Organizational Behavior and Organizational Change
Innovation, Agility, & Change Management

Roger N. