CHAPTER 6

Innovation and Adaptability

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.

Change is a constant for organizations and thus for managers. An organization's ability to foster a culture of innovation and adaptability is often closely tied to an organization's change efforts; thus, managers must know how to manage change as well. Because change can't be eliminated, managers must learn not only how to manage change successfully but also how to promote innovation and adaptability within their organizations. The most successful organizations are more flexible, more efficient, and more adaptable. After reading and studying this chapter, you will achieve the following learning outcomes.

At BlackBerry Limited, formerly known as Research In Motion (RIM), it was claimed that "innovation knows no boundaries or borders."[1] The company is the designer and manufacturer of the award-winning BlackBerry smartphone, used by millions of people around the world. It has also created applications to provide mobile access to email, applications, media, and the internet through the BlackBerry.

THE CANADIAN PRESS/Nathan Denette

The company was founded in 1984 in Waterloo, Ontario, by 23-year-old Michael Lazaridis and two friends, backed by funds from friends and family. Lazaridis had recently dropped out of the University of Waterloo, where he had been studying electrical engineering. The company's first contract came from General Motors. Moving from contract to contract, the company reached annual sales of $1 million and 12 employees by 1990. Contracts from Ericsson and GE Mobile followed. By 1992 Lazaridis realized that he was better at engineering than running the company, and he hired Jim Balsillie, a chartered accountant and Harvard graduate with an MBA, as co-CEO. RIM's sales soared to $21 million by 1998, with profits of $400 000. In February 1999, the company launched the BlackBerry, marking the beginning of RIM's huge growth in the information and communication technologies market. In subsequent years the company thrived under the combined leadership of Michael Lazaridis and Jim Balsillie and became the world's biggest supplier of mobile devices.

Think About It

Why was RIM so successful through the end of 2010? What changed and how could RIM have better dealt with the massive disruption in their marketplace caused by the Android and iPhones? What stresses might RIM's rapid growth have placed on the company?

When iPhone and Android phones were released in the late 2000s, Blackberry's fortunes changed. On Sunday January 22, 2012, Jim Balsillie and Mike Lazaridis, the company's co-chief executives, stepped aside and turned the reins over to Thorsten Heins, previously one of two chief operating officers.[2] For months, investors had clamoured for fresh leadership or a sale of the company as it lost market share to Apple's iPhone and Google's Android brands amid operational blunders and a tumbling share price. In 2011, RIM's stock lost about three-quarters of its value, and finally on September 23, 2013, the company was sold for $4.7 billion at roughly $9 US per share.

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Market Research Matters

The Context of Innovation and Adaptability

1 Understand the importance of building an innovative and adaptable organization.

Big companies and small businesses, universities and colleges, and governments at all levels are being forced to significantly change the way they do things. Although change has always been a part of the manager's job, it has become even more important in recent years. In this chapter, we describe why change is important and how managers can manage change and build a culture of innovation and adaptability. Since change is often closely tied to an organization's innovation efforts, we also discuss ways in which managers can stimulate innovation and increase their organization's adaptability. More importantly, understanding why innovation is critical in today's organizations contributes to our understanding of why it is important to build adaptive organizations, as defined in Chapter 1. We then conclude by looking at some current issues in stimulating innovation and adaptability.

Why Build an Adaptable Organization?

When Jim Balsillie and Mike Lazaridis introduced the BlackBerry, they created a disruptive technology that changed the rules of the game for everybody. For years, Blackberry helped give birth to the mobile phone industry. Through 2004, things were going well for the company, but then it started to lose its competitive edge.

BlackBerry delayed its response to competition from Apple and Google, and faced a big challenge. In 2007, Google was worth $160 billion (US) on the stock market while BlackBerry's shares were worth only $37 billion (US). Moreover, BlackBerry was facing a hostile takeover from Microsoft in early 2008 for $44.6 billion (US) that was subsequently rejected. In 2011, BlackBerry had market value of $22.4 billion (US) but by September 23, 2013, the company was acquired for $4.7 billion by a consortium led by Fairfax Financial.[3]

BlackBerry began as a dominant player in the smartphone market for both business and government usage, with 43% US market share in 2010. However, the company lost market share in recent years by not recognizing and adapting to the disruptive innovation introduced in the market by Apple's iPhone and Google's Android brands.

As we discussed in Chapter 1, successful organizations are not only efficient and effective. They are adaptable rather than simply flexible. (Recall that being flexible means reacting to events, while being adaptable means being proactive.) They create a culture within their organizations that enables them to continuously recognize new problems, identify the potential impact of these problems, and offer solutions in advance of the impacts on their organizations or to their customers. They create a culture of adaptability through the development of a set of skills and processes that allows their organization to be proactive rather than just reactive. Both external and internal changes require continuous innovation and adaptability.

Innovation

> "Now, economic progress depends more than ever on innovation. And the potential for technology innovation to improve lives has never been greater."[4]
>
> —*Bill Gates, co-founder of Microsoft*

When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. According to Steve Jobs, co-founder of Apple, "It's not about money. It's about the people you have, how you're led, and how much you get it."[5]

In June 2010 the International Task Force on Business Schools and Innovation released its report *Business Schools on an Innovation Mission*. The report emphasized that innovation is about creating economic and social prosperity, and leadership and management are as essential to the process as science and technology. Innovation was seen as the bridge that connects business schools to a broader social purpose. The report observed that management innovation is "about the skills managers have in applying knowledge, judgment, and the ability to adapt and fashion new tools to solve problems."[6]

"Nothing is more risky than not innovating."[7] Innovation means doing things differently, exploring new territory, and taking risks. Innovation isn't just for high-tech and technologically advanced organizations. In today's world, organizational managers—at all levels and in all areas—need to encourage their employees to be on the lookout for new ideas and new approaches, not just in the products or services the organization provides, but in everything that is done. We examine the topic of building adaptable organizations and the role of innovation in accomplishing this objective in future chapters, where we discuss the core management competencies of planning, organizing, and leading.

Adaptability

adaptability Organizing to anticipate new problems, trends, and opportunities.

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

It is becoming increasingly important for managers to build a capacity for **adaptability** within their organizations in light of today's **wicked problems**. The term *wicked problem* was first used in social planning in the 1960s to describe one that is impossible to solve because each attempt to create a solution changes the understanding of the problem.[8] Wicked problems are a continuing work in progress: They cannot be solved step by step because they are complex, and each possible solution may create a new problem. The world faces many wicked problems today, including climate change, poverty, pandemics, the fallout from the 2008 global financial crisis, terrorism, and environmental disasters like the 2010 massive oil spill in the Gulf of Mexico. All of these have an impact on how organizations do their business. A *Harvard Business Review* article suggests that many management strategy issues also are wicked problems as they have no easy solution.[9] How can these seemingly unsolvable problems be addressed, and what will be the impact on future management practice?

Forces for Change

2 Describe the forces that create the need for change, innovation, and adaptability.

▶ ▶ ▶ At Blackberry Limited, the dedication to both applied and basic research helped propel the company to the global stage.

The company had to plan for a future that was largely unknown and in many ways unpredictable. The design and structure of the organization had to support its ability to be adaptable. At the same time, recruiting and retaining employees who would thrive in such an environment was core to Blackberry's success. It was vital to build a corporate culture that embraced change and cherished innovation and adaptability as core organizational values.

Think About It

What role did innovation played in Blackberry Limited's success? What role did adaptability played in Blackberry Limited's success? Why is it important for an organization such as Blackberry to recruit managers who anticipate change or learn and adapt to changes in a global environment?

If it were not for change, the manager's job would be relatively easy. Planning would be simple because tomorrow would be no different from today. The issue of effective organizational design would also be solved because the environment would be free from uncertainty and there would be no need to adapt. Similarly, decision making would be dramatically streamlined because the outcome of each alternative could be predicted with almost certain accuracy. It would certainly simplify the manager's job if, for example, competitors did not introduce new products or services, if customers did not demand new and improved products, if government regulations were never modified, or if employees' needs never changed. But that is not the way it is. Change is an organizational reality, and managing change is an integral part of every manager's job. Managers who make no attempt to anticipate change or learn and adapt to changes in the global environment end up reacting rather than innovating; their organizations often become uncompetitive and fail. In Chapter 2, we pointed out the external and internal forces that constrain managers. These same forces also bring about the need for change. Let's briefly look at these forces in the context of innovation and adaptability.

External Forces

The external forces that create the need for change, innovation, and adaptability come from various sources. In recent years, the *marketplace* has affected firms such as Blackberry as competition from Apple, Samsung, Google, and Microsoft has intensified. These companies constantly adapt to changing consumer desires as they develop new mobile devices and applications.

Government laws and regulations are a frequent impetus for change. For example, the Canadian Securities Administrators rules, which came into effect in March 2004, require Canadian companies to change the way they disclose financial information and to carry out corporate governance.

Technology also creates the need for change. For example, technological improvements in diagnostic equipment have created significant economies of scale for hospitals. Assembly-line technology in other industries is changing dramatically as organizations replace human labour with robots. Technological change from analogue to digital recording has meant the shift from records and film to digital media. In just 10 years, DVD players went from the test stage to virtually eliminating the videotape rental market. The companies that produced videotapes and the companies that rented them had to develop new strategies or go out of business in the face of companies like Netflix. Netflix began as a subscription-based digital distribution service in 1999 and grew to more than 10 million subscribers by 2009. By April 2013, Netflix became a "streaming TV network service" competing with cable and network television with 44 million subscribers worldwide.[10]

One of the biggest challenges facing both large and small companies and organizations today is a faster pace of technological change. To face the uncertainties resulting from technological change, it is important that companies be nimble, build a culture of innovation, recognize the impact of new technologies, and have the foresight incorporate appropriate innovation in advance of negative impacts resulting from the technological change. In a market of economic uncertainty, successful companies are changing their business strategies in order to adapt for success.

Companies and organizations must deal with the demands of a rapidly changing market. As a result, companies face challenges during their business growth cycle and must tailor comprehensive solutions.

Profound changes taking place in the Chinese economy are creating labour shortages at hundreds of factories, as seen in the many public job postings at this location in Qingdao, China. Companies around the world must now anticipate that wages in China will go up as the middle class continues to grow, which will have an impact on the price of manufacturing goods. Some international companies are already adapting and are considering proactive solutions, including moving to lower-wage countries like Vietnam.

Imaginechina/AP Photos

The convergence of technology and communications is profoundly changing the way business is conducted. For example, a retailer cannot afford not to consider the ways that mobile technologies are changing the how, when, and what of selling. According to Deloitte research, by 2016, smartphones, used as part of a shopping experience, could impact 17–21 percent of retail sales in North America, representing \$620 billion to \$750 billion. If retail stores are not preparing for that today, they are already behind the curve.[11]

The fluctuation in *labour markets* also forces managers to change. Organizations that need certain kinds of employees must change their human resource management activities to attract and retain skilled employees in the areas of greatest need. For instance, health care organizations facing severe nursing shortages have had to change the way they schedule work hours.

Economic changes, of course, affect almost all organizations. For instance, global recessionary pressures force organizations to become more cost efficient. But even in a strong economy, uncertainties about interest rates, federal budget deficits, and currency exchange rates create conditions that may force organizations to change.

Internal Forces

In addition to the external forces just described, internal forces also create the need for change, innovation, and adaptability. These internal forces tend to originate primarily from the internal operations of the organization or from the impact of external changes.

A redefinition or modification of an organization's *strategy* often introduces a host of changes. For instance, when Steve Bennett took over as CEO of Intuit (Quicken, QuickBooks, and QuickTax are its best-known products), the company was losing money. By orchestrating a series of well-planned and dramatic strategic changes, he was able to build a culture of innovation and adaptability which turned Intuit into a profitable company with extremely committed employees.

Two Views of the Change Process

3 Compare and contrast views of the change process.

▶ ▶ ▶ BlackBerry Limited faced an uncertain and dynamic environment after years of dominating the smart phone industry. BlackBerry operated in an industry that is increasingly defined by rapid technology, information, ideas, and knowledge, and therefore the "white-water rapids" metaphor discussed in this section helps to explain why the company started to lose its competitive edge from 2004 onward.

Think About It

Is change a constant process, or can organizations take breaks from worrying about change, as BlackBerry seems to have done in the past few years? How does innovation and adaptability happen in organizations?

We can use two very different metaphors to describe the change process.[12] One metaphor envisions the organization as a large ship crossing calm waters. The ship's captain and crew know exactly where they are going because they have made the trip many times before. Change comes in the form of an occasional storm, a brief distraction in an otherwise calm and predictable trip. In the other metaphor, the organization is seen as a small raft navigating a raging river with uninterrupted white-water rapids. Aboard the raft are half a dozen people who have never worked together before, who are totally unfamiliar with the river, who are unsure of their eventual destination, and who, as if things were not bad enough, are travelling at night. In the white-water rapids metaphor, change is an expected and natural state, and managing change is a continuous process. These two metaphors present very different approaches to understanding and responding to change. Let's take a closer look at each one.

The Calm Waters Metaphor

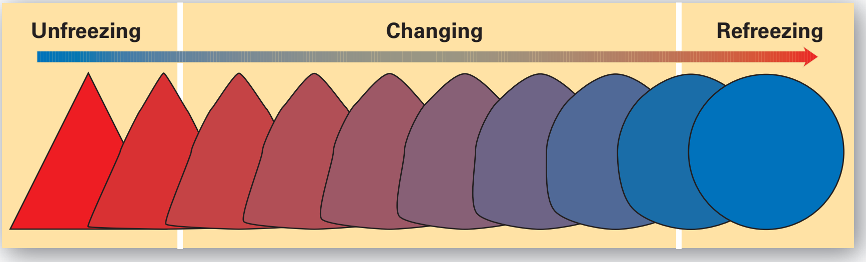
Up until the late 1980s, the calm waters metaphor pretty much described the situation that managers faced. It's best illustrated by Kurt Lewin's three-step description of the change process.[13] (See Exhibit 6-1.)

According to Lewin, successful change can be planned and requires *unfreezing* the status quo, *changing* to a new state, and *refreezing* to make the change permanent. The status quo can be considered an equilibrium state. To move from this equilibrium, unfreezing is necessary. Unfreezing can be thought of as taking a proactive approach to identifying the appropriate change, preparing for the needed change, and cultivating an on-going culture of innovation. It can be achieved by increasing the *driving forces*, which are forces that drive change and direct behaviour away from the status quo; decreasing the *restraining forces*, which are forces that resist change, dampen innovation and adaptability, and direct behaviour toward the status quo; or combining the two approaches.

Once unfreezing is done, the required change itself can be implemented. However, merely introducing change does not ensure that the change will take hold. The new

Exhibit 6-1

The Change Process



situation needs to be *refrozen* so that it can be sustained over time. Unless this last step is taken, there is a strong chance that the change will be short-lived as employees revert back to the old equilibrium state—that is, the old ways of doing things. The objective of refreezing, then, is to stabilize the new situation by reinforcing the new behaviours.

Note how Lewin's three-step process treats change simply as a break in the organization's equilibrium state. The status quo has been disturbed and change is necessary to establish a new equilibrium state. However, a calm waters environment is not what most managers face today.[14]

The White-Water Rapids Metaphor

The white-water rapids metaphor is consistent with our discussion of uncertain and dynamic environments in previous chapters. It's also consistent with a world that's increasingly dominated by information, ideas, and knowledge.[15] We can see how the metaphor applies to BlackBerry, which faced an uncertain and dynamic environment after dominating the smart phone industry for many years.

To get a feeling of what managing change might be like when you have to continuously manoeuvre in uninterrupted and uncertain rapids, consider attending a college or university that has the following rules: Courses vary in length. Unfortunately, when you sign up, you don't know how long a course will run. It might go for 2 weeks or 30 weeks. Furthermore, the instructor can end a course any time he or she wants, with no prior warning. If that is not bad enough, the length of the class changes each time it meets; sometimes the class lasts 20 minutes, other times it runs for 3 hours. And the time of the next class meeting is set by the instructor during this class. There is one more thing. All exams are unannounced, so you have to be ready for a test at any time. To succeed in this type of environment, you would have to be incredibly flexible and able to respond quickly to changing conditions. Students who are overly structured, "slow" to respond, or uncomfortable with change would not survive.

Growing numbers of managers are coming to accept that their job is much like what a student would face in such a college. The stability and predictability of the calm waters metaphor do not exist. Disruptions in the status quo are not occasional and temporary, and they are not followed by a return to calm waters. Many managers never get out of the rapids. They face constant change, bordering on chaos.

Putting the Two Views in Perspective

Does *every* manager face a world of constant and chaotic change? No, but the number who don't is dwindling. Managers in such businesses as telecommunications, computer software, and women's clothing have long confronted a world of white-water rapids. These managers used to envy their counterparts in industries such as banking, utilities, oil exploration, publishing, and air transportation, where the environment was historically more stable and predictable. However, those days of stability and predictability are long gone!

Today, any organization that treats change as the occasional disturbance in an otherwise calm and stable world runs a great risk. Too much is changing too fast for an organization or its managers to be complacent. Managers must be ready to efficiently and effectively manage the changes facing their organizations or their work areas. Nevertheless, managers have to be certain that change is the right thing to do at any given time. Companies need to carefully consider change strategies, as change can lead to failure. If change is the appropriate course of action, how should it be managed? That's what we'll discuss next.

Managing Organizational Change

4 Classify types of organizational change.

▶ ▶ ▶ In 2012, Jim Balsillie and Mike Lazaridis stepped down as executives and co-chairs of the board for BlackBerry Limited, formerly known as Research In Motion Ltd., the Waterloo-based global smartphone giant. Thorsten Heins became the new chief executive officer (CEO), and Barbara Stymiest replaced Mr. Balsillie and Mr. Lazaridis as chair of the board of directors.

Before these changes, calls for radical change at the company had been mounting. Critics of the company's performance argued that this management change was not enough to promote a culture of innovation and adaptability because Mr. Heins was only moving up the ranks and Ms. Stymiest had been a director since 2007. In addition, Mr. Balsillie and Mr. Lazaridis had been grooming Mr. Heins as a successor for some time and decided to act as the company entered a new phase.

Think About It

What problems might come from promoting an employee from within the company who had been groomed by the previous owners of the company to the position of CEO, to act as a change agent at BlackBerry Limited?

What Is Organizational Change?

Most managers, at one point or another, will have to change some things in their workplace. We classify these changes as **organizational change**, which is any alteration of people, structure, or technology. Organizational changes often need someone to act as a catalyst and assume the responsibility for managing the change process—that is, a **change agent**. For major changes, an organization often hires outside consultants to provide advice and assistance. Because consultants are from the outside, they have an objective perspective that insiders may lack. But outside consultants have a limited understanding of the organization's history, culture, operating procedures, and people. They're also more likely than insiders to initiate drastic change because they don't have to live with the repercussions after the change is implemented. In contrast, internal managers may be more thoughtful but possibly overcautious because they must live with the consequences of their decisions.

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.

Types of Change

What *can* a manager change? The manager's options fall into three categories: structure, technology, and people. (See Exhibit 6-2.)

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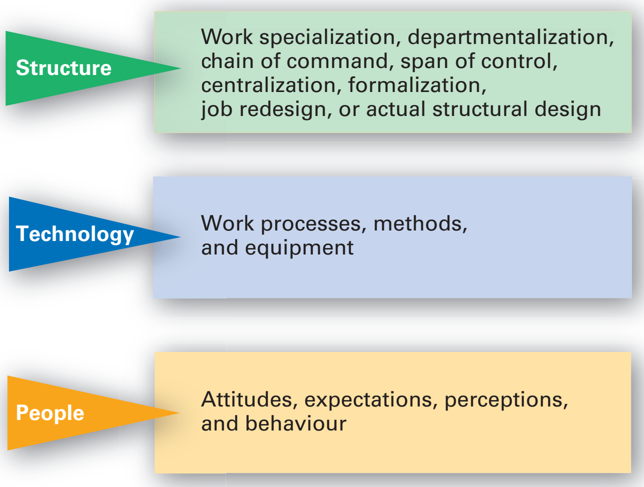
Change

Exhibit 6-2

Three Categories of Change



Changing Structure

Managers' organizing responsibilities include such activities as choosing the organization's formal design, allocating authority, and determining the degree of formalization. Once those structural decisions have been made, however, they are not final. Changing conditions or changing strategies bring about the need to make structural changes. We will discuss organizational structure issues in more detail Chapter 10.

What options does the manager have for changing structure? An organization's structure is defined in terms of work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization. Managers can alter one or more of these *structural elements*. A few examples should make this clearer. For instance, departmental responsibilities could be combined, organizational levels eliminated, or spans of control widened to make the organization flatter and less bureaucratic. Or more rules and procedures could be implemented to increase standardization. An increase in decentralization can be used to make decision making faster. Even downsizing involves changes in structure.

Another option would be to make major changes in the actual *structural design*. For instance, when Hewlett-Packard acquired Compaq, several structural changes were made as product divisions were dropped, merged, or expanded. Or structural design changes might include a shift from a functional to a product structure or the creation of a project structure design. Hamilton, Ontario-based Dofasco became a more profitable steel producer after revamping its traditional functional structure to a new design that arranges work around cross-functional teams. Some government agencies and private organizations are looking to new organizational ventures, forming public–private partnerships to deal with these changes.

Changing Technology

Managers can also change the technology used to convert inputs into outputs. Most early studies in management—such as the work of Taylor and the Gilbreths described in Module 1, Management History—dealt with efforts aimed at technological change. If you recall, scientific management sought to implement changes that would increase production *efficiency* based on time-and-motion studies. Today, major technological changes usually involve the introduction of new equipment, tools, or methods; automation; or computerization.

Competitive factors or new innovations within an industry often require managers to introduce *new equipment, tools*, or *operating methods*. For example, coal mining companies

Computerization has been the engine for all kinds of changes in the business environment, including employee training. Cisco Systems' Internet Learning Solutions Group is charged with developing electronic training programs both for Cisco's own sales force and channel partners and for the company's hundreds of thousands of customers. The team, whose leaders are pictured here, has developed tools ranging from virtual classrooms to video server technology and content development templates. "We really believe that our e-learning programs are a more effective way to grow skills in high volume in a shorter time than in the past," says the group's director.

Robert Houser

in New South Wales, Australia, updated operational methods, installed more efficient coal-handling equipment, and made changes in work practices to be more productive. New innovations do not always inspire organizations to change, however. The Canadian Armed Forces has been criticized in recent years because it has not taken advantage of new technology to update its equipment.[16]

Automation is a technological change that uses machines for tasks previously done by people. Automation has been introduced (and sometimes resisted) in organizations such as Canada Post, where automatic mail sorters are used, and in automobile assembly lines, where robots are programmed to do jobs that blue-collar workers used to perform.

Probably the most visible technological changes in recent years, though, have come through managers' efforts to expand *computerization*. Most organizations have sophisticated information systems. For instance, grocery stores and other retailers use scanners linked to computers that provide instant inventory information. Also, it's very uncommon for an office to not be computerized. At British Petroleum (BP), employees had to learn how to deal with the personal visibility and accountability brought about by the implementation of an enterprise-wide information system. The integrative nature of this system meant that what any employee did on his or her computer automatically affected other computer systems on the internal network.[17] The Benetton Group uses computers to link its manufacturing plants outside Treviso, Italy, with the company's various sales outlets and a highly automated warehouse.[18]

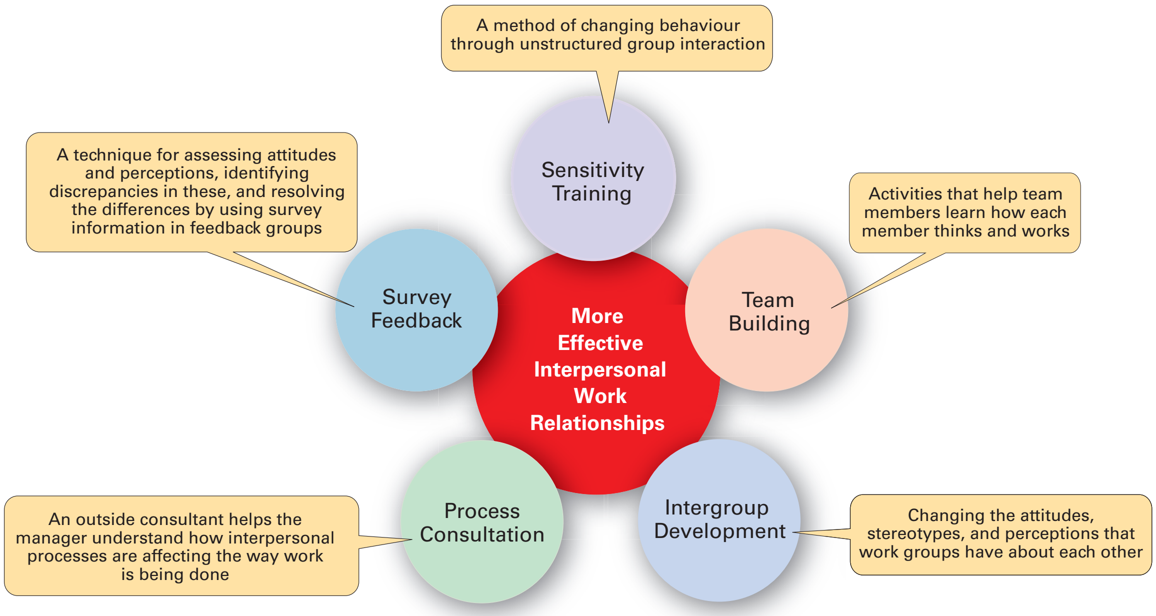
Changing People

Changing people—that is, changing their attitudes, expectations, perceptions, and behaviours—is not easy. Yet, for over 30 years now, academic researchers and actual managers have been interested in finding ways for individuals and groups within organizations to work together more effectively. The term **organizational development (OD)**, though occasionally referring to all types of change, essentially focuses on techniques or programs to change people and the nature and quality of interpersonal work relationships.[19] The most popular OD techniques are described in Exhibit 6-3. The common thread in these techniques is that each seeks to bring about changes in the organization's

organizational development (OD) Techniques or programs to change people and the nature and quality of interpersonal work relationships.

Exhibit 6-3

Organizational Development Techniques



people. For example, executives at Scotiabank, Canada's third-largest bank in terms of market capitalization, knew that the success of a new customer sales and service strategy depended on changing employee attitudes and behaviours. Managers used different OD techniques during the strategic change, including team building, survey feedback, and intergroup development. One indicator of how well these techniques worked in getting people to change was that every branch in Canada implemented the new strategy on or ahead of schedule.[20]

Global Organizational Development

Much of what we know about OD practices has come from North American research. However, 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.[21] For instance, a study of OD interventions showed that "multirater (survey) feedback as practiced in the United States is not embraced in Taiwan" because the cultural value of "saving face is simply more powerful than the value of receiving feedback from subordinates."[22] What is the lesson for managers? Before using the same techniques to implement behavioural changes, especially across different countries, managers need to be sure that they have taken into account cultural characteristics and whether the techniques "make sense for the local culture."

