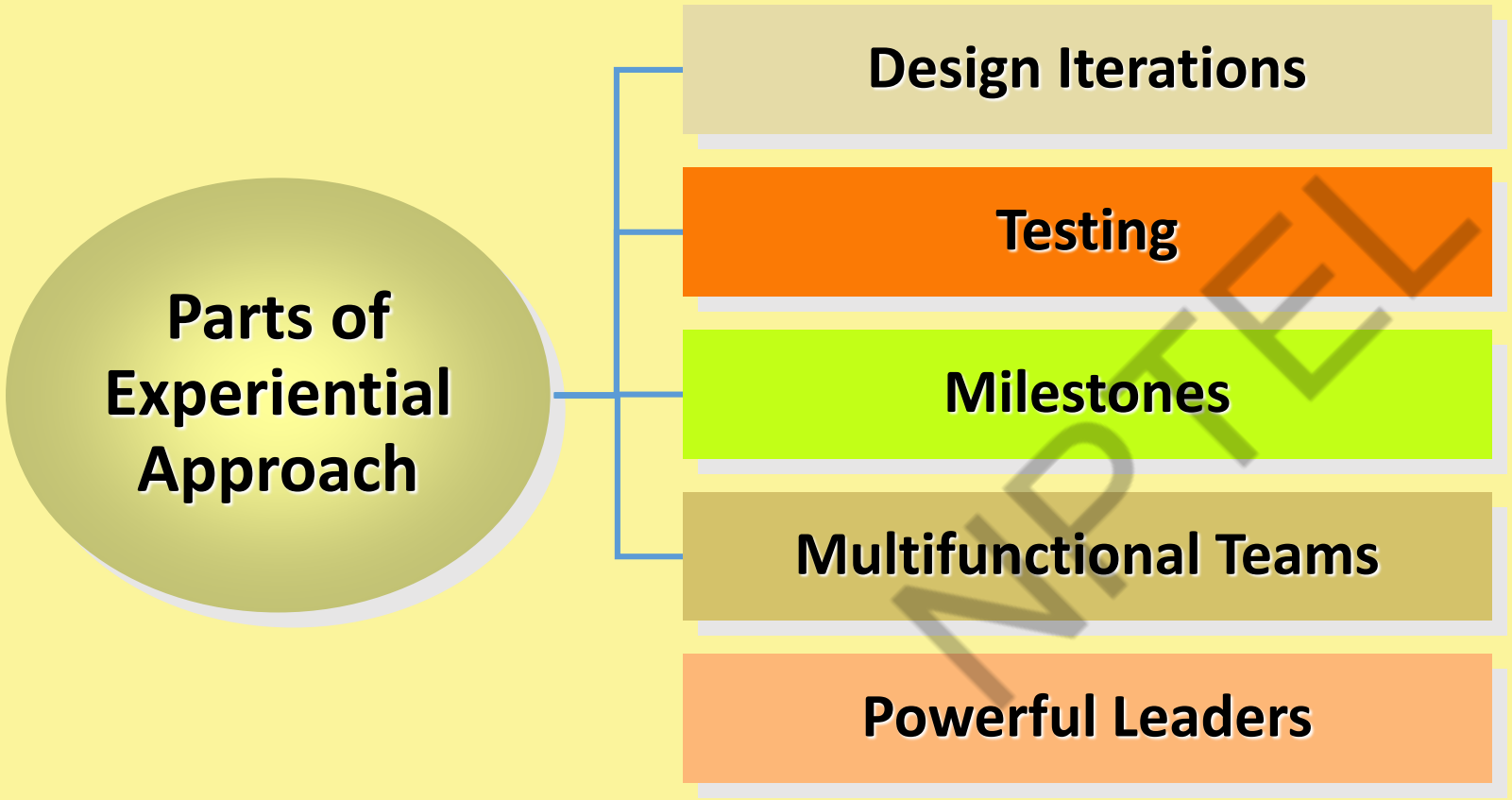
Experiential Approach to Innovation



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Experiential Approach to Innovation

- Design iteration is a cycle of repetition in which a company tests a prototype of a new product or service, improves on the design, and then builds and tests the improved product or service prototype.
- A product prototype is a full-scale working model that is being tested for design, function, and reliability.
- Testing is a systematic comparison of different product designs or design iterations. Milestones are formal project review points used to assess progress and performance.
- Multifunctional teams are work teams composed of people from different departments, accelerate learning and understanding by mixing and integrating technical, marketing, and manufacturing activities.
- Powerful leaders provide the vision, discipline, and motivation to keep innovation process focused, on time, and on target

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Managing Innovation During Incremental Change

- Compression approach to innovation
  - assumes that innovation is a predictable process that can be planned in steps.
  - Can be used during periods of incremental change, in which the focus is on systematically improving the performance and lowering the cost of the dominant technological design

- Generational change
  - based on incremental improvements to a dominant design and achieving backward compatibility with older technology

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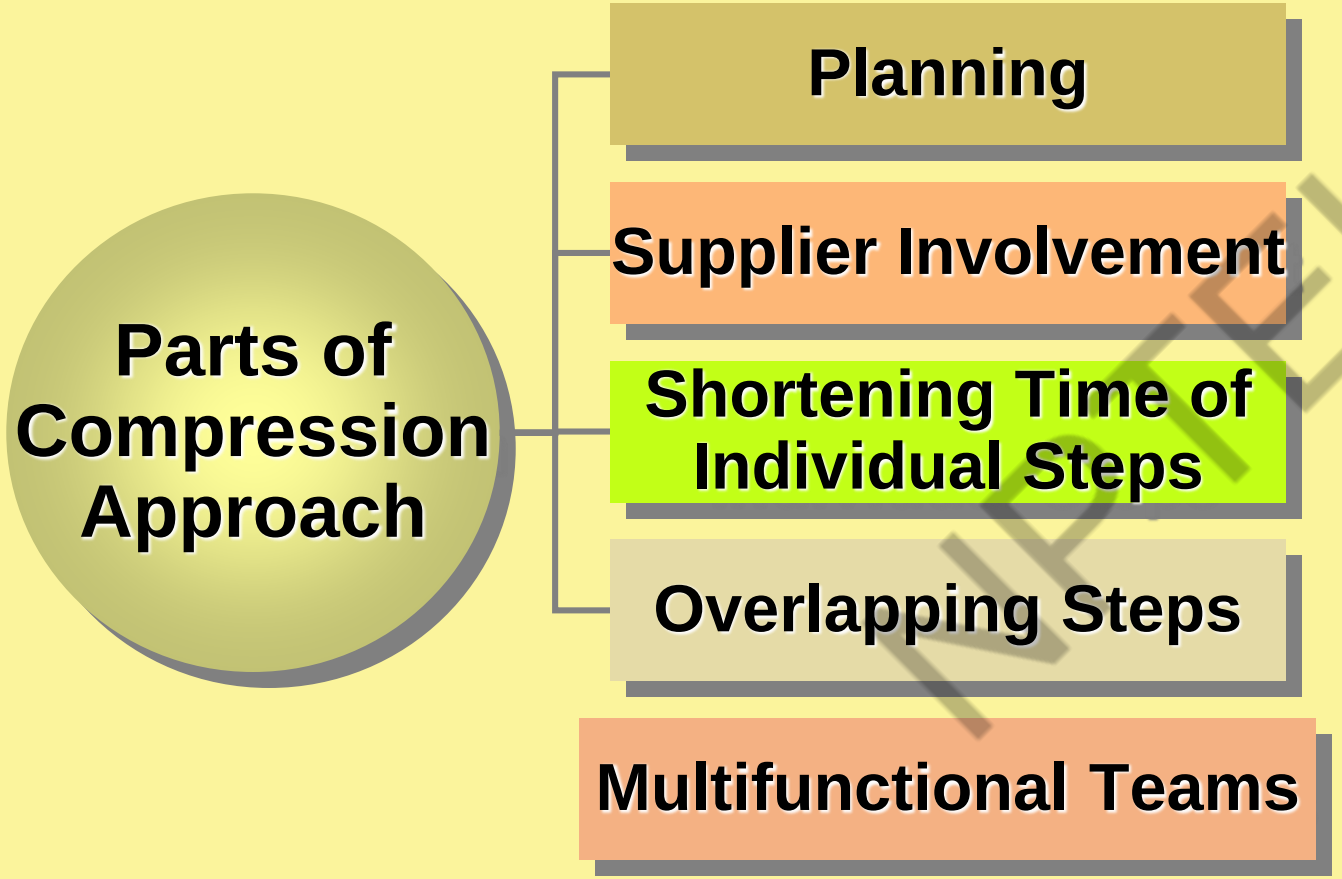
Compression Approach to Innovation



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Approaches to Managing Innovation

	Experimental	Compression
Environment	Uncertain discontinuous change: technological substitution and design competition	Certain incremental change established technology (i.e., dominant design)
Goals	Speed Performance Improvements New dominant design	Speed Lower costs Incremental improvements in performance of dominant design
Approach	Build something new, different, and better	Compress time/steps needed to bring about small improvements
Steps	Design iterations Testing Milestones, Multifunctional teams, Powerful leaders	Planning, Supplier involvement, Shorten time of steps, Overlapping steps Multifunctional teams

