

# MANAGEMENT

13E

GE

**Stephen P. Robbins**

San Diego State University

**Mary Coulter**

Missouri State University

**PEARSON**

Boston Columbus Indianapolis New York San Francisco Amsterdam  
Cape Town Dubai London Madrid Milan Munich Paris Montréal Toronto  
Delhi Mexico City São Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo

Vice President, Business Publishing: Donna Battista  
Editor-in-Chief: Stephanie Wall  
Senior Acquisitions Editor: Kris Ellis-Levy  
Senior Acquisitions Editor, Global Editions: Steven Jackson  
Program Manager Team Lead: Ashley Santora  
Program Manager: Sarah Holle  
Assistant Project Editor, Global Editions: Paromita Banerjee  
Editorial Assistant: Bernard Ollila  
Vice President, Product Marketing: Maggie Moylan  
Director of Marketing, Digital Services and Products: Jeanette Koskinas  
Senior Manufacturing Controller, Global Editions: Trudy Kimber  
Executive Product Marketing Manager: Anne Fahlgren  
Field Marketing Manager: Lenny Ann Raper  
Senior Strategic Marketing Manager: Erin Gardner

Project Manager Team Lead: Judy Leale  
Project Manager: Kelly Warsak  
Operations Specialist: Diane Peirano  
Creative Director: Blair Brown  
Art Director/Program Design Lead: Janet Slowik  
Interior Designer: QT Design  
Cover Designer: Lumina Datamatics  
Vice President, Director of Digital Strategy & Assessment: Paul Gentile  
Manager of Learning Applications: Paul Deluca  
Digital Editor: Brian Surette  
Digital Studio Manager: Diane Lombardo  
Digital Studio Project Managers: Robin Lazrus, Alana Coles, Monique Lawrence, Regina DaSilva  
Media Production Manager, Global Editions: Vikram Kumar  
Full-Service Project Management and Composition: Integra Software Services Pvt. Ltd.

---

Acknowledgements of third party content appear on the appropriate page within the text, which constitutes an extension of this copyright page.

*Pearson Education Limited*  
Edinburgh Gate  
Harlow  
Essex CM20 2JE  
England

and Associated Companies throughout the world

Visit us on the World Wide Web at: [www.pearsonglobaleditions.com](http://www.pearsonglobaleditions.com)

© Pearson Education Limited 2016

The rights of Stephen P. Robbins and Mary Coulter to be identified as authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

*Authorized adaptation from the United States edition, entitled Management, 13<sup>th</sup> Edition, ISBN 978-0-13-391029-2 by Stephen P. Robbins and Mary Coulter, published by Pearson Education © 2016.*

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without either the prior written permission of the publisher or a license permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

ISBN 10: 1-292-09020-0  
ISBN 13: 978-1-292-09020-7

**British Library Cataloguing-in-Publication Data**

A catalogue record for this book is available from the British Library.

Typeset in 10/12 Times New Roman MT Std by Integra Software Services Pvt. Ltd.  
Printed and bound by Courier Kendallville in The United States of America

## Chapter 7

# Managing Change and Innovation

## It's Your Career



Source: spline\_x/Shutterstock

**A key to success in management and in your career is knowing how to manage your stress.**

### Learning To Manage Your Stress

Are you stressed? Frequently stressed? With all the projects, deadlines, and pressure to get good grades, school can be an obvious source of stress. But the workplace can be (and will be!) just as stressful. Here are some statistics about workplace stress that will make you sit up and take notice: The average employee has 30 to 100 projects going on simultaneously; employees are interrupted seven times an hour and are distracted some 2.1 hours in a workday; and 40 percent of adults say that stressful events keep them awake at night.<sup>1</sup> It's no wonder we feel continually stressed. However, as you'll see later in this chapter,

too much stress can have adverse consequences on your physical, emotional, and psychological well-being. That's why learning how to manage your stress is an important skill. Here are some suggestions for managing your stress:

- 1. Know your stress triggers.** What produces the stress you face? Keep a record for a couple of weeks of situations, events, and people linked to the stress you're feeling. What's causing the most stress, and how are you responding to it? Is it someone who continually changes deadlines or expectations? Is it someone who doesn't do what they had promised to do? Is it continual interruptions or persistent noise? Examining your stress triggers may expose obvious sources of stress and may also highlight subtle but persistent causes of stress. Keeping a record of this can help you identify patterns and similarities in your stressors and how you react to them.

- 2. Develop healthy responses.** Reduce stress by making healthy choices when you feel stress coming on. Alcohol, fast food, smoking, or continual snacking may help you feel better temporarily, but are probably



MyManagementLab®

★ Improve Your Grade!

When you see this icon, visit [www.mymanagementlab.com](http://www.mymanagementlab.com) for activities that are applied, personalized, and offer immediate feedback.

## Learning Objectives

### ● SKILL OUTCOMES

- 1 **Compare** and contrast views on the change process.
- 2 **Classify** types of organizational change.
- 3 **Explain** how to manage resistance to change.
  - **Know how** to be change ready by overcoming your resistance to change.
- 4 **Discuss** contemporary issues in managing change.
  - **Develop your skill** in change management so you can serve as a catalyst for change.
- 5 **Describe** techniques for stimulating innovation.

not the healthiest choices you can make. Likewise, working long hours to finish a project might make you feel in control, but sleep deprivation can leave you vulnerable to even more stress. Also, when you're stressed by time constraints, it's easy to skip physical activity (exercise), but regular exercise is a powerful stress reliever. Even short periods of exercise, which might be easier to fit into your schedule, can be beneficial.

**3. Establish boundaries.** Our 24/7 digital world can be—and is—overwhelming. That's why you have to really fight the urge to keep checking your devices.

In today's world, big companies and small businesses, universities and colleges, state and city governments, and even the military are forced to be innovative. Although innovation has always been a part of the manager's job, it has become even more important in recent years. In this chapter, we'll describe why innovation is important and how managers can manage innovation. Because innovation is often closely tied to an organization's change efforts, let's start by looking at change and how managers manage change.

But it's important to establish those boundaries if you're trying to manage your stress so you can be at your optimum best, whatever you're doing. Commit to perhaps not checking your email from home in the evening or putting your phone on silent while spending time with your friends or partner. Create some boundaries between your work (or school) life and your personal life.

**4. Improve time management skills.** Take a look back at Chapter 1's It's Your Career chapter opener. Improving your time management skills can help you feel less overwhelmed and out of control.

## THE CHANGE Process

**L01** When John Lechleiter assumed the CEO's job at Eli Lilly, he sent each of his senior executives a clock ticking down the hours, minutes, and seconds until the day when one of the company's premier cash-generating drugs went off patent. It was a visual reminder of some major changes the executives had better be prepared for. By the end of 2016, Lilly stood to lose \$10 billion in annual revenues as patents on three of its key drugs expired. Needless to say, the company has had to make some organizational changes as it picked up the pace of drug development.<sup>2</sup> Lilly's managers are doing what managers everywhere must do—implement change!

If it weren't for change, a 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 resolved because the environment would not be uncertain and there would be no need to redesign the structure. Similarly, decision making would be dramatically streamlined because the outcome of each alternative could be predicted with almost certain accuracy. But that's not the way it is. Change is an organizational reality.<sup>3</sup> Organizations face change because external and internal factors create the need for change (see Exhibit 7-1). When managers recognize that change is needed, then what? How do they respond?