Managing Resistance to Change

Change can be a threat to people in an organization. Organizations can build up inertia that motivates people to resist changing their status quo, even though change might be beneficial. Why do people resist change and what can be done to minimize their resistance?

Why People Resist Change

Resistance to change is well documented.[23] Why *do* people resist change? An individual is likely to resist change for the following reasons: uncertainty, habit, concern over personal loss, and the belief that the change is not in the organization's best interest.[24]

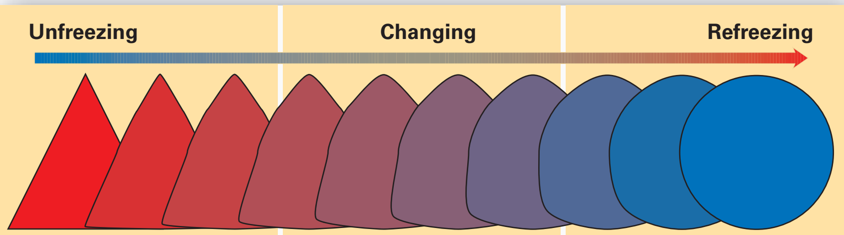
Change replaces the known with ambiguity and uncertainty. When you finish school, you will be leaving an environment where you know what is expected of you to join an organization where things are uncertain. Employees in organizations are faced with similar uncertainty. For example, when quality control methods based on sophisticated statistical models are introduced into manufacturing plants, many quality control inspectors have to learn the new methods. Some inspectors may fear that they will be unable to do so and may, therefore, develop a negative attitude toward the change or behave poorly if required to use the methods.

Another cause of resistance is that we do things out of habit. Every day, when you go to school or work, you probably go the same way. If you are like most people, you find a single route and use it regularly. As human beings, we are creatures of habit. Life is complex enough—we don't want to have to consider the full range of options for the hundreds of decisions we make every day. To cope with this complexity, we rely on habits or programmed responses. But when confronted with change, this tendency to respond in our accustomed ways becomes a source of resistance.

The third cause of resistance is the fear of losing something already possessed. Change threatens the investment you have already made in the status quo. The more that people have invested in the current system, the more they resist change. Why? They fear the loss of status, money, authority, friendships, personal convenience, or other economic benefits that they value. This helps explain why older employees tend to resist change more than younger employees. Older employees have generally invested more in the current system and thus have more to lose by changing.

Exhibit 6-4

Helping Employees Accept Change



Unfreezing
- Give reasons.
- Be empathetic.
- Communicate clearly.

Changing
- Explain the benefits.
- Identify a champion.
- Get input from employees.
- Watch timing.
- Maintain job security.
- Provide training.
- Proceed at a manageable pace.

Refreezing
- Show top management's support.
- Publicize successes.
- Make mid-course corrections.
- Help employees deal with stress.

Source: J. Liebowitz and G. J. Iskat, "What to Do When Employees Resist Change," *Supervision* 57, no. 8 (August 1996), pp. 3–5. With permission.

A final cause of resistance is a person's belief that the change is incompatible with the goals and interests of the organization. For instance, an employee who believes that a proposed new job procedure will reduce product quality or productivity can be expected to resist the change.

Techniques for Reducing Resistance

When managers see resistance to change as dysfunctional, they can use a variety of actions to deal with it.[25] Exhibit 6-4 shows how to manage resistance at the unfreezing, changing, and refreezing stages. Actions include communicating the reasons for change, getting input from employees, choosing the timing of change carefully, and showing management support for the change process. Providing support to employees to deal with the stress of the change is also important. Depending on the type and source of the resistance, managers might choose to use any of these. In general, resistance is likely to be lower if managers involve people in the change, offer training where needed, and are open to revisions once the change has been implemented. (For more suggestions on reducing resistance, see the skills exercise *Managing Resistance to Change* on pages 157–158.)

Stimulating Innovation and Adaptability

5 Describe techniques for stimulating innovation and adaptability.

▶ ▶ ▶ In 2012 BlackBerry entered the battle of its life with its new Z10 smart phone. In order to improve its market performance, BlackBerry needed to launch an innovative product. This wasn't just about a single phone or a single operating system (OS); it was about BlackBerry's fight to stay afloat. The company came back with its new touchscreen smartphone to take on even the most entrenched players in the game. Could the new phone, along with BlackBerry 10, put the company back on track, or was this too little, too late? Customers are fickle in the face of changing technology—and have gone or are going. The company was slow to catch on to the magnitude of the disruptive innovations created by Apple's iPhone and Google's Android systems. The company needed to nurture a culture of innovation and adaptability, where disruptive technologies are recognized and the company is able to identify and implement the necessary changes in a timely fashion to avoid loss in market share in the face of rapid technological change.

Think About It

What can companies do to stimulate and nurture innovation and adaptability? Why is it important for companies or organizations to recognize disruptive innovation? How can nurturing a culture of innovation and adaptability within an organization or company help the organization recognize disruptive innovation?

"Winning in business today demands innovation."[26] Such is the stark reality facing today's managers. In the dynamic, chaotic world of global competition, organizations must create new products and services, adopt state-of-the-art technology, and adapt to disruptive innovation if they are to compete successfully.[27]

For instance, stores such as The Bay faced difficulty competing against Walmart because they had failed to either adapt or respond to retail industry practices. A recent study of bankruptcies among Canadian wholesale and retail firms suggests that bankruptcies for older retailers may be the result of "Internet vendors and 'big-box' outlet stores . . . eroding the competitive position of established, traditional wholesale and retail businesses."[28] Meanwhile, fast-food restaurants such as McDonald's appeared to be out of touch when the "low carb" fad swept the diet industry. How do companies keep up in a quickly changing environment?

When you think of companies that have incorporated successful innovation and adaptability strategies, you probably consider companies such as Sony, who makes PlayStations Cyber-Shot digital cameras, and OLED display TV, and 3M. 3M continually encourages its employees to come up with novel variations on its product line. Intel makes continual advances in chip designs. Apple constantly upgrades its operating system for its mobile devices. What is the secret to the success of these innovator champions? What, if anything, can other managers do to make their organizations more innovative and adaptable? In the following pages, we discuss the characteristics of innovative organizations.

Creativity vs. Innovation

creativity The ability to combine ideas in a unique way or to make unusual associations between ideas.

innovation The process of taking creative ideas and turning them into useful products, services, or work methods.

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

Creativity refers to the ability to combine ideas in a unique way or to make unusual associations between ideas.[29] An organization that stimulates creativity develops unique ways to work or novel solutions to problems. But creativity by itself is not enough. Creative ideas need to be turned into useful products, services, or work methods; this process is defined as **innovation**. The innovative organization is characterized by its ability to channel creativity into useful outcomes. When managers talk about changing an organization to make it more creative, they usually mean they want to stimulate and nurture innovation. However, creativity and innovation are also not enough to sustain growth. Organizations must also create a culture of **adaptability** whereby they proactively identify disruptive innovations, new problems, and challenges and actively develop novel approaches and solutions to these challenges before they are impacted by these changes. Adaptability requires forward-thinking leadership within organizations.

In Chapter 4, we pointed out that in today's dynamically chaotic world of global competition, organizations must continually innovate new products and services if they want to compete successfully. Innovation is a key characteristic of entrepreneurial ventures and, in fact, is what makes an entrepreneurial venture "entrepreneurial." In the same chapter, we pointed out that innovation can take place in three forms—curiosity-driven research, applied research, and research and development (R&D).

Sony, 3M, Intel, and Apple are aptly described as both innovative and adaptable because they consistently seek new problems to solve, they are outwardly facing, and they have developed a culture of taking novel ideas and turning them into profitable products and work methods.

Stimulating and Nurturing Innovation and Adaptability

In Chapter 1, we discussed the value proposition for building adaptive organizations where successful organizations differentiate themselves from their competitors in three dimensions: They are more flexible, more efficient, and more adaptable.[30] Tata Sons builds such a culture, as shown in the following *Management Reflection*.

MANAGEMENT REFLECTION FOCUS ON INNOVATION

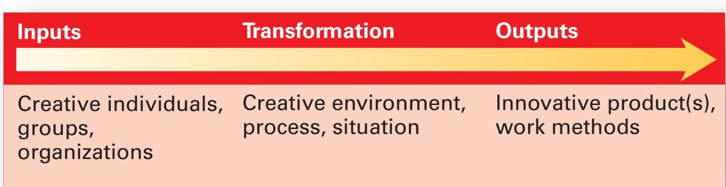
Building Innovation into the DNA of a Company

How can innovation become a shared organizational value within an organization? Ratan Tata, former chair of Tata Sons, built one of the world's largest conglomerates.[31] When India's long-protected economy was opened in 1981, Tata decided that for his myriad companies to survive and thrive in a global economy, he had to "make innovation a priority and build it into the DNA of the Tata Group so that every employee at every company might think and act like an innovator." One unique way innovation is encouraged at Tata is an internal innovation competition. Teams from units of the Indian conglomerate are presented with a challenge and prepare projects that are presented at the global finals at headquarters in Mumbai. Employee teams register for the competition and the winners get no cash, only awards such as the Tata's Promising Innovation Award or the Dare to Try Award. The real prize for employees is the respect and recognition of Tata's leadership. However, the biggest winner is probably the company itself. What can you learn from this leader who made innovation a shared organizational value embedded in the organizational culture? ■

Using the systems approach we introduced in Module 1, we can better understand how organizations become more innovative and adaptive.[32] (See Exhibit 6-5.) We see from this model that getting the desired outputs (innovative products) involves both the inputs and the transformation of those inputs. Inputs include creative individuals and groups within the organization. But having creative individuals is not enough. It takes the right environment for the innovation and adaptability processes to take hold and prosper as the inputs are transformed. What does this "right" environment—that is, an environment that stimulates innovation and adaptability —look like? We have identified three sets of

Exhibit 6-5

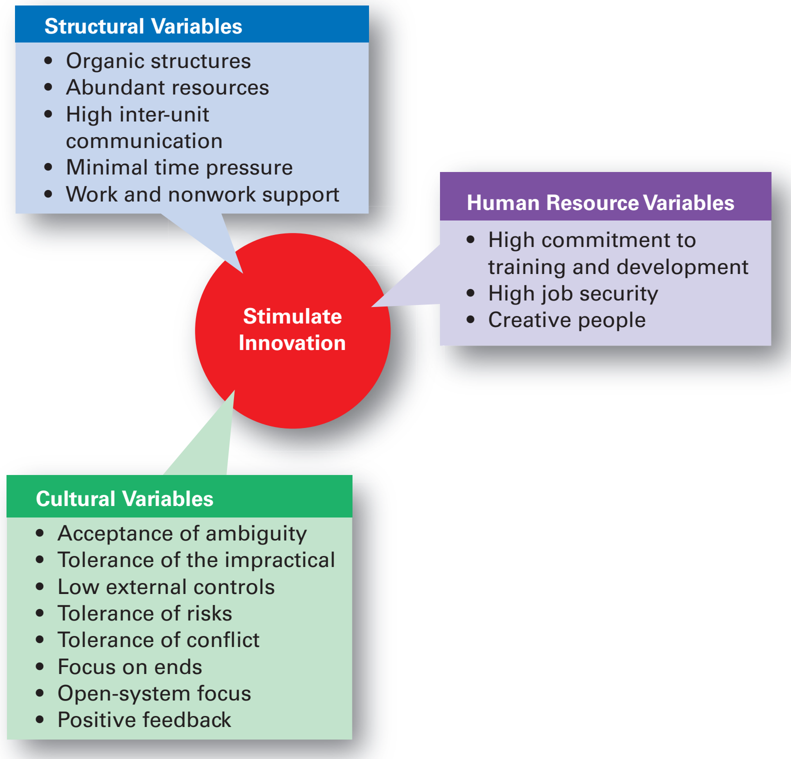
Systems View of Innovation and Adaptability



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.

Exhibit 6-6

Innovation Variables



variables that have been found to stimulate innovation and adaptability: the organization's structure, culture, and human resource practices. (See Exhibit 6-6.)

Structural Variables

Research into the effect of structural variables on innovation and adaptability shows five things.[33] First, organic structures positively influence innovation and adaptability. Because this type of organization is low in formalization, centralization, and work specialization, organic structures facilitate the flexibility, adaptability, and cross-fertilization. Second, the easy availability of plentiful resources provides a key building block for innovation and adaptability. With an abundance of resources, managers can afford to purchase innovations, can afford the cost of instituting innovations, and can absorb failures and can look for new solutions to emerging challenges. Third, frequent inter-unit communication helps break down barriers to innovation and adaptability.[34] Cross-functional teams, task forces, and other such organizational designs facilitate interaction across departmental lines and are widely used in innovative and adaptive organizations. Fourth, innovative and adaptive organizations try to minimize extreme time pressures on creative activities despite the demands of white-water environments. Although time pressures may spur people to work harder and may make them feel more creative, studies show that it actually causes them to be less creative.[35] Finally, studies show that when an organization's structure provides explicit support for creativity from work and non-work sources, an employee's creative performance is enhanced. What kinds of support are beneficial? Useful support includes encouragement, open communication, readiness to listen, and useful feedback.[36] Toronto-based Labatt Breweries, for instance, gathers employees from across the country to an annual "innovation summit" to allow them to present ideas.[37] At one summit, Don Perron, a power engineer from Labatt's Edmonton brewery, presented an idea to move pumps from the ceiling of the plant to the floor; his idea was accepted. This impressed

Perron, who said, "It gives you a sense of satisfaction." His co-workers have become enthusiastic about developing ideas as a result. "It has taken away some of the monotony [of production-line work]," Perron said. Labatt helps employees develop good ideas by investing time and money in the research and development of new ideas.

Cultural Variables

"Throw the bunny" is part of the lingo used by a project team at toy company Mattel. It refers to a juggling lesson in which team members try to learn to juggle two balls and a stuffed bunny. Most people easily learn to juggle two balls but cannot let go of that third object. Creativity, like juggling, is learning to let go—that is, to "throw the bunny." For Mattel, having a culture in which people are encouraged to "throw the bunny" is important to its continued product innovations.[38]

Innovative and adaptive organizations tend to have similar cultures.[39] They encourage experimentation, reward both successes and failures, and celebrate mistakes. An innovative culture is likely to have the following characteristics:

- *Acceptance of ambiguity.* Too much emphasis on objectivity and specificity constrains creativity.
- *Tolerance of the impractical.* Individuals who offer impractical, even foolish, answers to what-if questions are not stifled. What at first seems impractical might lead to innovative solutions.
- *Low external controls.* Rules, regulations, policies, and similar organizational controls are kept to a minimum.
- *Tolerance of risk.* Employees are encouraged to experiment without fear of consequences should they fail. Mistakes are treated as learning opportunities.
- *Tolerance of conflict.* Diversity of opinions is encouraged. Harmony and agreement between individuals or units are *not* assumed to be evidence of high performance.
- *Focus on ends.* Goals are made clear, and individuals are encouraged to consider alternative routes to meeting the goals. Focusing on ends suggests that there might be several right answers to any given problem.
- *Open-system focus.* Managers closely monitor the environment and respond to changes as they occur.
- *Positive feedback.* Managers provide positive feedback, encouragement, and support so employees feel that their creative ideas will receive attention.

The toy industry is very competitive, and picking the next great toy is not easy. Still, Toronto-based Spin Master is better than most at finding the most innovative new toys. Co-CEOs Anton Rabie and Ronnen Harary and executive vice-president Ben Varadi rely on intuition. They have also created a "culture of ideas" and pick everyone's brains for new ideas, "from inventors and licensing companies to distributors and retailers around the world." They give a prize to one employee each month for the best idea.

THE CANADIAN PRESS/Frank Gunn

Human Resource Variables

In this category, we find that innovative and adaptive organizations 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 "champions" of change. **Idea champions** are individuals who actively and enthusiastically support new ideas, build support, overcome resistance, and ensure that innovations are implemented. Research finds that idea champions have common personality characteristics: extremely high self-confidence, persistence, energy, and a tendency to take risks. Champions also display characteristics associated with dynamic leadership. They inspire and energize others with their vision of the potential of an innovation and through their strong personal conviction in their mission. They are also good at gaining the commitment of others to support their mission. In addition, champions have jobs that provide considerable decision-making discretion. This autonomy helps them introduce and implement innovations in organizations.[40] For instance, *Spirit* and *Opportunity*, the two golf-cart-sized exploration rovers that landed on Mars in 2004 to explore its surface, never would have been built had it not been for an idea champion by the name of Donna L. Shirley. As the head of Mars exploration in the 1990s at NASA's Jet Propulsion Laboratory in Pasadena, California, Shirley had been working since the early 1980s on the idea of putting roving vehicles on Mars. Despite ongoing funding and management support problems, she continued to champion the idea until it was approved in the early 1990s.[41]

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

Adaptive Organizations

Doing business in an intensely competitive global environment, British retailer Tesco realizes how important it is for its stores to run well behind the scenes.[42] And it does so using a proven "tool" called Tesco in a Box, a self-contained complete IT system and matching set of business processes that provides the model for all of Tesco's international business operations. This approach promotes consistency in operations and is a way to share innovations.[43] Tesco is an example of an adaptive organization, an organization that has developed the capacity to continuously learn, adapt, and change. "Today's managerial challenge is to inspire and enable knowledge workers to solve, day in and day out, problems that cannot be anticipated."[44] In an adaptive organization, employees continually acquire and share new knowledge and apply that knowledge in making decisions or doing their work. Some organizational theorists even go so far as to say that an organization's ability to do this—that is, to learn and to apply that learning—may be the only sustainable source of competitive advantage.[45] What structural characteristics does an adaptable organization need?