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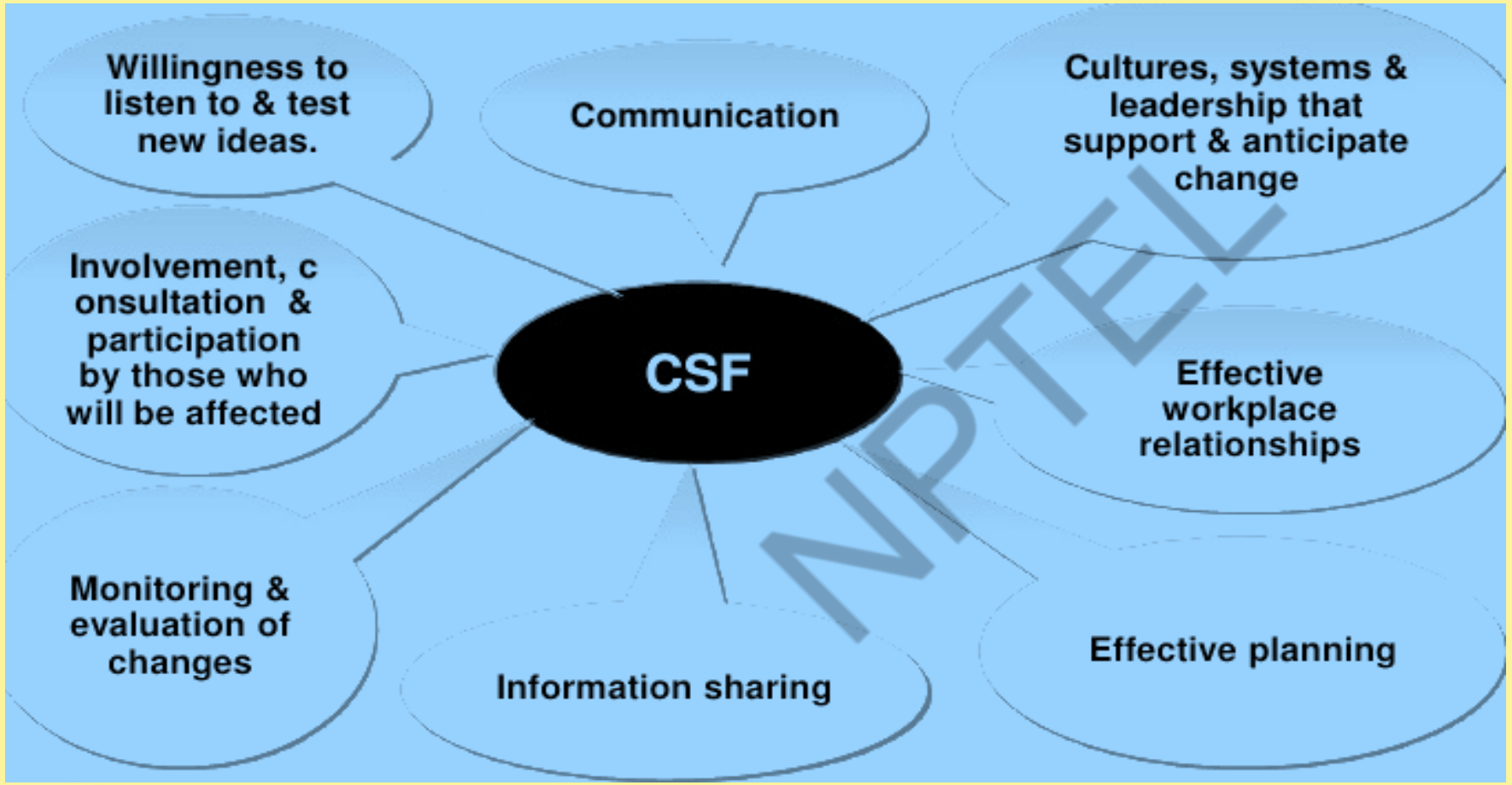
Facilitating Change for Innovation: Critical Success Factors



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Course Name: Managing Change in Organizations

Faculty Name: KBL Srivastava
Department: Humanities and Social Sciences

Indian Institute of Technology Kharagpur

Topic: Organizational Learning and Change

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Organizational learning

- OL is development of the new knowledge, acquisition of the new insights which have potential to influence changes and thus to improve organizational performance.
- OL have characteristics of collective phenomena, and two basic forms of outcomes:

  - a form of explicit knowledge (included in norms, rules, contracts, documents, handbooks, databases, etc.)

  - tacit knowledge (“the largest database of any organization” situated in human resources).

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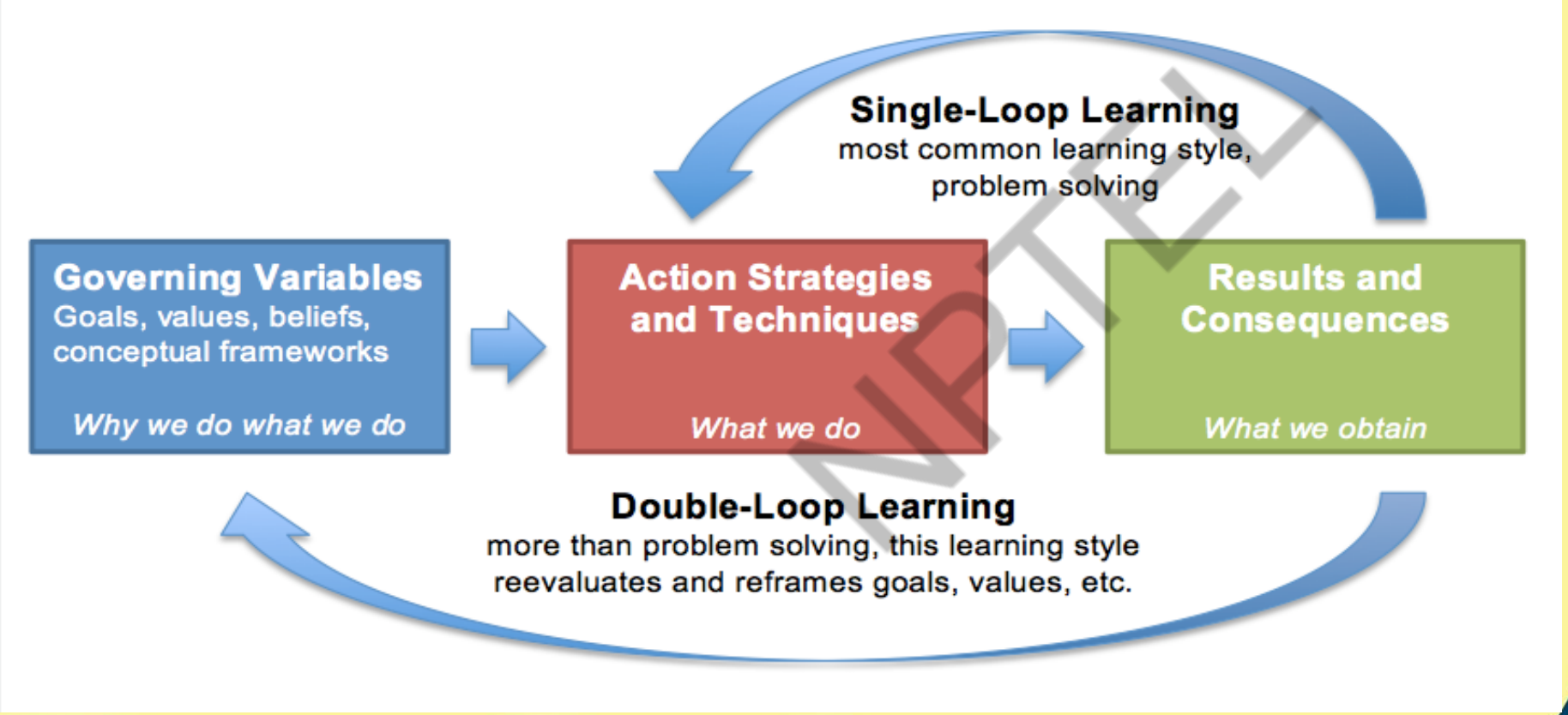
Types of Organizational Learning

Single Loop Learning, Double Loop learning, and Triple Loop Learning



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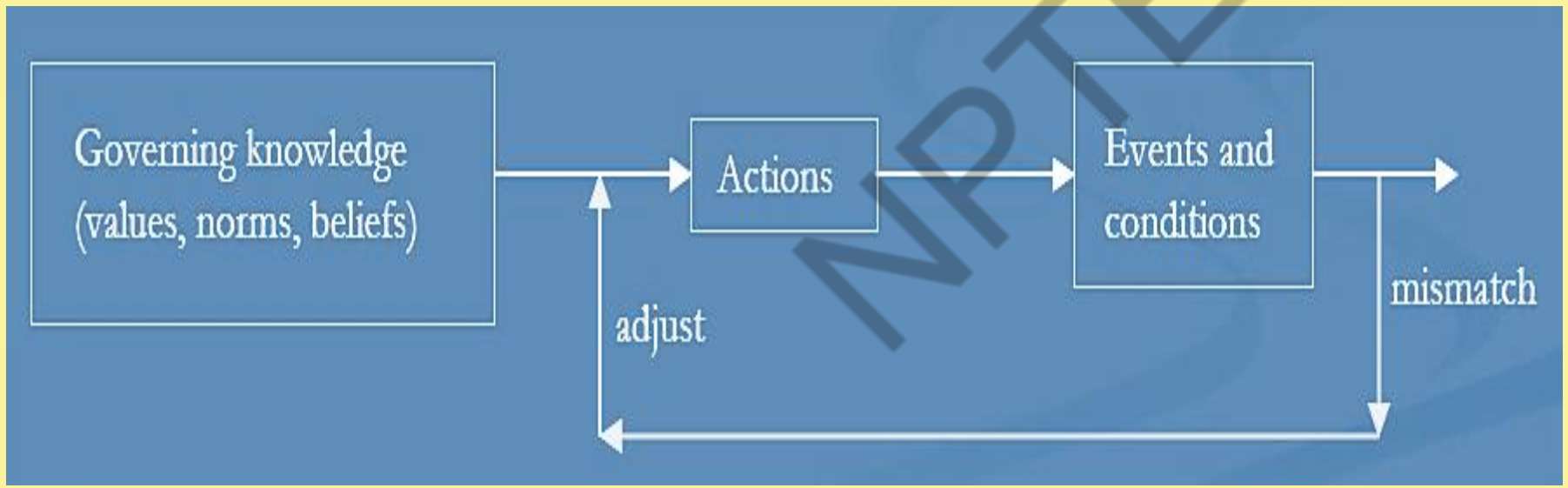
Single Loop Learning

- This occurs when errors are detected and corrected.
- Firms continue with their present policies and goals.
- This is the “Lower-level Learning”, “Not-Strategic Learning”, “ This “Adaptive Learning”.