### ★ Watch It!

If your professor has assigned this, go to [www.mymanagementlab.com](http://www.mymanagementlab.com) to watch a video titled: *Rudi's Bakery: Organizational Change and Development* and to respond to questions.

### Two Views of the Change Process

Two very different metaphors can be used to describe the change process.<sup>4</sup> One metaphor envisions the organization as a large ship crossing a calm sea. The ship's captain and crew know exactly where they're going because they've 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 calm waters metaphor, change is seen as an occasional disruption in the normal flow of events. 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 weren't bad enough, are traveling at night. In the white-water rapids metaphor, change is normal and expected and managing it is a continual process. These two metaphors present very different approaches to understanding and responding to change. Let's take a closer look at each one.

### Exhibit 7-1

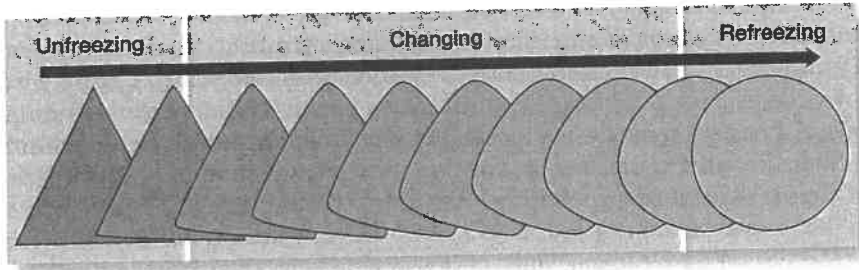
External and Internal Forces for Change

#### External

- Changing consumer needs and wants
- New governmental laws
- Changing technology
- Economic changes

#### Internal

- New organizational strategy
- Change in composition of workforce
- New equipment
- Changing employee attitudes



**Exhibit 7-2**  
The Three-Step Change Process

**THE CALM WATERS METAPHOR** At one time, the calm waters metaphor was fairly descriptive of the situation managers faced. It's best understood by using Kurt Lewin's three-step change process.<sup>5</sup> (See Exhibit 7-2.)

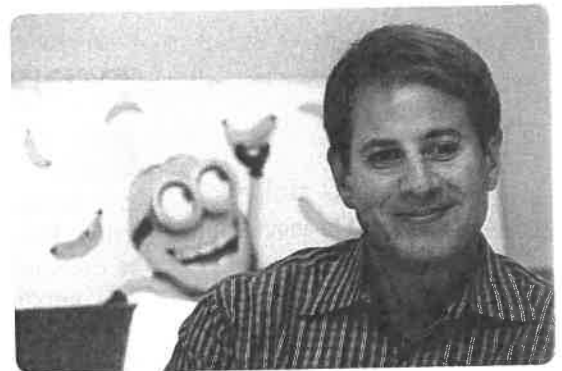
According to Lewin, successful change can be planned and requires *unfreezing* the status quo, *changing* to a new state, and *refreezing* to make the change permanent. The status quo is considered equilibrium. To move away from this equilibrium, unfreezing is necessary. Unfreezing can be thought of as preparing for the needed change. It can be done by increasing the *driving forces*, which are forces pushing for change; by decreasing the *restraining forces*, which are forces that resist change; or by combining the two approaches.

Once unfreezing is done, the change itself can be implemented. However, merely introducing change doesn't ensure that it will take hold. The new situation needs to be *refrozen* so that it can be sustained over time. Unless this last step is done, there's a strong chance that employees will 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 behaviors.

Lewin's three-step process treats change as a move away from the organization's current equilibrium state. It's a calm waters scenario where an occasional disruption (a "storm") means planning and implementing change to deal with the disruption. Once the disruption has been dealt with, however, things continue on under the new changed situation. This type of environment isn't what most managers face today.

**WHITE-WATER RAPIDS METAPHOR** DJ Patil, an expert in chaos theory, first made his name as a researcher of weather patterns at the University of Maryland: He says, "There are some times when you can predict weather well for the next 15 days. Other times, you can only really forecast a couple of days. Sometimes you can't predict the next two hours." The business climate is turning out to be a lot like that two-hour weather scenario. "The pace of change in our economy and our culture is accelerating and our visibility about the future is declining."<sup>6</sup>

As senior vice president and general manager of Connected Energy, a unit of Cisco, Laura Ipsen's company works on developing energy ecosystems for the smart-grid market. She describes her job as follows, "My job is like having to put together a 1,000-piece puzzle but I don't have the box top with the picture of what it looks like, and some of the pieces are missing."<sup>7</sup> Susan Whiting is chairman of Nielsen Media Research, the company best known for its television ratings, which are frequently used to determine how much advertisers pay for TV commercials. The media research business isn't what it used to be, however, as the Internet, video on demand, cell phones, iPods, digital video recorders, and other changing technologies have made data collection much more challenging. Whiting says, "If you look at a typical week I have, it's a combination of trying to lead a company in change in an industry in change."<sup>8</sup> These are pretty accurate descriptions of what change is like in our second change metaphor—white-water rapids. It's also consistent with a world that's increasingly dominated by information, ideas, and knowledge.<sup>9</sup>



David Newman is the director of the new Target Technology Innovation Center in San Francisco. Target competes in a white-water rapids environment where major changes in technology and shopping behavior continue to reshape retailing. Newman and his team of innovators are studying evolving technologies and interactive devices to improve Target's performance and customers' shopping experiences online and in stores.  
Source: Jeff Chiu/AP Images

Here's what managing change might be like for you in a white-water rapids environment: The college you're attending has the following rules: Courses vary in length. When you sign up, you don't know how long a course will run. It might go for 2 weeks or 15 weeks. Furthermore, the instructor can end a course at any time with no prior warning. If that isn't challenging 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's 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'd have to respond quickly to changing conditions. Students who are overly structured or uncomfortable with change wouldn't succeed.

Increasingly, managers are realizing that their job is much like what a student would face in such a college. The stability and predictability of the calm waters metaphor don't 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. Like DJ Patil, Laura Ipsen, and Susan Whiting, they face constant change.

Is the white-water rapids metaphor an exaggeration? Probably not! Although you'd expect a chaotic and dynamic environment in high-tech industries, even organizations in non-high-tech industries are faced with constant change. Take the case of Swedish home appliance company Electrolux. You might think the home appliances industry couldn't be all that difficult—after all, most households need the products, which are fairly uncomplicated—but that impression would be wrong. Electrolux's chief executive Keith McLoughlin has had several challenges to confront.<sup>10</sup> First, there's the challenge of developing products that will appeal to a wide range of global customers. For instance, only 4 in 10 adults in the United Kingdom own a dishwasher. On the other hand, about 78 percent of U.S. homeowners have a dishwasher. Then, there's the challenge of cheaper alternatives flooding the market. Electrolux faces intense competition in the United States, and during the economic slowdown, the global appliance market tumbled on stubbornly weak demand. In addition, with a unionized labor force in Sweden, Electrolux faces expectations as far as how they treat their employees. McLoughlin recognizes that his company will have to continue to change if it's going to survive and prosper in the white-water rapids environment in which it operates.

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. It's no longer business as usual. And managers must be ready to efficiently and effectively manage the changes facing their organization or their work area.

## TYPES of Organizational Change

**LO2** Have you seen (or used) the 3M Co.'s Command picture-hanging hooks (which can actually be used to hang many different items)? They're an easy-to-use, relatively simple product consisting of plastic hooks and sticky foam strips. The manufacturing process, however, was far from simple. The work used to be done in four different states and take 100 days. However, a couple of years ago, the company's former CEO decided to start "untangling its hairballs" by streamlining complex and complicated production processes. Needless to say, a lot of changes had to take place. Today, those Command products are produced at a consolidated production "hub" in a third less time.<sup>11</sup> 3M Co. was up for the "hairball" challenge and focused its change efforts on its people and processes.