Employees throughout the entire organization—across different functional specialties and even at different organizational levels—must share information and collaborate on work activities. Such an environment requires minimal structural and physical barriers, allowing employees to work together in doing the organization's work the best way they can and, in the process, learn from each other. Finally, empowered work teams tend to be an important feature of an adaptive organization's structural design. These teams make decisions about doing whatever work needs to be done or resolving issues. With empowered employees and teams, there's little need for "bosses" to direct and control. Instead, managers serve as facilitators, supporters, and advocates.

Innovation and Design Thinking

A strong connection exists between design thinking and innovation. "Design thinking can do for innovation what Total Quality Management (TQM) did for quality."[46] Just as TQM provides a process for improving quality throughout an organization, design thinking can provide a process for coming up with things that don't exist. When a business approaches innovation with a design thinking mentality, the emphasis is on getting a deeper understanding of what customers need and want. It entails knowing customers as real people with real problems—not just as sales targets or demographic statistics. But it also entails being able to convert those customer insights into real and usable products. For instance, at Intuit, the company behind TurboTax software, founder Scott Cook felt "the company wasn't innovating fast enough."[47] So he decided to apply design thinking. He called the initiative "Design for Delight" and it involved customer field research to understand their "pain points"—that is, what most frustrated them as they worked in the office and at home. Then, Intuit staffers brainstormed (they nicknamed it "painstorm") a "variety of solutions to address the problems and experiment with customers to find the best ones." For example, one pain point uncovered by an Intuit team was how customers could take pictures of tax forms to reduce typing errors. Some younger customers, used to taking photos with their smartphones, were frustrated that they couldn't just complete their taxes on their mobiles. To address this, Intuit developed a mobile app called SnapTax, which the company says has been downloaded more than a million times since it was introduced in 2010. That's how design thinking works in innovation.

Changing Organizational Culture

Today's change issues—changing organizational culture, handling employee stress, and making change happen successfully—are critical concerns for managers. What can managers do to change an organization's culture when that culture no longer supports the organization's mission? How can managers successfully manage the challenges of introducing and implementing change? How can managers successfully promote a culture of innovation and adaptability? These are the topics we look at in this section.

As we saw in Chapter 2, when James McNerney took over as CEO of 3M, he brought with him managerial approaches from his old employer, General Electric. He soon discovered that what was routine at GE was unheard of at 3M. For instance, he was the only one who showed up at meetings without a tie. His blunt, matter-of-fact, and probing style of asking questions caught many 3M managers off guard. McNerney soon realized that he would need to address the cultural issues before tackling any needed organizational changes.[48] The fact that an organization's culture is made up of relatively stable and permanent characteristics tends to make that culture very resistant to change.[49] A culture takes a long time to form, and once established it tends to become entrenched. Strong cultures are particularly resistant to change because employees have become so committed to them.

The explosion of the space shuttle *Columbia* in 2003 highlights how difficult changing an organization's culture can be. An investigation of the explosion found that the causes were remarkably similar to the reasons given for the *Challenger* disaster 20 years earlier.[50] Although foam striking the shuttle was the technical cause, NASA's organizational culture was the real problem. Joseph Grenny, a NASA engineer, noted that "the NASA culture does not accept being wrong." The culture does not accept that "there's no such thing as a stupid question." Instead, "the humiliation factor always runs high."[51] Consequently, people do not speak up. As this example shows, if, over time, a certain culture becomes inappropriate to an organization and a handicap to management, there might be little a manager can do to change it, especially in the short run. Even under favourable conditions, cultural changes have to be viewed in years, not weeks or even months.

Understanding the Situational Factors

What "favourable conditions" might facilitate cultural change? The evidence suggests that cultural change is most likely to take place when most or all of the following conditions exist:

- *A dramatic crisis occurs.* This can be the shock that weakens the status quo and makes people start thinking about the relevance of the current culture. Examples are a surprising financial setback, the loss of a major customer, or a dramatic technological innovation by a competitor.
- *Leadership changes hands.* New top leadership, who can provide an alternative set of key values, may be perceived as more capable of responding to the crisis than

the old leaders were. Top leadership includes the organization's chief executive but might include all senior managers.

- *The organization is young and small.* The younger the organization, the less entrenched its culture. Similarly, it's easier for managers to communicate new values in a small organization than in a large one.
- *The culture is weak.* The more widely held the values and the higher the agreement among members on those values, the more difficult it will be to change. Conversely, weak cultures are more receptive to change than are strong ones.[52]

These situational factors help explain why a company such as Yahoo! faces challenges in reshaping its culture. For the most part, employees like the old ways of doing things and don't always see the company's problems as critical. This may also be why Yahoo! was slow to recognize the importance of Facebook and YouTube to the online scene.

How Can Cultural Change Be Accomplished?

Now we ask the question, If conditions are right, how do managers go about changing culture? The challenge is to unfreeze the current culture, implement the new "ways of doing things," and reinforce those new values. No single action is likely to have the impact necessary to change something that is so ingrained and highly valued. Thus, there needs to be a comprehensive and coordinated strategy for managing cultural change.

Organizational members don't quickly let go of values that they understand and that have worked well for them in the past. Managers must, therefore, be patient. Change, if it comes, will be slow. And managers must stay constantly alert to protect against any return to old, familiar practices and traditions.

Making Change Happen Successfully

When changes are needed, who makes them happen? Who manages them? Although you may think that it's the responsibility of top managers, actually managers at *all* organizational levels are involved in the change process.

Even with the involvement of all levels of managers in change efforts, change processes don't always work the way they should. In fact, a global study of organizational change concludes that "hundreds of managers from scores of U.S. and European companies [are] satisfied with their operating prowess . . . [but] dissatisfied with their ability to implement change."[53] One of the reasons that change fails is that managers do not really know how to introduce change in organizations. Professor John Kotter of the Harvard Business School identifies a number of places where managers make mistakes when leading change. These are illustrated in Exhibit 6-7.

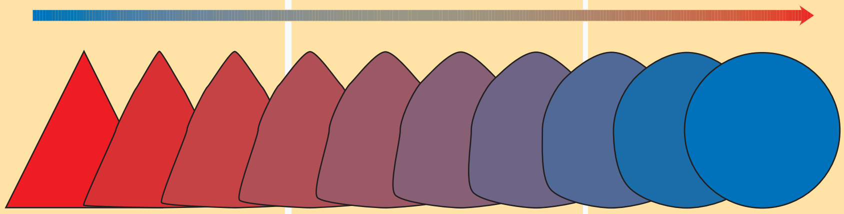
How can managers make change happen successfully? Managers can increase the likelihood of making change happen successfully in three ways. First, they should focus on making the organization ready for change. Exhibit 6-8 summarizes the characteristics of organizations that are ready for change.

Second, managers need to understand their own role in the process. They do this by creating a simple, compelling statement of the need for change; communicating the benefits of change throughout the process; getting as much employee participation as possible; respecting employees' apprehension about the change but encouraging them to be flexible; removing those who resist, but only after all possible attempts have been made to get their commitment to the change; aiming for short-term change successes, since large-scale change can be a long time coming; and setting a positive example.[54]

Third, managers need to encourage employees to be change agents—to look for those day-to-day improvements and changes that individuals and teams can make. For instance, a study of organizational change found that 77 percent of changes at the work-group level were reactions to a specific, current problem or to a suggestion from someone outside the work group; 68 percent of those changes occurred in the course of employees' day-to-day work.[55]

Exhibit 6-7

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. © 2004. Reprinted with permission of Nelson, a division of Thomson Learning: www.thomsonrights.com. FAX 800-730-2215.

Exhibit 6-8

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 mindset. Many younger employees bring a more entrepreneurial mindset 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.

SUMMARY AND IMPLICATIONS

1. Understand the importance of building an innovative and adaptable organization. Change is an organizational reality, and managing change is an integral part of every manager's job. Managers who make no attempt to anticipate change or learn and adapt to changes in the global environment end up reacting rather than innovating; their organizations often become uncompetitive and fail.

> ►►► BlackBerry was not able to adapt to disruptive innovations in the smartphone technology sector and, as a result, ended up reacting to these changes to try to regain market share rather than being proactive and innovating at an earlier stage in its product cycle.

2. Describe the forces that create the need for change, innovation, and adaptability. Organizations are confronted with the need for change from both external and internal forces. Externally, the marketplace, government laws and regulations, technology, labour markets, and economic changes all put pressure on organizations to change. Internally, organizations may decide to change strategies. The introduction of new technology can also lead to change. The workforce, both in terms of composition and attitudes, can also lead to demands for change.

> ►►► BlackBerry faced substantial challenges as a large organization operating in an industry characterized by ever-changing technology, disruptive technology, and aggressive organizations leading to a downturn in growth and a drop in market share.

3. Compare and contrast views of the change process. Until the late 1980s, change was viewed as episodic, something that could be planned and managed readily. In between periods of change, organizations "stayed the course." In more recent years, environments have become more uncertain and dynamic, and this has led to more continuous demands for change.

> ►►► Blackberry has had to respond to various changes in the smartphone industry (even as it introduced technological changes itself). To regain its leadership edge as the company moved forward, it needed to be able to identify new opportunities on an ongoing basis and figure out a way to provide services that its competitors did not.