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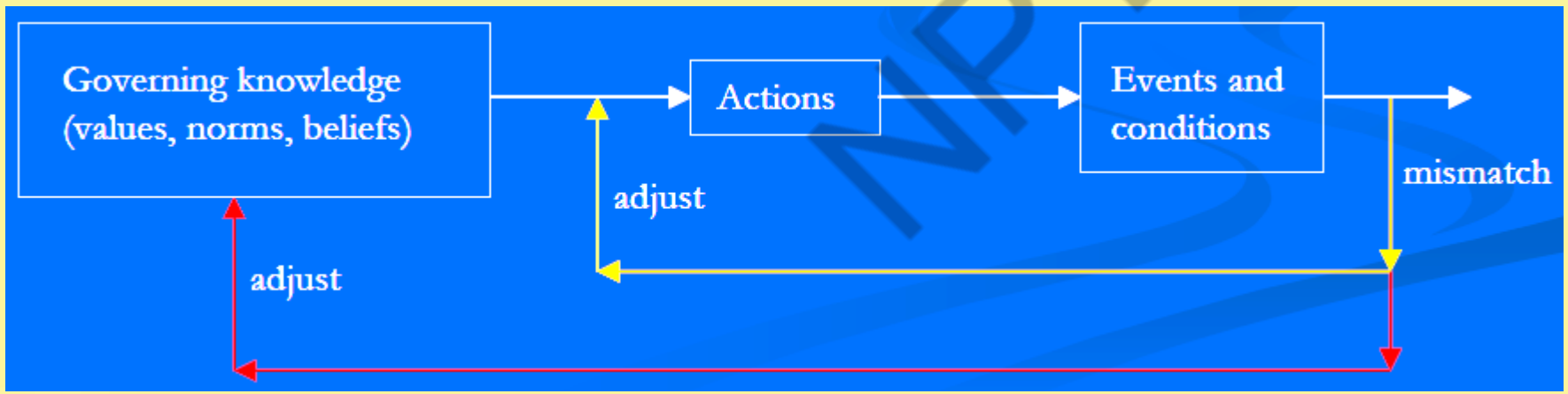
Double Loop Learning

- This occurs when, in additiion to detection and correction of errors, the organization questions and modifies its existing norms, procedures, policies and objectives.
- It involves changing the organization's knowledge-base or firm-specific competences or routines.
- It is calles "Higher-Level Lear ning",
- "Strategic Learning" :Learning to expand organization's capabilities
  - The process by which and organization makes sense of its environment in ways that broaden
    - The range of **objectives** it can pursue or
    - The range of **resources and actions** available to it for processing these objectives.



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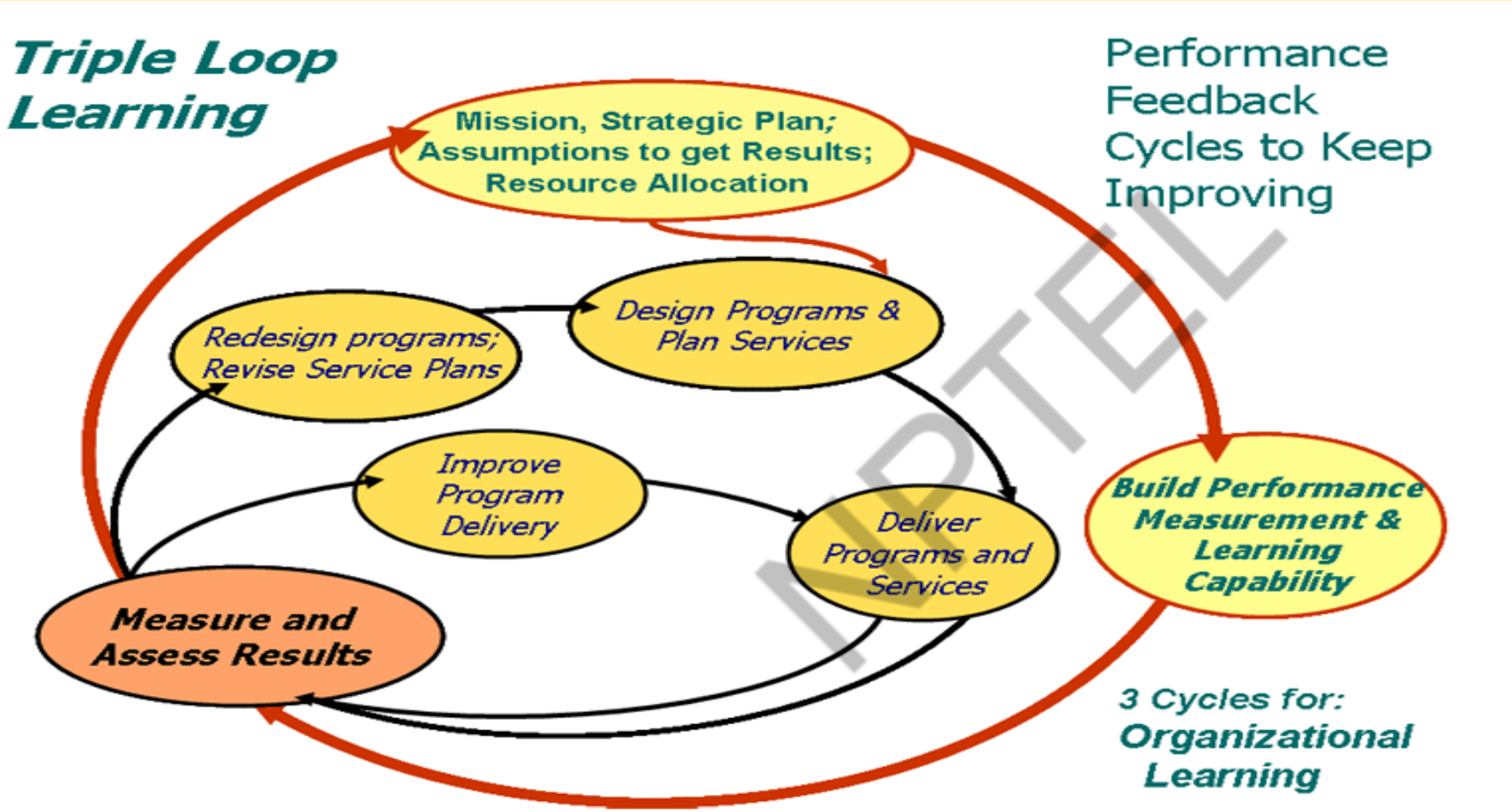
Triple Loop Learning



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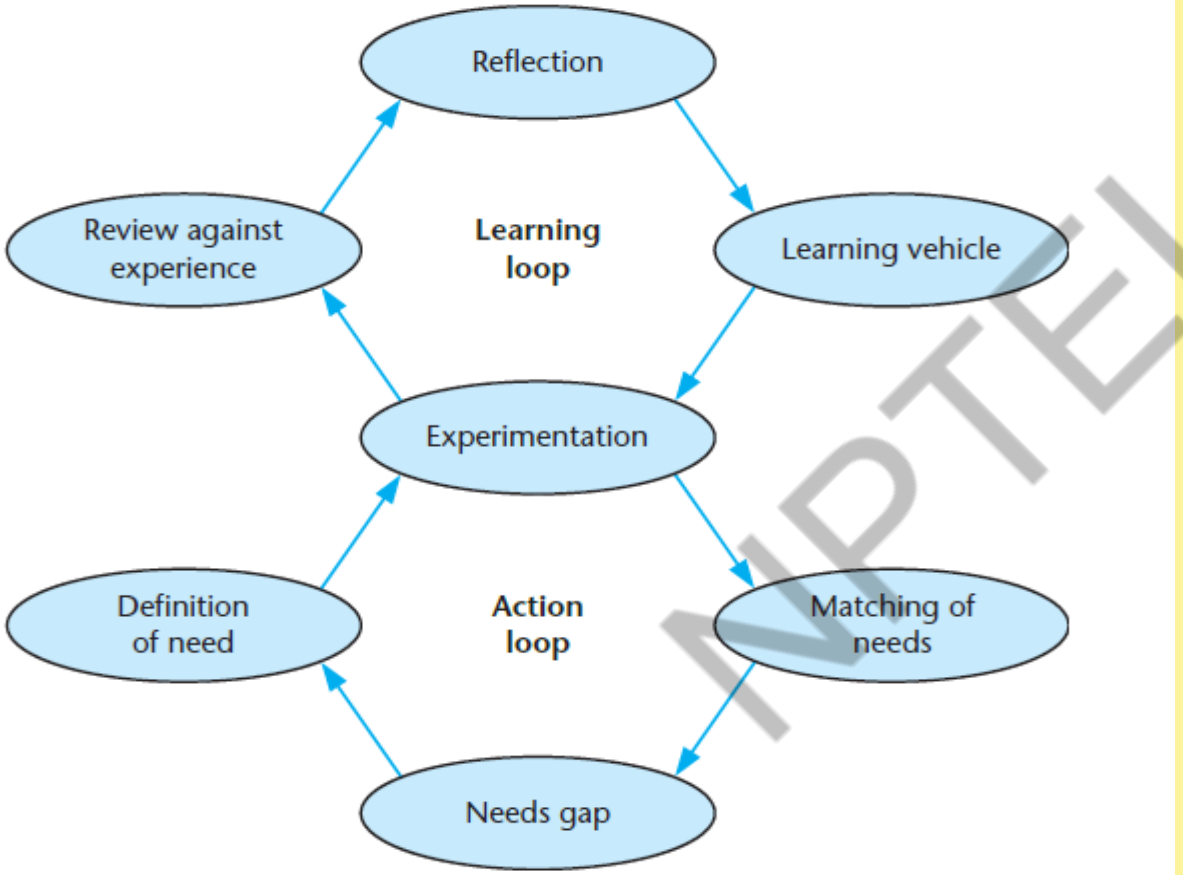
Cycles of Learning and Change



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Learning and Change

Stage		*Task/activity*	*Process*
1 Thinking	Beginnings	Diagnosis	Getting started
		Feasibility studies	
		Brainstorming	
		Communication of concerns	
		Problem recognition	
		Establish steering group	
2 Addressing	Focusing	Task forces	Building capability
		Training	
		Buying in new skills	
		Building support	
		Building coalitions	
		'Pilot' trials	
3 Doing	Inclusion	Creating change	Building and sustaining change
	Cascading	Champions	
	Rolling out	Proposals for change	
		New structures and skills	
		Team building	
		Rewards and recognition	
		Sell change	
		Publicize success	

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Organizational learning and Change

If leaders and their workforces are to improve their change management capabilities, they need relevant, innovative, and dynamic learning opportunities that keep pace with the shifting demands of organizational transformations.

Learning professionals recognize the vital role of their and should be prepared to assume the mantle of organizational change agent

It’s not about teaching the latest process for change, it’s about creating a new kind of organization optimized for change and changing

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Elements of Organizational Learning

An ongoing process which produces everlasting changes in several areas as a result of integrated initiatives. Involves three main subsystems:

(1) Acquisition of new inputs include any change within the organization, such as structure or technology and its analysis, characterized by innovation.

(2) Involves retention of the newly acquired input and the successful retention. Regarded as the implementation stage of Organizational Learning.

(3) Involves stabilization and usage of the newly acquired inputs in the day to day processes of an organization.

Organizational Learning results in improving capabilities of an organization for change

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Mechanism for fostering Organizational Learning

Organizational Flexibility and Experimentation

Flexible organizations have improved capabilities in addressing the problems or issues by identifying newer alternatives or various possible solutions. Organizations open for experimentation enjoy an edge in the competitive battle and are more profitable.

Mechanism for promoting organizational flexibility and experimentation:

1. Invite experienced practitioners or experts who have met success at work by implementing change
2. Encourage employees to use their problem solving abilities for addressing various issues and apply their creative mind for tackling various problems.
3. Provide positive reinforcements in the form of rewards to the people who use new approaches for solving a problem and achieve success
4. Review performance periodically and hold periodic meetings for sharing the objectives and experiences

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Mechanism for fostering Organizational Learning

Team work and Mutuality

The following mechanisms may result in establishing an environment of collaboration, mutuality and team support:

Sharing of experiences, new ideas and innovative approaches both within the organizations as well as with other organizations.

Create task forces for realizing mission critical goals, implementing new projects and reviewing the project success

Review the progress of new initiatives or projects by holding periodic meetings headed by the top or senior management officials in integrating objectives, building internal synergies and fostering a collaborative environment for implementing change successfully.

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Mechanism for fostering Organizational Learning

Establishing Temporary System

Temporary systems are formed with the objective of achieving quick Outcomes/decisions involving various aspects of change. The advantages of temporary system have been provided below:

Diverse viewpoints from cross functional, interdepartmental and inter-regional backgrounds members.

Time bound objectives can be fulfilled as a result of which the tasks can be completed faster.

It facilitate objective oriented approach for addressing the problems of diverse nature.

It can encourage risk orientation and independent outlook for solving complicated issues.

A flexible framework which can be created or dissolved as per the changing requirement

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Mechanism for fostering Organizational Learning

Contingency and Incremental Planning

Contingency planning improves organizational preparedness in identifying alternative solutions for proactively addressing problems of varying nature. The mechanisms can lead to contingency planning:

Detailed plans reflecting the contingent approach can be prepared.

Learning gets reinforced if new initiatives are integrated with the existing processes or practices.

Record the learning derived from new experiences and continuously review performance and improvements.

Create task forces and encourage groups to identify alternative approaches and solutions for implementing a change.

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Mechanism for fostering Organizational Learning

Competency Building

Organizational Learning requires strengthening of desired competencies, which can be done in the following ways:

By inviting experts or practitioners for sharing their experiences or best practices and encouraging people to endorse change.

Organizing seminar programmes and representing employees for participating in external trainings for acquiring new skills or competencies.

Creating task forces for communicating shared goals to the people involved in the change process, implementing pilot projects for achieving pre-defined change objectives in several areas as per the plans of the top management.

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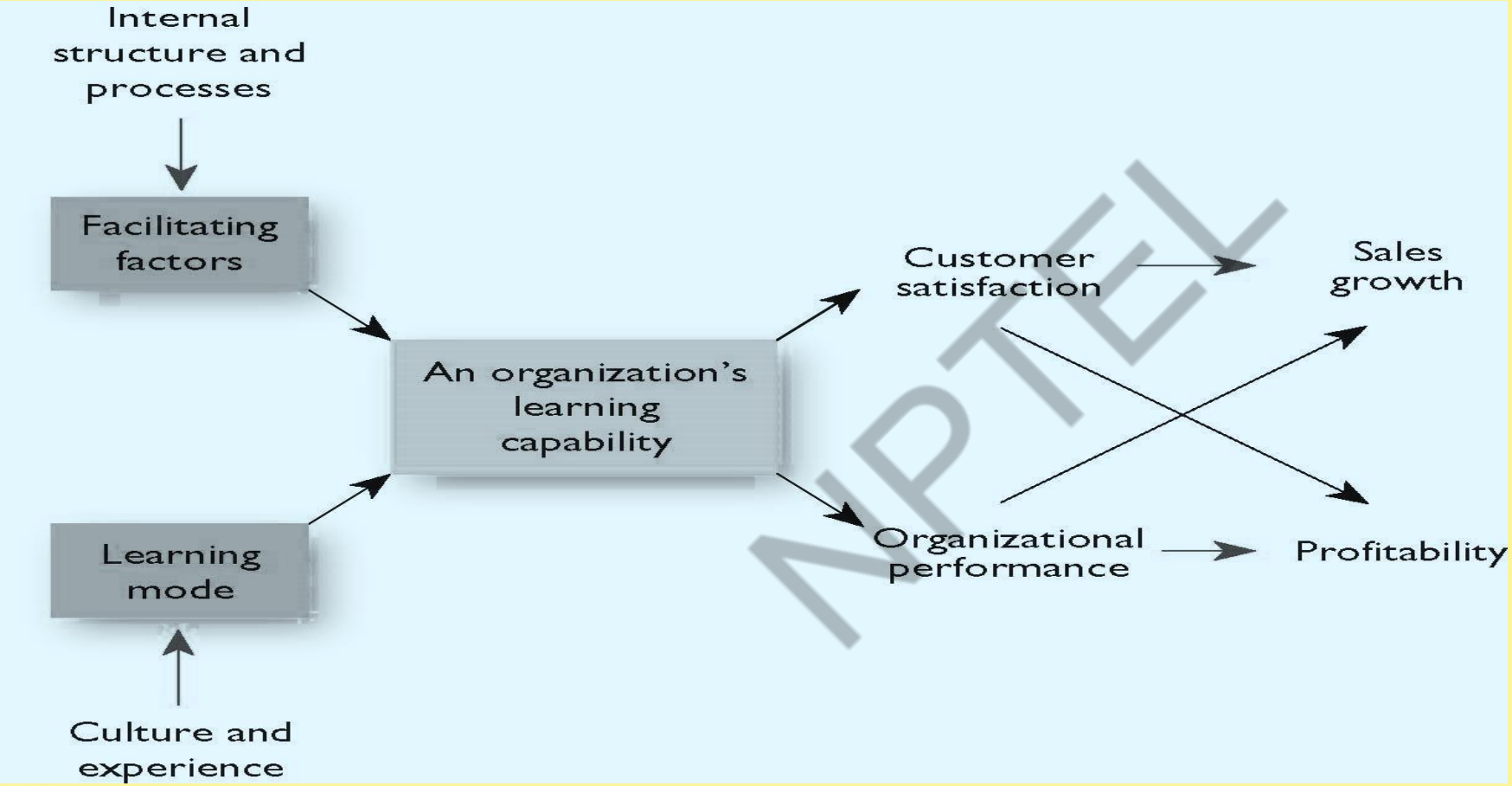
Building Organizational Learning Capacity to Change



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Factors that Facilitate Organizational Learning

Supportive learning environment

Psychological safety: People are not afraid to speak up, share information, discuss problems, and try ideas.

Appreciation of differences: Different ideas and opinions are valued.

Openness to new ideas: New ideas and approaches are welcome.

Time for reflection: People are not too busy to maintain quality, improve processes, and review their work.

Concrete learning processes and practices

Experimentation: The unit frequently tries new ideas and has processes for evaluating them.

Information collection: The unit systematically gathers information on customers, competitors, and trends.

Analysis: The unit effectively discusses issues, including underlying assumptions and conflicting viewpoints.

Education and training: New and experienced employees receive training, and time is made available for training.

Information transfer: Employees meet with customers, suppliers, and experts inside and outside the organization, and activities are formally reviewed.

Leadership that reinforces learning

Managers recognize the limits of their knowledge and invite input from others.

Managers ask questions and listen effectively.

Managers encourage expression of multiple viewpoints.

Managers provide time and resources for identifying problems, analyzing performance, and reflecting on new ideas.

SOURCE: Based on D A Garvin, A C Edmondson, and F Gino, "Is Yours a Learning Organization?" *Harvard Business Review*, March 2008, pp 109–16.

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Focus on innovation and Change

- Challenges: competitive edge
- Adoption of new idea or behaviour
- New product, new service, new technology
- Revolutionary; Quantum leaps

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Focus on Continuous Improvement

- Process improvement
- Total Quality Management (TQM)
- Adapting and transforming
- Gradual evolution
- Weakness: limited creative insights

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Focus on Knowledge Management

- Parallel-developed concepts
- Changes in states of knowledge
  - Knowledge acquisition
  - Knowledge dissemination
  - Knowledge refinement
  - Knowledge creation
  - Knowledge use
- Organizational Knowledge Base

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Topic: Learning Organization and Change(1)

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Learning as Innovation/ Continuous improvement

• TIMEX	HMT
• Mahindra and Mahindra	Nelco
• Milton Plastics	Remington
• Eicher motors	FCI
• Modi xerox	
• 3M	

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We shall foster a spirit of entrepreneurial leadership and be a vibrant learning organization- mission statement of L&T

We are a learning organization. The moment that someone says that he has stopped learning, that means there is trouble- Joseph Abraham, TCS

Learning is not a luxury. It's how companies discover their future- Arie, P. D. Geus, Shell

Learning Organization

"A model of strategic change in which everyone is engaged in identifying and solving problems so that the organization is continuously changing, experimenting and improving, thus increasing its capacity to grow and achieve its purpose."