### 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

**organizational change**  
Any alteration of people, structure, or technology in an organization

process—that is, a **change agent**. Change agents can be a manager within the organization, but could be a nonmanager—for example, a change specialist from the HR department or even an outside consultant.<sup>12</sup> For major changes, an organization often hires outside consultants to provide advice and assistance. Because they're 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 to initiate drastic change than insiders 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.

#### change agent

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

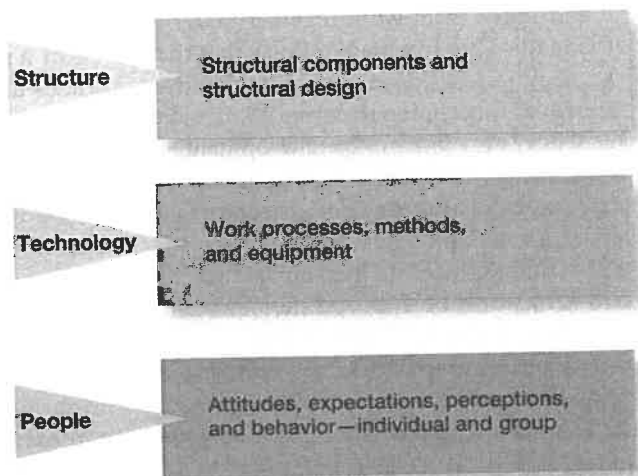
## Types of Change

Managers face three main types of change: structure, technology, and people (see Exhibit 7-3). Changing *structure* includes any change in structural variables such as reporting relationships, coordination mechanisms, employee empowerment, or job redesign. Changing *technology* encompasses modifications in the way work is performed or the methods and equipment that are used. Changing *people* refers to changes in attitudes, expectations, perceptions, and behavior of individuals or groups.

**CHANGING STRUCTURE** Jin Zhiguo, chairman of Tsingtao Brewery understands how important structural change can be. When the company shifted from a government-run company to a market-led company, many changes had to take place. He says, "Having worked for a state-owned enterprise, our people weren't used to competing for jobs or to being replaced for performance."<sup>13</sup> The change from a bureaucratic and risk-averse company to one that could compete in a global market required structural change.

Changes in the external environment or in organizational strategies often lead to changes in the organizational structure. Because an organization's structure is defined by how work gets done and who does it, managers can alter one or both of these *structural components*. For instance, departmental responsibilities could be combined, organizational levels eliminated, or the number of persons a manager supervises could be increased. More rules and procedures could be implemented to increase standardization. Or employees could be empowered to make decisions so decision making could be faster.

Another option would be to make major changes in the actual *structural design*. For instance, when Hewlett-Packard acquired Compaq Computer, product divisions were dropped, merged, or expanded. Structural design changes also might include, for instance, a shift from a functional to a product structure or the creation of a project



**Exhibit 7-3**  
Three Types of Change





Hiking four round-trip miles together is a healthy team-building exercise managers of Wellness Corporate Solutions use as an organizational development method to bring about changes in employees that improve the quality of their interpersonal work relationships. Taking long walks together helps Wellness employees learn how other employees think and work.

Source: Chikwendiu/The Washington Post/Getty Images

structure design. Avery-Dennis Corporation, for example, revamped its structure to a new design that arranges work around teams.

**CHANGING TECHNOLOGY** Managers can also change the technology used to convert inputs into outputs. Most early management studies dealt with changing technology. For instance, scientific management techniques involved implementing changes that would increase production efficiency. Today, 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 in New South Wales updated operational methods, installed more efficient coal handling equipment, and made changes in work practices to be more productive.

*Automation* is a technological change that replaces certain tasks done by people with tasks done by machines. Automation has been introduced in organizations such as the U.S. Postal Service, where automatic mail sorters are used, and in automobile assembly lines, where robots are programmed to do jobs that workers used to perform.

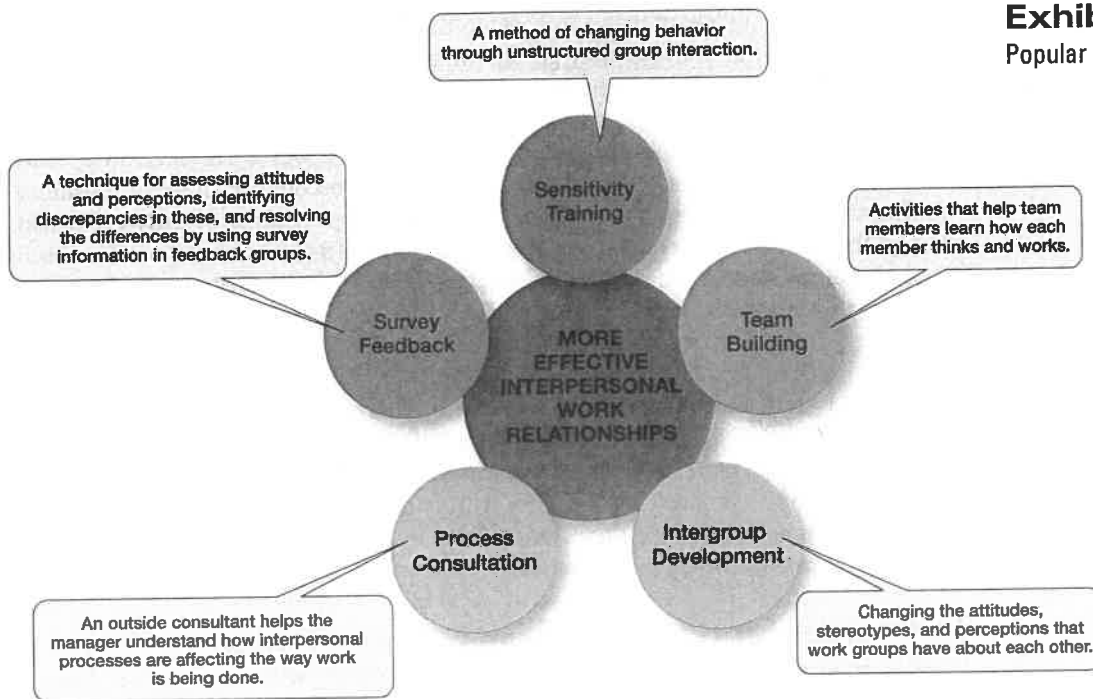
The most visible technological changes have come from *computerization*. Most organizations have sophisticated information systems. For instance, supermarkets and other retailers use scanners that provide instant inventory information and many are starting to accept mobile payments. Also, most offices are computerized. At BP p.l.c., for example, employees had to learn how to deal with the personal visibility and accountability brought about by 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.<sup>14</sup> At the Benetton Group SpA, computers link its manufacturing plants outside Treviso, Italy, with the company's various sales outlets and a highly automated warehouse. Now, product information can be transmitted and shared instantaneously, a real plus in today's environment.<sup>15</sup>

**CHANGING PEOPLE** Changing people involves changing attitudes, expectations, perceptions, and behaviors—something that's not easy to do. **Organizational development (OD)** is the term used to describe change methods that focus on people and the nature and quality of interpersonal work relationships.<sup>16</sup> The most popular OD techniques are described in Exhibit 7-4. Each seeks to bring about changes in the organization's people and make them work together better. For example, executives at Scotiabank, one of Canada's Big Five banks, knew that the success of a new customer sales and service strategy depended on changing employee attitudes and behaviors. 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.<sup>17</sup>

Much of what we know about OD practices has come from North American research. However, managers need to recognize that some techniques that work for U.S. organizations may not be appropriate for organizations or organizational divisions based in other countries.<sup>18</sup> 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."<sup>19</sup> What's the lesson for managers? Before using the same OD techniques to implement

**organizational development (OD)**  
Change methods that focus on people and the nature and quality of interpersonal work relationships

### Exhibit 7-4 Popular OD Techniques



behavioral changes, especially across different countries, managers need to be sure they've taken into account cultural characteristics and whether the techniques "make sense for the local culture."