4. Classify types of organizational change. What *can* a manager change? The manager's options fall into three categories: structure, technology, and people. (See Exhibit 6-2 on page 143.) Changing *structure* includes any alteration in authority relations, coordination mechanisms, employee empowerment, job redesign, or similar structural variables. Changing *technology* encompasses modifications in the way work is performed or the methods and equipment that are used. Changing *people* refers to changes in employee attitudes, expectations, perceptions, and behaviour.

> ►►► BlackBerry Limited replaced Jim Balsillie and Mike Lazaridis as co-chairs of the board in 2012 with the assumption that this change would bring about the change required to generate increased innovation and adaptability for the company. At the same time however, critics of BlackBerry's performance argued that this management change was not enough to create change within the company's corporate structure to generate the culture required for company to become competitive.

5. Describe techniques for stimulating innovation and adaptability. Innovation is the process of taking creative ideas and turning them into useful products, services, or work methods. Organizations that have greater structural flexibility, encourage training and development of employees, and encourage risk-taking and new ideas are more likely to be innovative.

►►► At the outset, RIM was a very innovative company, but in recent years its innovations have been more limited, which has allowed Apple and Google to gain substantial market share.

MyManagementLab Study, practise, and explore real management situations with these helpful resources:

- **Interactive Lesson Presentations:** Work through interactive presentations and assessments to test your knowledge of management concepts.
- **PIA (Personal Inventory Assessments):** Enhance your ability to connect with key concepts through these engaging, self-reflection assessments.
- **Study Plan:** Check your understanding of chapter concepts with self-study quizzes.
- **Simulations:** Practise decision-making in simulated management environments.

P I A PERSONAL INVENTORY ASSESSMENT

REVIEW AND DISCUSSION QUESTIONS

1. What is meant by innovative and adaptive organizations?
2. Define *organizational* change.
3. What are the external and internal forces for change?
4. Describe Lewin's three-step change process. How is it different from the change process needed in the white-water rapids metaphor of change?
5. What can be done to promote innovation and adaptability within organizations?
6. Discuss what it takes to make change happen successfully.
7. "Innovation requires allowing people to make mistakes. However, being wrong too many times can be fatal." Do you agree? Why or why not? What are the implications for nurturing innovation?

ETHICS DILEMMA

Think of something that you would like to change in your personal life. It could be your study habits, your fitness and nutrition, the way you interact with others, or anything else that is of interest to you. What values and assumptions have encouraged the behaviour that currently exists (that is, the one you want to change)?

What driving and restraining forces can you address in order to make the desired change?

SKILLS EXERCISE

Managing Resistance to Change—About the Skill

Managers play an important role in organizational change—that is, they often serve as change agents. However, managers may find that change is resisted by employees. After all, change represents ambiguity and uncertainty, or it threatens the status quo. How can this resistance to change be effectively managed?

Steps in Developing the Skill

You can be more effective at managing resistance to change if you use the following three suggestions:[56]

1. **Assess the climate for change.** One major factor why some changes succeed and others fail is the readiness for change. Assessing the climate for change involves asking several questions. The more affirmative answers you get, the more likely it is that change efforts will succeed.
   - Is the sponsor of the change high enough in the hierarchy to have power to effectively deal with resistance?
   - Is senior management supportive of the change and committed to it?
   - Is there a strong sense of urgency from senior managers about the need for change, and is this feeling shared by others in the organization?
   - Do managers have a clear vision of how the future will look after the change?

- Are there objective measures in place to evaluate the change effort, and have reward systems been explicitly designed to reinforce them?
- Is the specific change effort consistent with other changes going on in the organization?
- Are managers willing to sacrifice their personal self-interests for the good of the organization as a whole?
- Do managers pride themselves on closely monitoring changes and actions by competitors?
- Are managers and employees rewarded for taking risks, being innovative, and looking for new and better solutions?
- Is the organizational structure flexible?
- Does communication flow both down and up in the organization?
- Has the organization successfully implemented changes in the recent past?
- Are employee satisfaction with and trust in management high?
- Is there a high degree of interaction and cooperation between organizational work units?
- Are decisions made quickly, and do decisions take into account a wide variety of suggestions?

2. **Choose an appropriate approach for managing the resistance to change.** There are five tactics that have been suggested for dealing with resistance to change. Each is designed to be appropriate for different conditions of resistance. They are *education and communication* (used when resistance comes from lack of information or inaccurate information); *participation* (used when resistance stems from people not having all the information they need or when they have the power to resist); *facilitation and support* (used when those with power will lose out in a change); *manipulation and cooptation* (used when any other tactic will not work or is too expensive); and *coercion* (used when speed is essential and change agents possess considerable power). Which one of these approaches will be most effective depends on the source of the resistance to the change.
3. **During the time the change is being implemented and after the change is completed, communicate with employees regarding what support you may be able to provide.** Your employees need to know that you are there to support them during change efforts. Be prepared to offer the assistance that may be necessary to help your employees enact the change.

Practising the Skill

Read the following scenario. Write some notes about how you would handle the situation described. Be sure to refer to the three suggestions for managing resistance to change.

Scenario

You are the nursing supervisor at a local hospital that employs both emergency room and floor nurses. Each of these teams of nurses tends to work almost exclusively with others doing the same job. In your professional reading, you have come across the concept of cross-training nursing teams and giving them more varied responsibilities, which in turn has been shown to improve patient care while lowering costs. You call the two team leaders, Sue and Scott, into your office to explain that you want the nursing teams to move to this approach. To your surprise, they are both opposed to the idea. Sue says she and the other emergency room nurses feel they are needed in the ER, where they fill the most vital role in the hospital. They work special hours when needed, do whatever tasks are required, and often work in difficult and stressful circumstances. They think the floor nurses have relatively easy jobs for the pay they receive. Scott, the leader of the floor nurse team, tells you that his group believes the ER nurses lack the special training and extra experience that the floor nurses bring to the hospital. The floor nurses claim they have the heaviest responsibilities and do the most exacting work. Because they have ongoing contact with patients and families, they believe they should not be called away from vital floor duties to help the ER nurses complete their tasks. What should you do about your idea to introduce more cross-training for the nursing teams?

Reinforcing the Skill

The following activities will help you practise and reinforce the skills associated with effectively managing resistance to change.

1. Think about changes (major and minor) that you have dealt with over the past year. Perhaps these changes involved other people and perhaps they were personal. Did you resist the change? Did others resist the change? How did you overcome your resistance or the resistance of others to the change?
2. Interview managers at three different organizations about changes they have implemented. What was their experience in implementing the change? How did they manage resistance to the change?
3. Pay attention to how you handle change. Figure out why you resist certain changes and not others.
4. Practise using different approaches to managing resistance to change at work or in your personal life.
5. Read material that has been written about how to be a more creative person.
6. Find ways to be innovative and creative as you complete class projects or work projects.

WORKING TOGETHER: TEAM EXERCISE

A company's future depends on how well it is able to learn.

Form small groups of three to four individuals. Your team's "job" is to find some current information on learning organizations. You'll probably be able to find numerous articles about the topic, but limit your report to five of what you consider to be the best sources of information on the topic. Using this information, write a one-page bulleted list discussing your reactions to the statement set in bold at the beginning of this exercise. Be sure to include bibliographic information for your five chosen articles at the end of your one-page bulleted list.

LEARNING TO BE A MANAGER

- Pay attention to how you handle change. Try to figure out why you resist certain changes and not others.
- Pay attention to how others around you handle change. When friends or family resist change, practise using different approaches to managing this resistance to change.
- When you find yourself experiencing dysfunctional stress, write down what's causing the stress, what stress symptoms you're exhibiting, and how you're dealing with the stress. Keep this information in a journal and evaluate how well your stress reducers are working and how you could handle stress better. Your goal is to get to a point where you recognize that you're stressed and can take positive actions to deal with the stress.
- Research information on how to be a more creative person. Write down suggestions in a bulleted-list format and be prepared to present your information in class.
- Is innovation more about (1) stopping something old or (2) starting something new? Prepare arguments supporting or challenging each view.
- Choose two organizations you're familiar with and assess whether these organizations face a calm-waters or white-water rapids environment. Write a short report describing these organizations and your assessment of the change environment each faces. Be sure to explain your choice of change environment.
- Choose an organization with which you're familiar (employer, student organization, family business, etc.). Describe its culture (shared values and beliefs). Select two of those values/beliefs and describe how you would go about changing them. Put this information in a report.
- Take responsibility for your own future career path. Don't depend on your employer to provide you with career development and training opportunities. Right now, sign up for things that will help you enhance your skills—workshops, seminars, continuing education courses, etc.

CASE APPLICATION 1

In Search of the Next Big Thing

It all started with a simple plan to make a superior T-shirt. As special teams captain during the mid-1990s for the University of Maryland football team, Kevin Plank hated having to repeatedly change the cotton T-shirt he wore under his jersey as it became wet and heavy during the course of a game.[57] He knew there had to be a better alternative and set out to make it. After a year of fabric and product testing, Plank introduced the first Under Armour compression product—a synthetic shirt worn like a second skin under a uniform or jersey. And it was an immediate hit! The silky fabric was light and made athletes feel faster and fresher, giving them, according to Plank, an important psychological edge. Today, Under Armour continues to passionately strive to make all athletes better by relentlessly pursuing innovation and design. A telling sign of the company's philosophy is found over the door of its product design studios: "We have not yet built our defining product."