Rowden R.W. 2001, The Learning Organisation & Strategic Change, S.A.M. Advanced Management Journal, Summer 2001, Vol 66, Issue 3 pg 117p

Learning Company is an organization that facilitates the learning of all its members and continually transforms itself. "

-PEDLER, 1991

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Learning Organization and Change

- Learning is essential to provide rapid continuous change
- The competitive advantage of learning quicker than competitors
- Increasing the rate of change
- Increase in creativity
- Organisations success depends on engagement and learning at all levels of the organisation

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Characteristics of learning Organization

- Provide learning opportunities & use learning to reach their goals
- Link individual with organizational performance
- Make it safe for people to share openly and take risks
- Embrace creative tension as a source of energy
- and renewal Are continuously aware of and interact with their environment

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Learning Organization Activities

- According to Garvin, Learning Organizations are skilled at 5 main learning activities:
  1. Systematic problem solving
  2. Experimentation with new approaches
  3. Learning from past experience
  4. Learning from the best practices of others
  5. Transferring knowledge quickly and efficiently throughout the organization

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Peter Senge on Learning Organization

- A Learning Organization…
- Decentralizes the role of leadership to increase the contribution of all employees
- Employs a holistic approach and gets everyone on the same page
- Employs systems and structures for sustainability
- Places human values at the cornerstone of the workplace
- Recognizes vision, purpose, reflectiveness and systems thinking as essential
- Puts a strong emphasis on informal and social networks
- Is skilled in the area of five key disciplines described in his book, The Fifth Discipline

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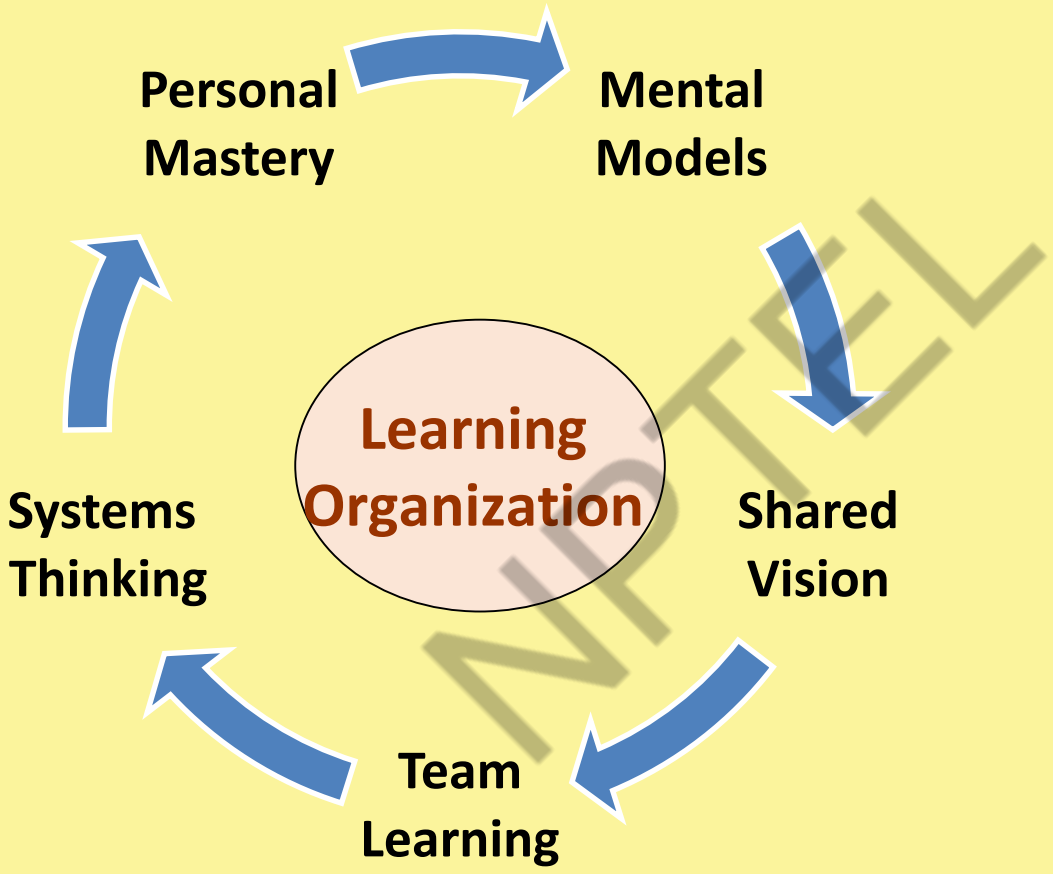
Five Disciplines of Learning Organization



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Systems Thinking

A framework for understanding the structures, patterns, and relationships that mold organizational behavior
interdependency and change
focus on whole not individual parts
Acknowledges the power of internal processes (not individuals, not outside forces) in shaping work

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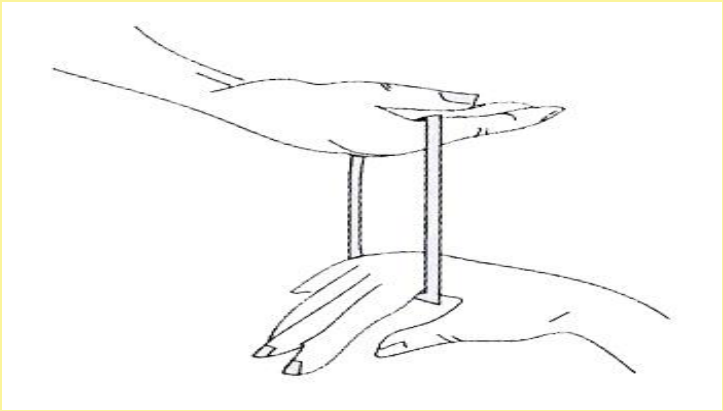
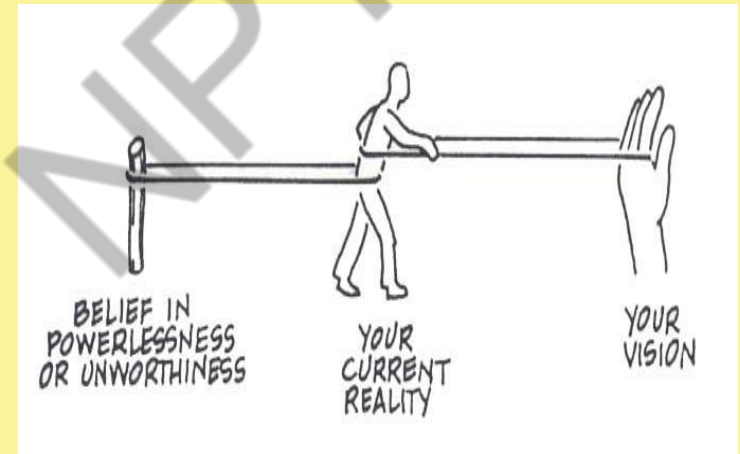
Personal mastery

Organizations learn only through individuals who learn never “arrive”;
In continual learning mode strive to clarify and deepen personal vision
Deeply aware of growth areas and tension between vision and reality

Creative tension in rubber band



Beliefs and Values



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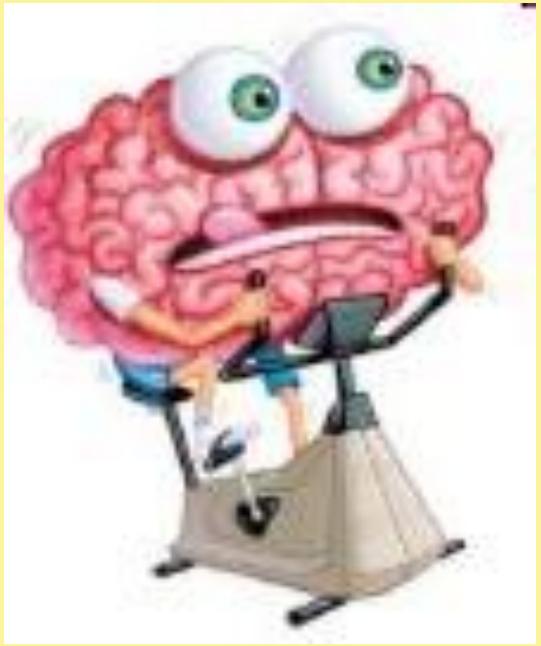
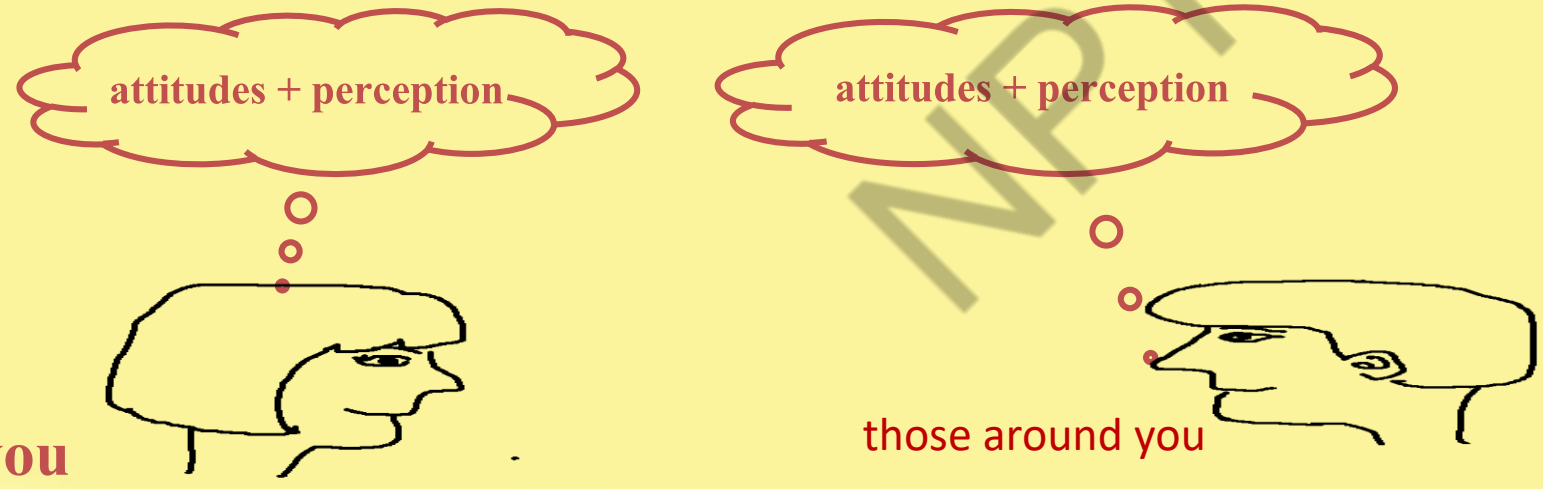
Mental Models

Deeply held internal images of how the world works.
A discipline for shaping these personal pictures of the world and understanding how they affect individual action
Can be consciously examined and shaped.
honest and critical scrutiny of entrenched mental models.
transcend mental models in order for change to take place.