## MANAGING Resistance to Change

**L03** We know it's better for us to eat healthy and to be active, yet few of us follow that advice. We resist making changes in our lifestyle. Volkswagen Sweden and ad agency DDB Stockholm did an experiment to see if they could get people to change their behavior and take the healthier option of using the stairs instead of riding an escalator.<sup>20</sup> How? They put a working piano keyboard on a stairway in a Stockholm subway station (you can see a video of it on YouTube) to see if commuters would use it. The experiment was a resounding success as stair traffic rose 66 percent. The lesson—people can change if you make the change appealing.

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 Do People Resist Change?

It's often said that most people hate any change that doesn't jingle in their pockets. This resistance to change is well documented.<sup>21</sup> Why *do* people resist change? The main reasons include uncertainty, habit, concern over personal loss, and the belief that the change is not in the organization's best interest.<sup>22</sup>

Change replaces the known with uncertainty. No matter how much you may dislike attending college, at least you know what's expected of you. When you leave college for the world of full-time employment, you'll trade the known for the unknown. Employees in organizations are faced with similar uncertainty. For example, when quality control methods based on statistical models are introduced into manufacturing plants, many quality control inspectors have to learn the new methods. Some may fear that they will be unable to do so and may develop a negative attitude toward the change or behave poorly if required to use them.

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're like most people. We're 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, our 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've already made in the status quo. The more 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 they value. This fear helps explain why older workers tend to resist change more than younger workers. Older employees generally have more invested in the current system and thus have more to lose by changing.

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 can be expected to resist the change. This type of resistance actually can be beneficial to the organization if expressed in a positive way.

### Techniques for Reducing Resistance to Change

When managers see resistance to change as dysfunctional, what can they do? Several strategies have been suggested in dealing with resistance to change. These approaches include education and communication, participation, facilitation and support, negotiation, manipulation and co-optation, and coercion. These tactics are summarized here and described in Exhibit 7-5. Managers should view these techniques as tools and use the most appropriate one, depending on the type and source of the resistance.

## let's get REAL

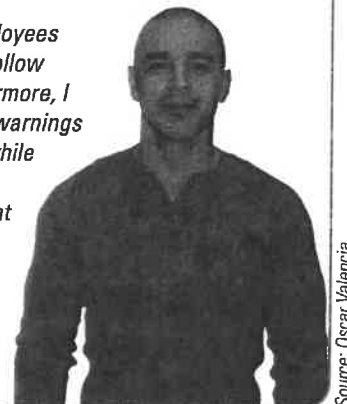
### The Scenario:

After the National Transportation Safety Board recommended that states ban the use of cell phones while driving because of safety concerns, many companies are changing their policy on employee cell phone use. Jeff Turner, owner of an appliance repair service company in Toledo, Ohio, has told his employees that the company's new policy is "No cell phone use while driving." However, he's having a difficult time enforcing the policy.

#### **What suggestions would you give Jeff about getting his employees to change their behavior?**

*I would suggest having a briefing with all employees and explaining to them why it is important to follow this policy, as it involves people's lives. Furthermore, I would enforce the policy by giving out formal warnings when anyone is reported using their phones while driving. If that has no impact, I would then suggest suspension without pay. I've found that sometimes people need to see consequences in order to cooperate and comply with policies.*

**Oscar Valencia**  
Manufacturing Manager



Source: Oscar Valencia

**Exhibit 7-5****Techniques for Reducing Resistance to Change**

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

*Education and communication* can help reduce resistance to change by helping employees see the logic of the change effort. This technique, of course, assumes that much of the resistance lies in misinformation or poor communication.

*Participation* involves bringing those individuals directly affected by the proposed change into the decision-making process. Their participation allows these individuals to express their feelings, increase the quality of the process, and increase employee commitment to the final decision.

*Facilitation and support* involve helping employees deal with the fear and anxiety associated with the change effort. This help may include employee counseling, therapy, new skills training, or a short paid leave of absence.

*Negotiation* involves exchanging something of value for an agreement to lessen the resistance to the change effort. This resistance technique may be quite useful when the resistance comes from a powerful source.

*Manipulation and co-optation* refer to covert attempts to influence others about the change. It may involve distorting facts to make the change appear more attractive.

Finally, *coercion* can be used to deal with resistance to change. Coercion involves the use of direct threats or force against the resisters.

**Change Readiness**—If your instructor is using MyManagementLab, log onto [www.mymanagementlab.com](http://www.mymanagementlab.com) and test your *change readiness knowledge*. Be sure to refer back to the chapter opener!

★ It's Your Career

## CONTEMPORARY Issues in Managing Change

**L04** When CEO David Gray joined Daxko, a small software vendor based in Birmingham, Alabama, he wanted a more collegial workplace and he wanted to relieve employee stress. Now with a Wii console and a 52-inch plasma TV in the work/play lounge and an open-office layout, the company's "casual but



- 35 percent of businesspeople say their companies do an effective job of managing culture.<sup>24</sup>

driven environment now resembles Silicon Valley more than the Deep South.” One employee said, “It’s pretty intense here. Expectations for what I need to accomplish are clearly set. And if I can play the Wii while doing it, that’s even better.”<sup>23</sup> Employee stress is one of the major critical concerns for managers today. In this section, we’re going to discuss stress and two other critical concerns—changing organizational culture and making change happen successfully. Let’s look first at changing culture.

## Changing Organizational Culture

Korean Air CEO Cho Yang-Ho had a challenging change situation facing him. He wanted to transform his airline’s image of an accident-prone airline from a developing country to that of a strong international competitor.<sup>25</sup> His main focus was on improving safety above all else, which meant making significant changes to the organization’s culture. What made his task even more challenging was Korea’s hierarchical culture that teaches Koreans to be deferential toward their elders and superiors. Cho says, “It (the hierarchical culture) exists in all Oriental culture.” His approach to changing his company’s culture involved implementing a “systems approach aimed at minimizing the personality-driven, top-down culture that is a legacy of Korean business managers who place emphasis on intuition and responding to orders.” The cultural change must have worked. Korean Air is now the world’s largest commercial cargo carrier, and it has earned a four-star rating (out of five possible stars) from a London aviation firm that rates airlines on quality.

The fact that an organization’s culture is made up of relatively stable and permanent characteristics tends to make it very resistant to change.<sup>26</sup> 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. For instance, it didn’t take long for Lou Gerstner, who was CEO of IBM from 1993 to 2002, to discover the power of a strong culture. Gerstner, the first outsider to lead IBM, needed to overhaul the ailing, tradition-bound company if it was going to regain its role as the dominant player in the computer industry. However, accomplishing that feat in an organization that prided itself on its long-standing culture was Gerstner’s biggest challenge. He said, “I came to see in my decade at IBM that culture isn’t just one aspect of the game—it *is* the game.”<sup>27</sup> Over time, if a certain culture becomes a handicap, a manager might be able to do little to change it, especially in the short run. Even under the most favorable conditions, cultural changes have to be viewed in years, not weeks or even months.