Today, Baltimore-based Under Armour (UA) is a $1.4-billion company. In 16 years, it has grown from a college start-up to a "formidable competitor of the Beaverton, Oregon behemoth" (better known as Nike, a $21-billion company). The company has nearly 3 percent of the fragmented U.S. sports apparel market and sells products from shirts, shorts, and cleats to underwear. In addition, more than 100 universities wear UA uniforms. The company's logo—an interlocking U and A—is becoming almost as recognizable as the Nike swoosh.

Starting out, Plank sold his shirts using the only advantage he had—his athletic connections. "Among his teams from high school, military school, and the University of Maryland, he knew at least 40 NFL players well enough to call and offer them the shirt." He was soon joined by another Maryland player, Kip Fulks, who played lacrosse. Fulks used the same "six-degrees strategy" in the lacrosse world. (Today, Fulks is the company's COO.) The strategy worked. UA sales quickly gained momentum. However, selling products to teams and schools would take a business only so far. That's when Plank began to look at the mass market. In 2000, he made his first deal with a big-box store, Galyan's (which was eventually bought by Dick's Sporting Goods). Today, almost 30 percent of UA's sales come from Dick's and the Sports Authority. But they haven't forgotten where they started, either. The company has all-school deals with 10 Division 1 schools. "Although these deals don't bring in big bucks, they deliver brand visibility...."

Despite their marketing successes, innovation continues to be the name of the game at UA. How important is innovation to the company's heart and soul? Consider what you have to do to enter its new products lab. "Place your hands inside a state-of-the-art scanner that reads—and calculates—the exact pattern of the veins on the back. If it recognizes the pattern, which it does for only 20 out of 5000 employees, you're in. If it doesn't, the vault-like door won't budge." In the unmarked lab at the company's headquarters campus in Baltimore, products being developed include a shirt that can monitor an athlete's heart rate, a running shoe designed like your spine, and a sweatshirt that repels water almost as well as a duck's feathers. There's also work being done on a shirt that may help air condition your body by reading your vital signs.

So what's next for Under Armour? With a motto that refers to protecting this house, innovation will continue to be important. Building a business beyond what it's known for—that is, what athletes wear next to their skin—is going to be challenging. However, Plank is "utterly determined to conquer that next layer, and the layer after that." He says, "There's not a product we can't build."

DISCUSSION QUESTIONS

1. What do you think of UA's approach to innovation? Would you expect to see this type of innovation in an athletic wear company? Explain.
2. What do you think UA's culture might be like in regard to innovation?
3. Could design thinking help UA improve its innovation efforts? Discuss.
4. What's your interpretation of the company's philosophy posted prominently over the door of its design studio? What does it say about innovation?
5. What could other companies learn from the way UA innovates?

CASE APPLICATION 2

The Anti-Hierarchy

A major function of an organization's hierarchy is to increase standardization and control for managers. Using the chain of command, managers can direct the activities of subordinates toward a common purpose. If the right person with a creative vision is in charge of a hierarchy, the results can be phenomenal. For instance, the late Steve Jobs would be an example. At Apple, where he was CEO, there was a strongly top-down creative process in which most major decisions and innovations flowed directly through Jobs and then were delegated to sub-teams as specific assignments to complete. This approach worked well for Apple.

On the other hand, there's "creative deviance," in which individuals create extremely successful products despite being told by senior management to stop working on them.[58] For instance, the electrostatic displays used in more than half of Hewlett-Packard's instruments, the tape slitter that was one of 3M's most important process innovations, and Nichia's development of multi-billion-dollar LED bright lighting technology were all officially rejected by the organizational management hierarchy. In all these examples, an approach like Apple's would have turned away some of the most successful products these companies ever produced. Doing "business as usual" can be so entrenched in a hierarchical organization that new ideas—creative deviance—are seen as threats rather than opportunities for development.

We don't know why top-down decision making works so well for one highly creative company like Apple, and why hierarchy nearly ruined innovations at other organizations. It might be that Apple's structure is actually quite simple, with relatively few layers, and a great deal of responsibility placed on each individual for his or her outcomes. Or it might be that Apple simply had a very unique leader who was able to rise above the conventional boundaries of a CEO to create a culture of constant innovation.

DISCUSSION QUESTIONS

1. Do you think it's possible for an organization to deliberately create an "anti-hierarchy" to encourage employees to engage in acts of creative deviance? What steps might a company take to encourage creative deviance?
2. What are the drawbacks of an approach that encourages creative deviance?
3. Why do you think a company like Apple is able to be creative with a strongly hierarchical structure, while other companies find hierarchy limiting?
4. Do you think Apple's success was entirely dependent on Steve Jobs in his role as head of the hierarchy? What are the potential drawbacks when a company is so strongly connected to the decision making of a single individual?

PART ONE

Management Practice

A Manager's Dilemma

As global health leaders look at statistics on what's killing us, they used to focus on diseases that can spread from person to person—AIDS, tuberculosis, and new and odd flu bugs. To combat these, they've pushed for better vaccines, treatments, and other ways to control germs that could multiply quickly via air travel patterns and start an outbreak anywhere in the world. Now, these experts are looking at a whole new set of culprits that are contributing to an international public health emergency. But this time, it's not germs, but we humans and our bad habits that are the target: bad habits like smoking, overeating, and too little exercise. These habits have been linked to chronic diseases, including cancer, diabetes, and heart and lung disease, which together account for nearly two-thirds of deaths worldwide. The sad part is many of these are preventable. So, global leaders are changing direction. Now, they're looking at ways to get people to change their bad habits.

Based on what you've read in Part 1 of the text, especially when it comes to change,

- What suggestions would you make to these leaders in getting people to change? Be creative!
- What opportunities might be presented to new or existing organizations as a result of these challenges?
- Given the broad social implications posed by these challenges, are they best addressed by the private sector, not for profit sector, or government?

Global Sense

Who holds more managerial positions worldwide: women or men? Statistics tell an interesting story. In the United States, women held 50 percent of all managerial positions, but only 2.4 percent of the Fortune 500 CEO spots. In the United Kingdom, only 1.8 percent of the FTSE 500 companies' top positions are held by women. In Germany, women hold 35.6 percent of all management positions, but only 3 percent of women are executive board members. Asian countries have a much higher percentage of women in CEO positions. In Thailand, 30 percent of female managers hold the title of CEO as do 18 percent in Taiwan. In China, 19 percent of China's female workforce are CEOs. Even in Japan, 8 percent of senior managers are women. A census of Australia's top 200 companies listed on the Australian Stock Exchange showed that 11 percent of company executive managers were women. Finally, in Arab countries, the percentage of women in management positions is less than 10 percent.

As you can see, companies across the globe have a large gender gap in leadership. Men far outnumber women in senior business leadership positions. These circumstances exist despite efforts and campaigns to improve equality in the workplace. One company—Deutsche Telekom—is tackling the problem head-on. It says it intends to "more than double the number of women who are managers within five years." In addition, it plans to increase the number of women in senior and middle management to 30 percent by the end of 2015. One action the company is taking is to improve and increase the recruiting of female university graduates. The company's goal: at least 30 percent of the places in executive development programs held by women. Other steps taken by the company revolve around the work environment and work-family issues. Deutsche's chief executive René Obermann said, "Taking on more women in management positions is not about the enforcement of misconstrued egalitarianism. Having a greater number of women at the top will quite simply enable us to operate better."

Discuss the following questions in light of what you learned in Part 1:

- What issues might Deutsche Telekom face in recruiting female university graduates?
- How could they address those issues?
- What issues might it face in introducing changes in work-family programs, and how could they address those issues?
- What do you think of Obermann's statement that having a greater number of women at the top will enable the company to operate better?
- What could other organizations around the globe learn from Deutsche Telekom?

Sources: J. Nerenberg, "Nearly 20 percent of Female Chinese Managers Are CEOs," [www.fastcompany.com], March 8, 2011; S. Doughty, "Cracking the Glass Ceiling: Female Staff Have the Same Chance As Men of Reaching the Top, Figures Reveal," [www.dailymail.co.uk], March 4, 2011; G. Toegel, "Disappointing Statistics, Positive Outlook," Forbes.com, February 18, 2011; E. Butler, "Wanted: Female Bosses for Germany," [www.bbc.co.uk], February 10, 2011; S. P. Robbins, M. Coulter, Y. Sidani, and D. Jamali, *Management: Arab World Edition*, (London: Pearson Education Limited), 2011, p. 5; "Proportion of Executive Managers and Board Directors of ASX 200 Companies Who Are Women," Australian Bureau of Statistics [www.abs.gov.au], September 15, 2010; Stevens and J. Espinoza, "Deutsche Telekom Sets Women-Manager Quota," *Wall Street Journal Online*, March 22, 2010; J. Blaue, "Deutsche Telekom Launches Quota for Top Women Managers," www.german-info.com/business_shownews; and N. Clark, "Goal at Deutsche Telekom: More Women as Managers," *New York Times Online*, March 15, 2010.