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Shared Vision

Ability to maintain a collective picture of a future that is sought.
Reflects a desire to be connected and becomes part of pursuing a larger purpose that is embodied in the organization's services
Commitment is by choice, not compliance
Scenario planning: tool to build shared vision

Shared Vision: fully aligned

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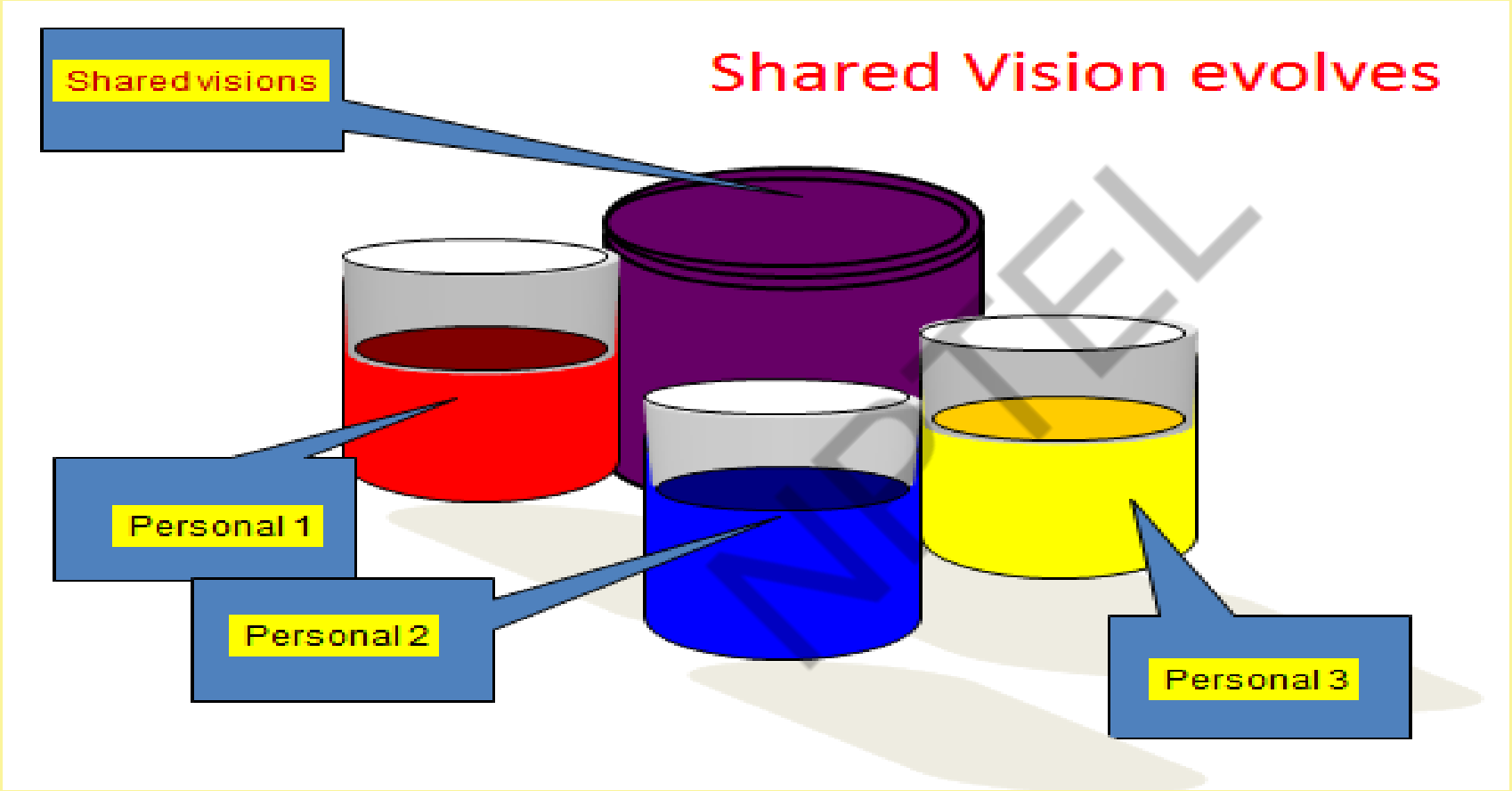
Shared Vision Evolves



Team Learning

Team learning starts with ‘dialogue’= the capacity of members of a team to suspend assumptions and enter genuine ‘thinking together’.

Allows the group to discover insights not attainable individually.

Shows group how to recognize the patterns of interaction that undermine learning.

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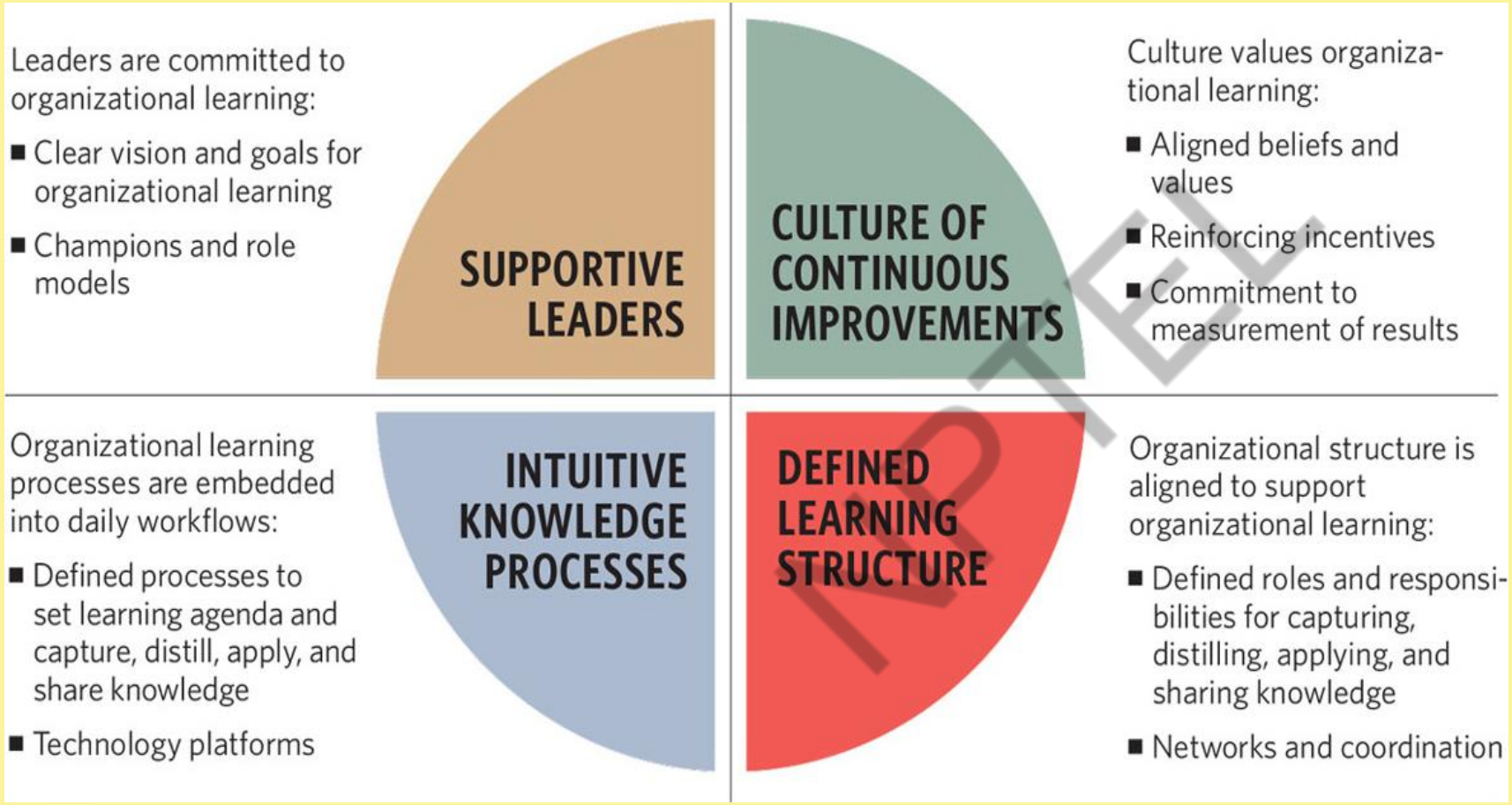
Four Elements of Learning Organization