## LEADER making a

### DIFFERENCE



*When the news broke late summer 2013 that Microsoft’s CEO (Steve Ballmer) was stepping down, the search for his replacement was on. Analysts said that whoever the replacement was, that individual would face the challenge of “rebooting Microsoft’s corporate culture, in which charting the safe but profitable course... too*

*often wins out over innovation...”<sup>28</sup> Satya Nadella is that person. Named CEO in February 2014, Nadella is a 22-year veteran of Microsoft. His new “slogan” is innovation, innovation, innovation. When asked what his plans are for the software giant, he answered with that one word, innovation. How does he plan to make innovation part of the culture? By “ruthlessly removing any obstacles that allow us to be innovative; every individual to innovate.”<sup>29</sup> What can you learn from this leader making a difference?*

Source: Stuart Issett/Polaris/Newscom

**UNDERSTANDING THE SITUATIONAL FACTORS** What “favorable conditions” facilitate cultural change? One is that *a dramatic crisis occurs*, such as an unexpected financial setback, the loss of a major customer, or a dramatic technological innovation by a competitor. Such a shock can weaken the status quo and make people start thinking about the relevance of the current culture. Another condition may be that *leadership changes hands*. New top leadership can provide an alternative set of key values and may be perceived as more capable of responding to the crisis than the old leaders were. Another is that *the organization is young and small*. The younger the organization, the less entrenched its culture. It’s easier for managers to communicate new

## Exhibit 7-6

### Changing Culture

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

values in a small organization than in a large one. Finally, the *culture is weak*. Weak cultures are more receptive to change than strong ones.<sup>30</sup>

**MAKING CHANGES IN CULTURE** If conditions are right, how do managers change culture? No single action is likely to have the impact necessary to change something ingrained and highly valued. Managers need a strategy for managing cultural change, as described in Exhibit 7-6. These suggestions focus on specific actions that managers can take. Following them, however, is no guarantee that the cultural change efforts will succeed. Organizational members don't quickly let go of values that they understand and that have worked well for them in the past. Change, if it comes, will be slow. Also, managers must stay alert to protect against any return to old, familiar traditions.

### Employee Stress

"Most weekdays at 5:30 p.m., after putting in eight hours as an insurance agent in Lawrenceville, Georgia, April Hamby scurries about 100 yards to the Kroger supermarket two doors away. She's not there to pick up some milk and bread, but instead to work an additional six hours as a cashier before driving home 35 miles and slipping into bed by 2 a.m. so she can get up at 7 a.m. and begin the grind anew."<sup>31</sup> And April's situation isn't all that unusual. In today's still-uncertain economic environment, many people found themselves working two or more jobs and battling stress.<sup>32</sup>

As a student, you've probably experienced stress—class projects, exams, even juggling a job and school. Then, there's the stress associated with getting a decent job after graduation. But even after you've landed that job, stress isn't likely to stop. For many employees, organizational change creates stress. An uncertain environment characterized by time pressures, increasing workloads, mergers, and restructuring has created a large number of employees who are overworked and stressed.<sup>33</sup> In fact, depending on which survey you look at, the number of employees experiencing job stress in the United States ranges anywhere from 40 percent to 80 percent.<sup>34</sup> However, workplace stress isn't just an American problem. Global studies indicate that some 50 percent of workers surveyed in 16 European countries reported that stress and job responsibility have risen significantly over a five-year period; 35 percent of Canadian workers surveyed said they are under high job stress; in Australia, cases of occupational stress jumped 21 percent in a one-year period; more than 57 percent of Japanese employees suffer from work-related stress; some 83 percent of call-center workers in India suffer from sleeping disorders; and a study of stress in China showed that managers are experiencing more stress.<sup>35</sup> Another interesting study found that stress was the leading cause of people quitting their jobs. Surprisingly, however, employers were clueless. They said that stress wasn't even among the top five reasons why people leave and instead wrongly believed that insufficient pay was the main reason.<sup>36</sup>

**stress**

The adverse reaction people have to excessive pressure placed on them from extraordinary demands, constraints, or opportunities



- 64 percent of employees describe their "typical" workday stress level as very/somewhat stressed.<sup>39</sup>

**stressors**

Factors that cause stress

**role conflicts**

Work expectations that are hard to satisfy

**role overload**

Having more work to accomplish than time permits

**role ambiguity**

When role expectations are not clearly understood

**WHAT IS STRESS?** **Stress** is the adverse reaction people have to excessive pressure placed on them from extraordinary demands, constraints, or opportunities.<sup>37</sup> Stress isn't always bad. Although it's often discussed in a negative context, stress can be positive, especially when it offers a potential gain. For instance, functional stress allows an athlete, stage performer, or employee to perform at his or her highest level at crucial times.

However, stress is more often associated with constraints and demands. A constraint prevents you from doing what you desire; demands refer to the loss of something desired. When you take a test at school or have your annual performance review at work, you feel stress because you confront opportunity, constraints, and demands. A good performance review may lead to a promotion, greater responsibilities, and a higher salary. But a poor review may keep you from getting the promotion. An extremely poor review might lead to your being fired.

One other thing to understand about stress is that just because the conditions are right for stress to surface doesn't always mean it will. Two conditions are necessary for *potential* stress to become *actual* stress.<sup>38</sup> First, there must be uncertainty over the outcome, and second, the outcome must be important.

**WHAT CAUSES STRESS?** Stress can be caused by personal factors and by job-related factors called **stressors**. Clearly, change of any kind—personal or job-related—has the potential to cause stress because it can involve demands, constraints, or opportunities. Organizations have no shortage of factors that can cause stress. Pressures to avoid errors or complete tasks in a limited time period, changes in the way reports are filed, a demanding supervisor, and unpleasant coworkers are a few examples. Let's look at five categories of organizational stressors: task demands, role demands, interpersonal demands, organization structure, and organizational leadership.

*Task demands* are factors related to an employee's job. They include the design of a person's job (autonomy, task variety, degree of automation), working conditions, and the physical work layout. Work quotas can put pressure on employees when their "outcomes" are perceived as excessive.<sup>40</sup> The more interdependence between an employee's tasks and the tasks of others, the greater the potential for stress. *Autonomy*, on the other hand, tends to lessen stress. Jobs in which temperatures, noise, or other working conditions are dangerous or undesirable can increase anxiety. So, too, can working in an overcrowded room or in a visible location where interruptions are constant.

*Role demands* relate to pressures placed on an employee as a function of the particular role he or she plays in the organization. **Role conflicts** create expectations that may be hard to reconcile or satisfy. **Role overload** is experienced when the employee is expected to do more than time permits. **Role ambiguity** is created when role expectations are not clearly understood and the employee is not sure what he or she is to do.

*Interpersonal demands* are pressures created by other employees. Lack of social support from colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with a high social need.

*Organization structure* can increase stress. Excessive rules and an employee's lack of opportunity to participate in decisions that affect him or her are examples of structural variables that might be potential sources of stress.

*Organizational leadership* represents the supervisory style of the organization's managers. Some managers create a culture characterized by tension, fear, and anxiety. They establish unrealistic pressures to perform in the short run, impose excessively tight controls, and routinely fire employees who don't measure up. This style of leadership filters down through the organization and affects all employees.

Personal factors that can create stress include family issues, personal economic problems, and inherent personality characteristics. Because employees bring their personal problems to work with them, a full understanding of employee stress requires a manager to be understanding of these personal factors.<sup>41</sup> Evidence also indicates that employees' personalities have an effect on how susceptible they are to stress. The most commonly used labels for these personality traits are Type A and Type B.

let's get REAL

The Scenario:

Sondra Chan manages a team of 12 researchers at an organics-based cosmetics company. Like many companies during the past few years, she's asked her employees to take on greater responsibility since budgets are tight and no new hires have been brought onboard. Although she wants her team members to view these added responsibilities as furthering their own personal development, she also doesn't want to stretch them too far, causing out-of-control workplace stress and burnout.

**What can Sondra do so her team doesn't get too stressed?**

*Sondra should meet with each team member to review the details of their new job responsibilities and how she will use a structured and supportive approach to incorporate these tasks into their daily routine. Be positive and encouraging, but firm and forward-thinking by focusing on the opportunities for personal and professional growth. Sondra should consistently touch base with each team member to gauge their progress and morale.*



ToniAnn Petrella-Diaz  
Retail Manager

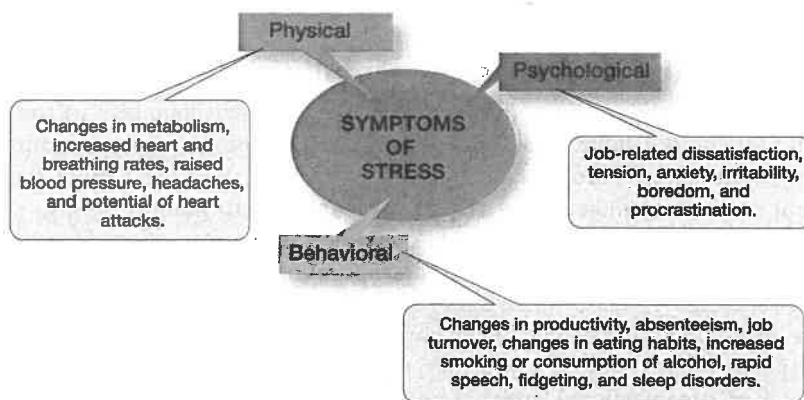
Source: ToniAnn Petrella-Diaz

**Type A personality** is characterized by chronic feelings of a sense of time urgency, an excessive competitive drive, and difficulty accepting and enjoying leisure time. The opposite of Type A is **Type B personality**. Type Bs don't suffer from time urgency or impatience. Until quite recently, it was believed that Type As were more likely to experience stress on and off the job. A closer analysis of the evidence, however, has produced new conclusions. Studies show that only the hostility and anger associated with Type A behavior are actually associated with the negative effects of stress. And Type Bs are just as susceptible to the same anxiety-producing elements. For managers, it is important to recognize that Type A employees are more likely to show symptoms of stress, even if organizational and personal stressors are low.

**Type A personality**  
People who have a chronic sense of urgency and an excessive competitive drive

**Type B personality**  
People who are relaxed and easygoing and accept change easily

**WHAT ARE THE SYMPTOMS OF STRESS?** We see stress in a number of ways. For instance, an employee who is experiencing high stress may become depressed, accident prone, or argumentative; may have difficulty making routine decisions; may be easily distracted, and so on. As Exhibit 7-7 shows, stress symptoms can be grouped under



**Exhibit 7-7**  
Symptoms of Stress



three general categories: physical, psychological, and behavioral. All of these can significantly affect an employee's work.

In Japan, there's a stress phenomenon called *karoshi* (pronounced kah-roe-she), which is translated literally as "death from overwork." During the late 1980s, "several high-ranking Japanese executives still in their prime years suddenly died without any previous sign of illness."<sup>42</sup> As Japanese multinational companies expand operations to China, Korea, and Taiwan, it's feared that the *karoshi* culture may follow.

**HOW CAN STRESS BE REDUCED?** As mentioned earlier, not all stress is dysfunctional. Because stress can never be totally eliminated from a person's life, managers want to reduce the stress that leads to dysfunctional work behavior. How? Through controlling certain organizational factors to reduce job-related stress, and to a more limited extent, offering help for personal stress.

Things managers can do in terms of job-related factors begin with employee selection. Managers need to make sure an employee's abilities match the job requirements. When employees are in over their heads, their stress levels are typically high. A realistic job preview during the selection process can minimize stress by reducing ambiguity over job expectations. Improved organizational communications will keep ambiguity-induced stress to a minimum. Similarly, a performance planning program such as MBO (management by objectives) will clarify job responsibilities, provide clear performance goals, and reduce ambiguity through feedback. Job redesign is also a way to reduce stress. If stress can be traced to boredom or to work overload, jobs should be redesigned to increase challenge or to reduce the workload. Redesigns that increase opportunities for employees to participate in decisions and to gain social support also have been found to reduce stress.<sup>43</sup> For instance, at U.K. pharmaceutical maker GlaxoSmithKline, a team-resilience program in which employees can shift assignments, depending on people's workload and deadlines, has helped reduce work-related stress by 60 percent.<sup>44</sup>

Stress from an employee's personal life raises two problems. First, it's difficult for the manager to control directly. Second, ethical considerations include whether the manager has the right to intrude—even in the most subtle ways—in an employee's personal life. If a manager believes it's ethical and the employee is receptive, the manager might consider several approaches. Employee *counseling* can provide stress relief. Employees often want to talk to someone about their problems, and the organization—through its managers, in-house human resource counselors, or free or low-cost outside professional help—can meet that need. Companies such as Citicorp, AT&T, and Johnson & Johnson provide extensive counseling services for their employees. A *time management program* can help employees whose personal lives suffer from a lack of planning to sort out their priorities.<sup>45</sup> (See Chapter 1 opener on p. 34 for suggestions on efficiently managing your time.) Still another approach is organizationally sponsored *wellness programs*. For example, Wellmark Blue Cross Blue Shield of Des Moines, Iowa, offers employees an onsite health and fitness facility that is open six days a week. Employees at Cianbro, a general contracting company located in the northeastern United States, are provided a wellness program tailored to the unique demands of the construction environment.<sup>46</sup>

### Making Change Happen Successfully

Organizational change is an ongoing daily challenge facing managers in the United States and around the globe. In a global study of organizational changes in more than 2,000 organizations in Europe, Japan, the United States, and the United Kingdom, 82 percent of the respondents had implemented major information systems changes, 74 percent had created horizontal sharing of services and information, 65 percent had implemented flexible human resource practices, and 62 percent had decentralized operational decisions.<sup>47</sup> Each of these major changes entailed numerous other changes in structure, technology, and people. When changes are needed, who makes them happen? Who manages them? Although you may think it's just top-level managers, actually managers at *all* organizational levels are involved in the change process.



- Only 43 percent of change initiatives achieved the desired goal.<sup>48</sup>

Even with the involvement of all levels of managers, change efforts don't always work the way they should. In fact, a global study of organizational change concluded 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."<sup>49</sup> How can managers make change happen successfully? They can (1) make the organization change capable, (2) understand their own role in the process, and (3) give individual employees a role in the change process. Let's look at each of these suggestions.

In an industry where growth is slowing and competitors are becoming stronger, United Parcel Service (UPS) prospers. How? By embracing change! Managers spent a decade creating new worldwide logistics businesses because they anticipated slowing domestic shipping demand. They continue change efforts in order to exploit new opportunities.<sup>50</sup> UPS is what we call a change-capable organization. What does it take to be a change-capable organization? Exhibit 7-8 summarizes the characteristics.