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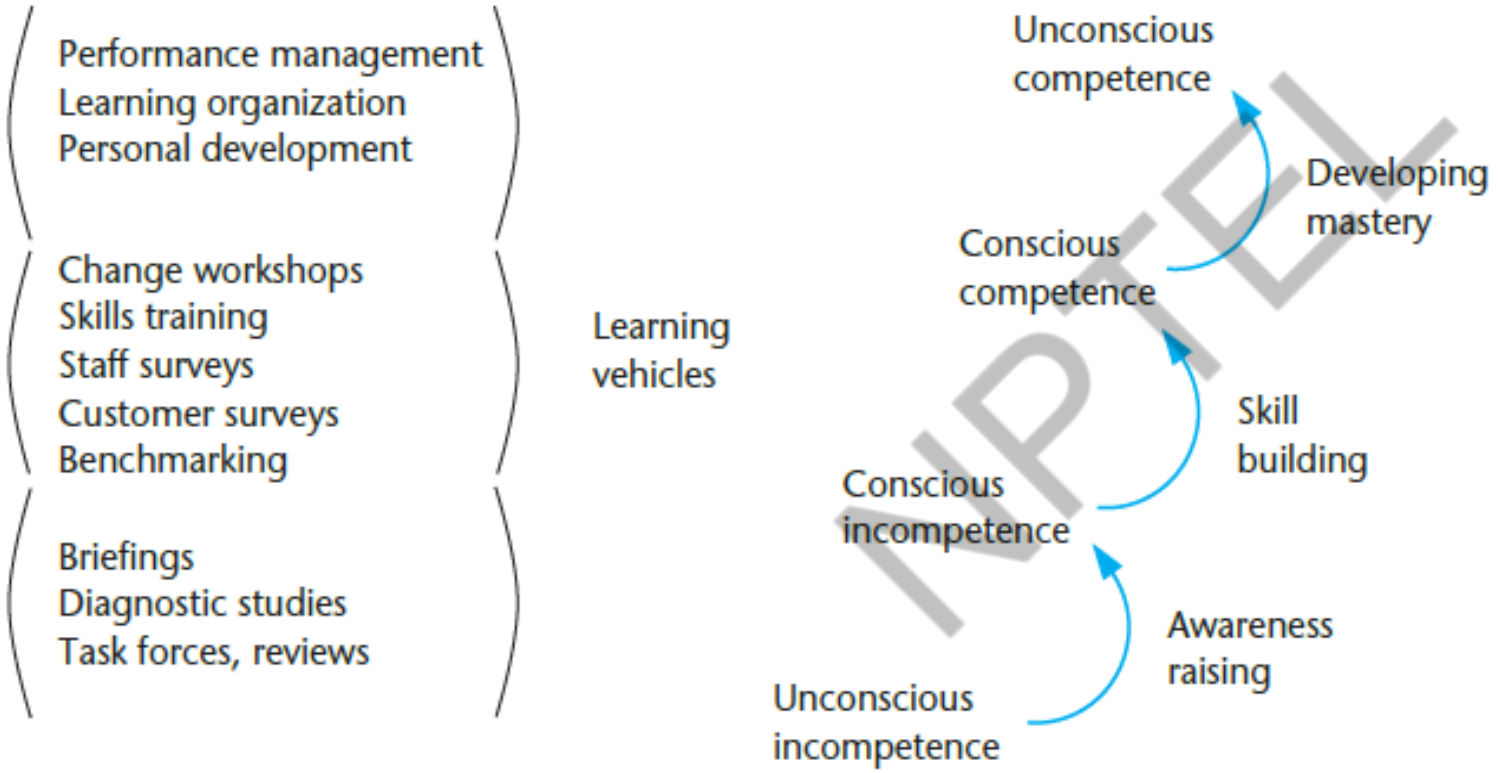
Competence model of Change



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Course Name: Managing Change in Organizations

Faculty Name: KBL Srivastava
Department: Humanities and Social Sciences

Indian Institute of Technology Kharagpur

Topic: Learning Organization and Change (2)

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Creating a Learning Organization for change

- All employees across rank and file must establish a commitment to change for brining about changes for improvements of the organization.
- To accept change formal boundaries between people are to be eliminated.
- To adopt effectively organization should develop a culture of openness and growth by fully incorporating employees into the challenges faced by the organization.

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Developing Core Competencies to facilitate change

- Competencies are the skills, technical knowledge, and personal attributes that contribute to an individual's success in a particular position.
- These core competencies apply to all library staff, although some aspects of each of the competencies may not apply to every staff person.

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Core Competencies for the Learning Organization

- Analytical skills, problem solving, decision making
- Communication skills
- Creativity, innovation
- Expertise and technical knowledge
- Flexibility, adaptability
- Interpersonal, group skills
- Leadership
- Organizational understanding and global thinking
- Ownership, accountability, dependability
- Planning and organizational skills
- Resource management ability
- Service attitude, user satisfactory

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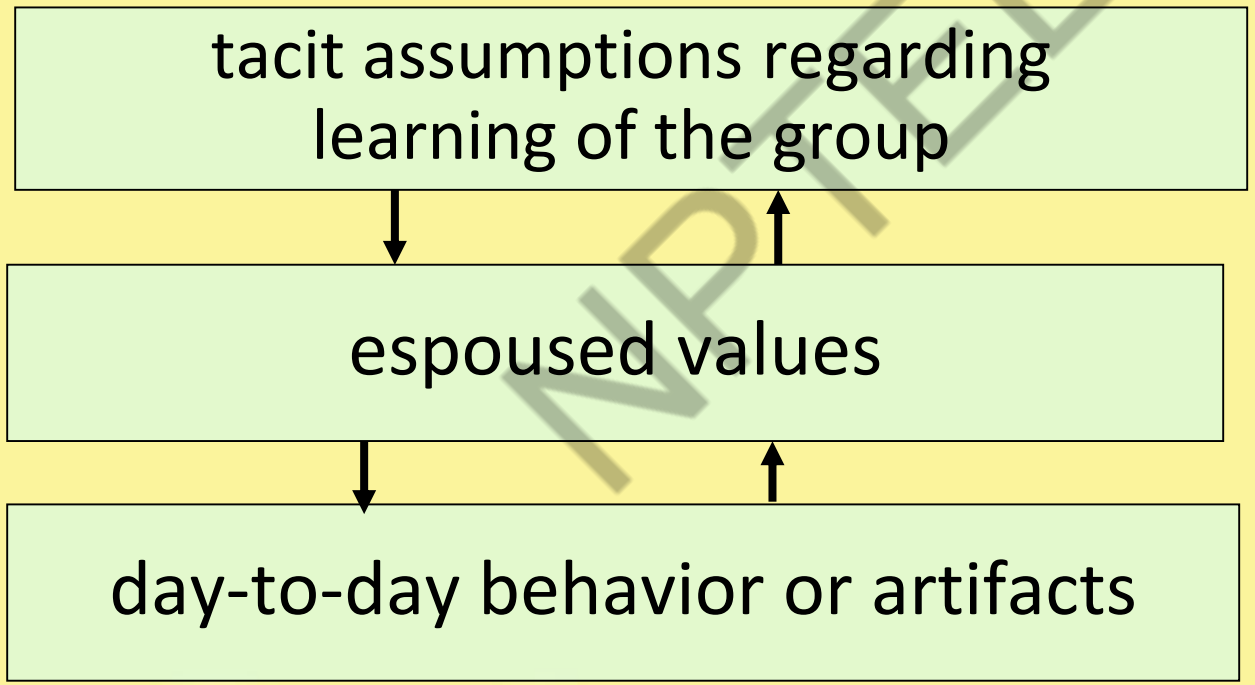
Creating a culture of Learning organization

- Defined as the existence of a set of attitudes, values and practices with in an organization which support and encourage a continuing process of learning for the organization and/or its member

Schein's framework (2004)



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How to build learning organization

- Systematic Problem Solving
- Experimentation
- Learning from Past Experience
- Learning from others.
- Transferring knowledge
- Measuring learning

Each is accompanied by a distinctive mindset, tool kit and pattern of behavior.

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Systematic problem Solving

- Rely on scientific method for diagnosing problems “plan, do, check, act”
- Data
- Statistical analysis
  - Generating ideas and collecting information
  - Reaching consensus
  - Analyzing and displaying data
  - Planning actions

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Experimentation

- On-going programs
  - Series of small experiments
  - Steady flow of new ideas
  - Incentive system
  - Need managers and employees trained in evaluating and performing experiments

Demonstration Projects
First projects to embody principles and approaches company hopes to adopt on a larger scale
Establish policy guidelines and decision rules for later projects
Encounter severe tests of commitment from employees (testing rule change)
Limited impact on rest of organization (until implemented)

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Learning from past Experiences

- Companies revive successes and failures.
- Assessment done systematically and in an open and accessible forum

"Those who cannot remember the past are condemned to repeat it"

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Learning from Others

- "Most powerful insights come from looking outside ones immediate environment to gain a new perspective"
- SIS-Steal ideas shamelessly
- Benchmarking
  - Ongoing investigation and learning experience that ensures the best industry practices are uncovered, analyzed, adapted and implemented.

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Transferring Knowledge

- Knowledge must be spread quickly and efficiently throughout the organization
- Maximum impact when shared broadly
  - Written reports
  - Oral reports
  - Site visits and tours
  - Personnel rotation programs
  - Standardization programs
  - Education and training programs

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Measuring Learning

- “If you can’t measure it, you can’t manage it”
- Actual data comparison
- Learning or experience curves.
  - Incomplete measures, ignore other competitive variables, like quality, delivery or new product introductions