The second component of making change happen successfully is for managers to recognize their own important role in the process. Managers can, and do, act as change agents. But their role in the change process includes more than being catalysts for change; they must also be change leaders. When organizational members resist change, it's the manager's responsibility to lead the change effort. But even when there's no resistance to the change, someone has to assume leadership. That someone is managers.

The final aspect of making change happen successfully revolves around getting all organizational members involved. Successful organizational change is not a one-person job. Individual employees are a powerful resource in identifying and addressing change issues. "If you develop a program for change and simply hand it to your people, saying, 'Here, implement this,' it's unlikely to work. But when people help to build something, they will support it and make it work."<sup>51</sup> 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; and 68 percent of those changes occurred in the course of employees' day-to-day work.<sup>52</sup>



Netflix CEO Reed Hastings leads a change-capable organization. He cofounded Netflix as a DVD rental service, then added an Internet video streaming service, and now offers its own content such as *House of Cards*. Hastings makes change at Netflix happen successfully by innovating and adapting quickly to how people want to see movies and television programs.

Source: Kristoffer Tripplaar/Sipa USA/AP Images

## Exhibit 7-8 Change-Capable Organizations

Sources: 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," *T&D*, January 2003, pp. 50–59.

- **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 like they've always been done.
- **Encourage mavericks.** Because 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.



If your professor has assigned this, go to [www.mymanagementlab.com](http://www.mymanagementlab.com) to complete the Simulation: Change and get a better understanding of the challenges of managing change in organizations.

## STIMULATING Innovation

**L05** “Innovation is the key to continued success.” “We innovate today to secure the future.”<sup>53</sup> These two quotes (the first by Ajay Banga, the CEO of MasterCard, and the second by Sophie Vandebroek, chief technology officer of Xerox Innovation Group) reflect how important innovation is to organizations. Success in business today demands innovation. In the dynamic, chaotic world of global competition, organizations must create new products and services and adopt state-of-the-art technology if they’re going to compete successfully.<sup>54</sup>

What companies come to mind when you think of successful innovators? Maybe it’s Apple with its iPad, iPhone, iPod, and wide array of computers. Maybe it’s Google with its continually evolving Web platform. And Google is a good example of the new, faster pace of innovation. The company runs 50 to 200 online search experiments with users at any given time. In one instance, Google asked selected users how many search results they’d like to see on a single screen. The reply from the users was more, many more. So Google ran an experiment that tripled the number of search results per screen to 30. The result: traffic declined because “it took about a third of a second longer for search results to appear—a seemingly insignificant delay that nonetheless upset many of the users.”<sup>56</sup> Google tried something new and quickly found out it wasn’t something they wanted to pursue. Even Procter & Gamble, the global household and personal products giant, is doing the “vast majority of our concept testing online, which has created truly substantial savings in money and time,” according to the company’s global consumer and market knowledge officer.<sup>57</sup> What’s the secret to the success of these and other innovator champions? What can other managers do to make their organizations more innovative? In the following sections, we’ll try to answer those questions as we discuss the factors behind innovation.

### Creativity Versus Innovation

The definition of innovation varies widely, depending on who you ask. For instance, the Merriam-Webster dictionary defines innovation as “the introduction of something new” and “a new idea, method, or device; novelty.” The CEO of the company that makes Bubble Wrap says, “It means inventing a product that has never existed.” To the CEO of Ocean Spray Cranberries, it means “turning an overlooked commodity, such as leftover cranberry skins into a consumer snack like Craisins.”<sup>58</sup> We’re going to define it by first looking at the concept of creativity. **Creativity** refers to the ability to combine ideas in a unique way or to make unusual associations between ideas.<sup>59</sup> A creative organization develops unique ways of working or novel solutions to problems. But creativity by itself isn’t enough. The outcomes of the creative process need to be turned into useful products or work methods, which is defined as **innovation**. Thus, the innovative organization is characterized by its ability to generate new ideas that are implemented into new products, processes, and procedures designed to be useful—that is, 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.

### Stimulating and Nurturing Innovation

The systems model (see Management History Module, p. 67) can help us understand how organizations become more innovative.<sup>60</sup> Getting the desired outputs (innovative products and work methods) involves transforming inputs. These inputs include



- Only 28 percent of organizations consider themselves innovative.<sup>55</sup>

#### creativity

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

#### innovation

Taking creative ideas and turning them into useful products or work methods

## **FUTURE VISION** Company-Mandated "Experiment" Time

When employees are busy doing their regular job tasks, how can innovation ever flourish? When job performance is evaluated by what you get done, how you get it done, and when you get it done, how can innovation ever happen? This has been the challenge facing organizations wanting to be more innovative. One solution has been to give employees mandated time to experiment with their own ideas on company-related projects.<sup>61</sup> For instance, Google has its "20% Time" initiative, which encourages employees to spend 20 percent of their time at work on projects not related to their job descriptions. Other companies—Facebook, Apple, LinkedIn, 3M, Hewlett-Packard, among others—have similar initiatives. Hmmmm...so having essentially one day a week to work on company-related ideas you have almost seems too good to be true. But, more importantly, does it really spark innovation? Well, it can. At Google, it led to the autocomplete system, Google News, GMail, and AdSense. However, such "company" initiatives do face tremendous obstacles, despite how good they sound on paper. One challenge is that today's employees face strict monitoring in terms of time and resources. Thus, there's a reluctance on their part to use this time since most employees have enough to do just keeping up with their regular tasks. And if bonuses/incentives are based on goals achieved, employees are smart about what to spend their time on.

Other challenges include what happens to the ideas that employees do have, unsupportive managers and coworkers who may view this as a "goof-around-for-free-day," and obstacles in the corporate bureaucracy. So, how can companies make it work? Here are some suggestions: top managers need to support the initiatives/projects and make that support known; managers need to support employees who have that personal passion and drive, that creative spark—clear a path for them to pursue their ideas; perhaps allow employees more of an incentive to innovate (rights to design, etc.); and last, but not least, don't institutionalize it. Creativity and innovation, by their very nature, involve risk and reward. Give creative individuals the space to try and to fail and to try and to fail as needed.

*If your professor has chosen to assign this, go to [www.mymanagementlab.com](http://www.mymanagementlab.com) to discuss the following questions.*

★ **TALK ABOUT IT 1:** What benefits do you see with such mandated experiment time for (a) organizations? (b) Individuals?

★ **TALK ABOUT IT 2:** What obstacles do these initiatives face and how can managers overcome those obstacles?

creative people and groups within the organization. But having creative people isn't enough. It takes the right environment to help transform those inputs into innovative products or work methods. This "right" environment—that is, an environment that stimulates innovation—includes three variables: the organization's structure, culture, and human resource practices. (See Exhibit 7-9.)