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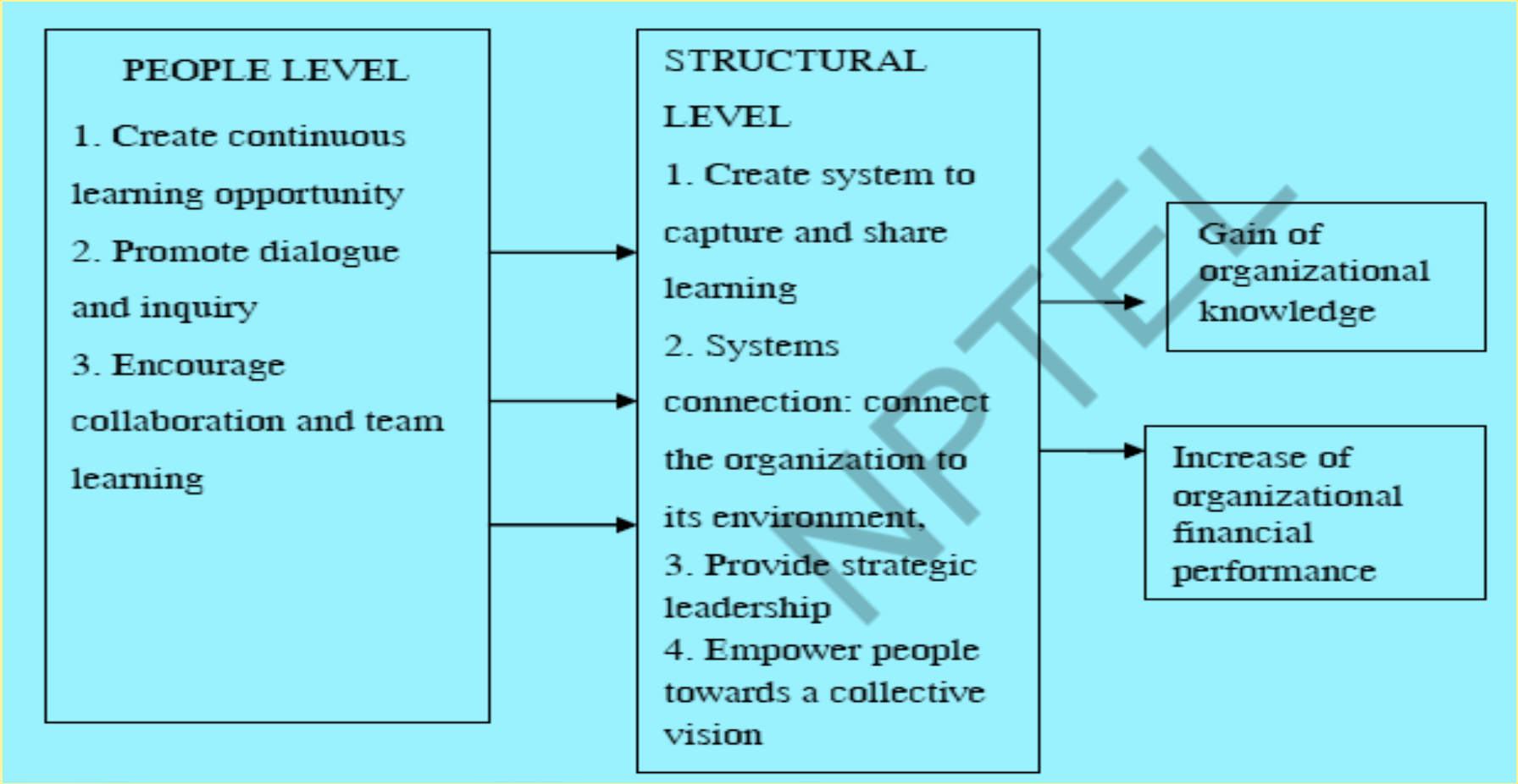
Dimensions of LO and its relationship with Performance



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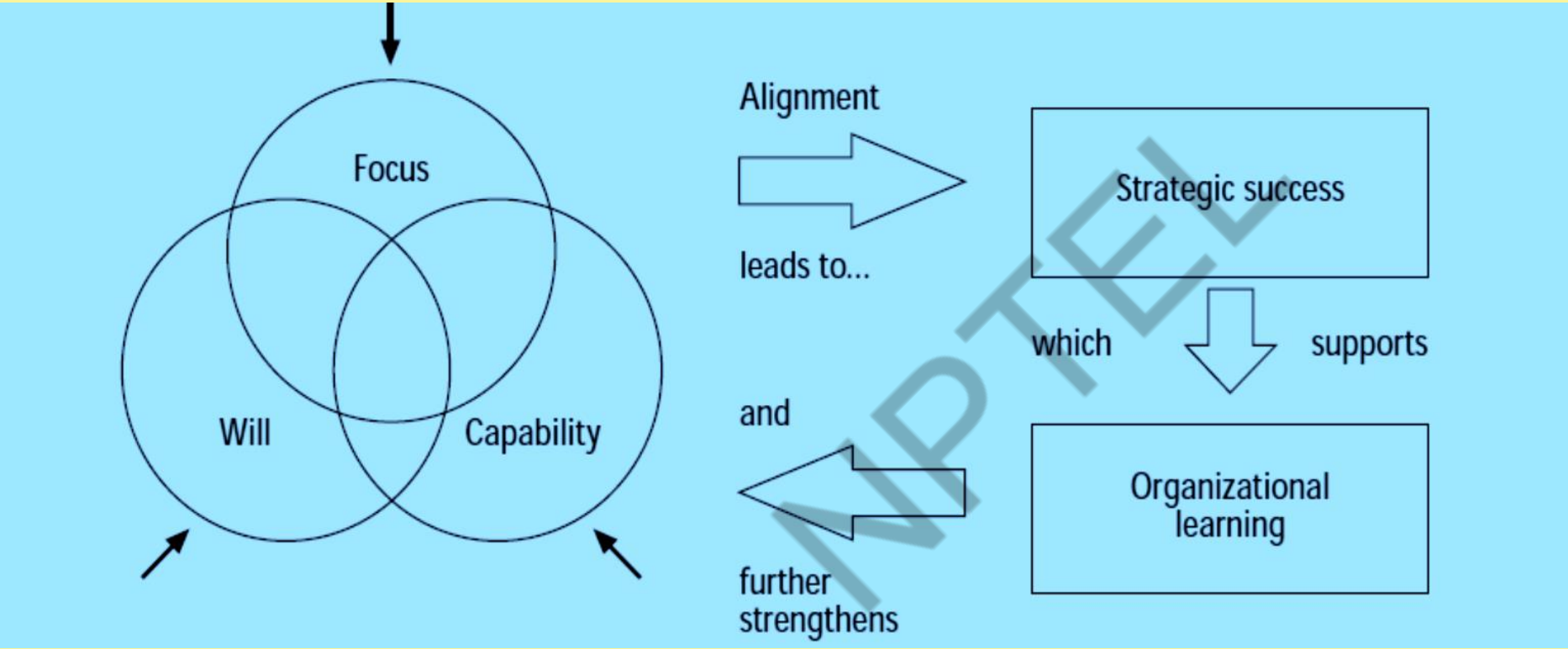
Alignment of Key Elements



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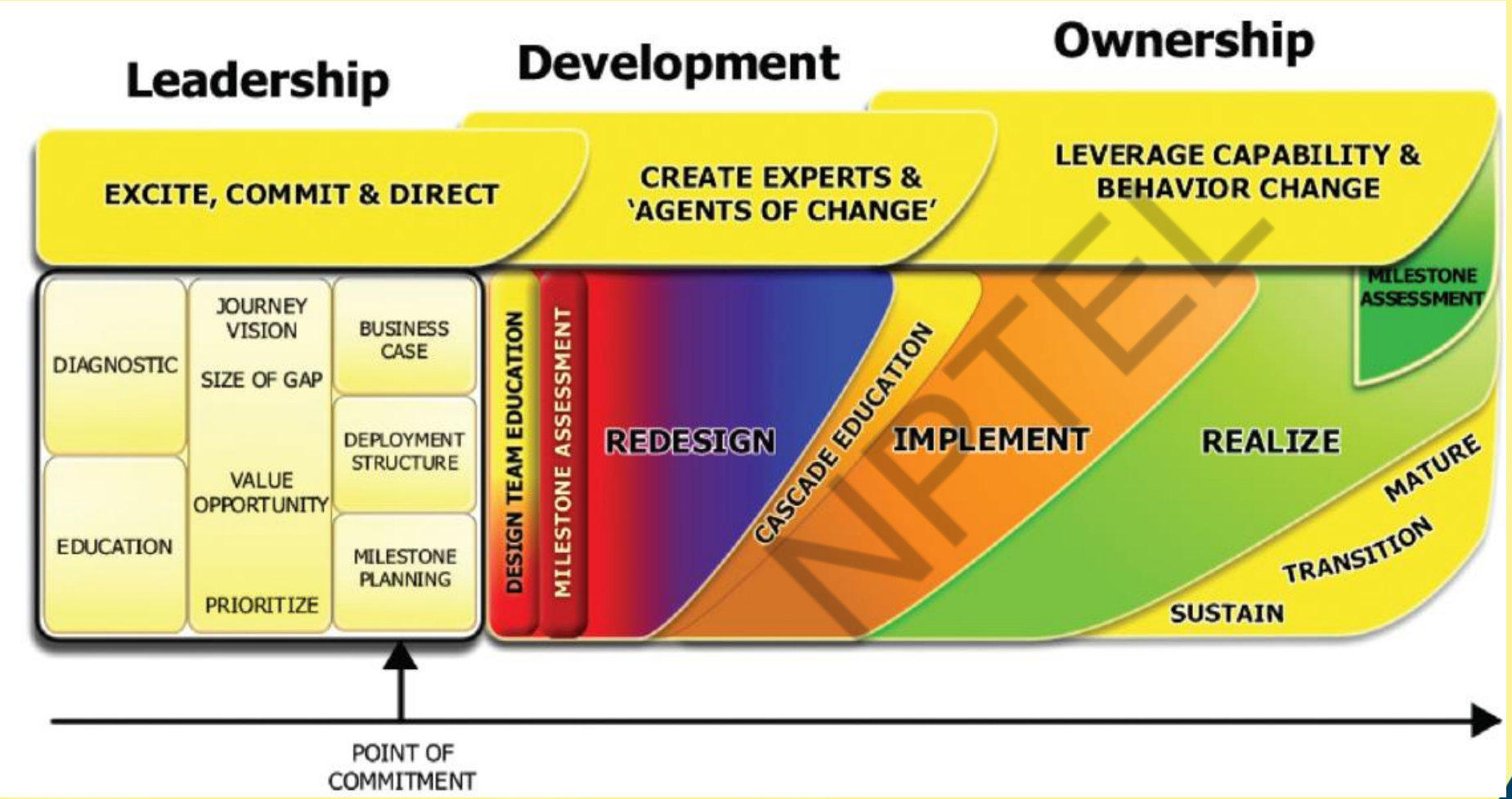
The learning organization: “change proofing” and strategy
Stephen A.W. Drew and Peter A.C. Smith

Linking Change and Learning



Examples of Learning organizations

Learning organizations must demonstrate

- Learning has an enterprise-wide role—involved in the executive team, creating solutions to business issues, and setting organizational strategy.
- Learning has value in the organization's culture—learning opportunities for employees, C-level involvement, learning for growth of the organization, and innovation.
- Learning links to individual and organizational performance—alignment with the business, efficiency, measurement of the effectiveness of learning, and success with non-training solutions for business needs.
- Investment is made in learning and performance initiatives.
- Many Indian companies like TCS, Tech Mahindra, HPCL, Tata Motors can be examples of LO.

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Conclusion

Conclusion:

Linking Innovation and Change and managing innovation

for effective change management

Organizational Learning for Change

Learning Organization and Change

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- Carnall, C. A. (2007). Managing Change in organizations. Pearson Education, UK. England.
- Senge, Peter(1990). Fifth Discipline: The art and Practice of Learning Organization. Doubleday:USA

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