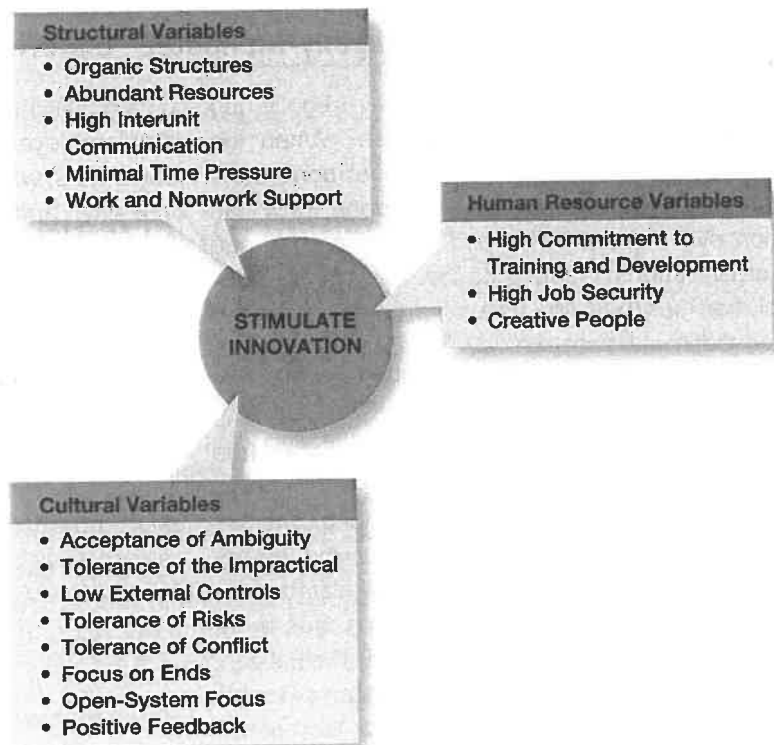
### **Structural Variables**

An organization's structure can have a huge impact on innovativeness. Research into the effect of structural variables on innovation shows five things.<sup>63</sup> First, an organic-type structure positively influences innovation. Because this structure is low in formalization, centralization, and work specialization, it facilitates the flexibility and sharing of ideas that are critical to innovation. Second, the availability of plentiful resources provides a key building block for innovation. With an abundance of resources, managers can afford to purchase innovations, can afford the cost of instituting innovations, and can absorb failures. For example, at Smart Balance Inc., the heart-healthy food developer uses its resources efficiently by focusing on product development and outsourcing almost everything else, including manufacturing, product distribution, and sales. The company's CEO says this approach allows them to be "a pretty aggressive innovator" even during economic downturns.<sup>64</sup> Third, frequent communication between organizational units helps break down barriers to innovation.<sup>65</sup> Cross-functional teams, task forces, and other such organizational



- 65 percent of companies innovate by integrating both the past and the future.<sup>62</sup>

### Exhibit 7-9 Innovation Variables



designs facilitate interaction across departmental lines and are widely used in innovative organizations. For instance, Pitney Bowes, the mail and documents company, uses an electronic meeting place called IdeaNet, where its employees can collaborate and provide comments and input on any idea they think will help create new sources of revenue, improve profitability, or add new value for customers. IdeaNet isn't just an electronic suggestion box or open forum; employees are presented with specific idea challenges. A recent one involved how to expand its mail service business into new segments. Hundreds of employees from multiple functions and business units weighed in with ideas, and eight promising ideas were generated.<sup>66</sup> Fourth, innovative organizations try to minimize extreme time pressures on creative activities despite the demands of white-water rapids 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.<sup>67</sup> Companies such as Google, 3M, and Hewlett-Packard actually urge staff researchers to spend a chunk of their workweek on self-initiated projects, even if those projects are outside the individual's work area of expertise.<sup>68</sup> Finally, studies have shown that an employee's creative performance was enhanced when an organization's structure explicitly supported creativity. Beneficial kinds of support included things like encouragement, open communication, readiness to listen, and useful feedback.<sup>69</sup>

#### ★ Watch It 2!

If your professor has assigned this, go to [www.mymanagementlab.com](http://www.mymanagementlab.com) to watch a video titled: *CH2MHill: Innovation* and to respond to questions.

**CULTURAL VARIABLES** "Throw the bunny" is part of the lingo used by a product development team at toy company Mattel. It refers to a juggling lesson where team members learn to juggle two balls and a stuffed bunny. Most people easily learn to juggle two balls but can't let go of that third object. Creativity, like juggling, is learn-

ing to let go—that is, to “throw the bunny.” And for Mattel, having a culture where people are encouraged to “throw the bunny” is important to its continued product innovations.<sup>70</sup>

Innovative organizations tend to have similar cultures.<sup>71</sup> They encourage experimentation, set creativity goals, reward both successes and failures, and celebrate mistakes. An innovative organization is likely to have the following characteristics.



These Google Inc. employees working at the company's offices in Berlin, Germany, are encouraged to accept the inevitability of failure as part of the way to be innovative and successful. Google nurtures a culture of innovation that tolerates risks, encourages experimentation, and views mistakes as learning opportunities.  
Source: Krisztian Bocsi/Bloomberg/Getty Images

- *Accept ambiguity.* Too much emphasis on objectivity and specificity constrains creativity.
- *Tolerate 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. Encourage entrepreneurial thinking.<sup>72</sup>
- *Keep external controls minimal.* Rules, regulations, policies, and similar organizational controls are kept to a minimum.
- *Tolerate risk.* Employees are encouraged to experiment without fear of consequences should they fail.<sup>73</sup> “Failure, and how companies deal with failure, is a very big part of innovation.”<sup>74</sup> Treat mistakes as learning opportunities. You don’t want your employees to fear putting forth new ideas. In an uncertain economic environment, it’s especially important that employees don’t feel they have to avoid innovation and initiative because it’s unsafe for them to do so. A recent study found that one fear employees have is that their coworkers will think negatively of them if they try to come up with better ways of doing things. Another fear is that they’ll “provoke anger among others who are comfortable with the status quo.”<sup>75</sup> In an innovative culture, such fears are not an issue.
- *Tolerate 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 rather than means.* Goals are made clear, and individuals are encouraged to consider alternative routes toward meeting the goals. Focusing on ends suggests that several right answers might be possible for any given problem.<sup>76</sup>
- *Use an open-system focus.* Managers closely monitor the environment and respond to changes as they occur. For example, at Starbucks, product development depends on “inspiration field trips to view customers and trends.” When Michelle Gass was the company’s senior vice president of global strategy (she’s now the president of Starbucks Europe, Middle East, and Africa), she “took her team to Paris, Düsseldorf, and London to visit local Starbucks and other restaurants to get a better sense of local cultures, behaviors, and fashions.” She says, “You come back just full of different ideas and different ways to think about things than you would had you read about it in a magazine or e-mail.”<sup>77</sup>
- *Provide positive feedback.* Managers provide positive feedback, encouragement, and support so employees feel that their creative ideas receive attention.
- *Exhibit empowering leadership.* Be a leader who lets organizational members know that the work they do is significant. Provide organizational members the opportunity to participate in decision making. Show them you’re confident they can achieve high performance levels and outcomes. Being this type of leader will have a positive influence on creativity.<sup>78</sup>

**HUMAN RESOURCE VARIABLES** In this category, we find that innovative 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 **idea champions**, actively and enthusiastically supporting new ideas, building support, overcoming resistance, and ensuring that innovations are implemented. Research finds that idea champions have common personality characteristics: extremely high

**idea champion**  
Individual who actively and enthusiastically supports new ideas, builds support, overcomes resistance, and ensures that innovations are implemented

self-confidence, persistence, energy, and a tendency toward risk taking. They 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're also good at gaining the commitment of others to support their mission. In addition, idea champions have jobs that provide considerable decision-making discretion. This autonomy helps them introduce and implement innovations in organizations.<sup>79</sup>

### **Innovation and Design Thinking**

We introduced you to the concept of design thinking in the previous chapter on decision making. Well, undoubtedly, a strong connection exists between design thinking and innovation. "Design thinking can do for innovation what TQM did for quality."<sup>80</sup> 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."<sup>81</sup> 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.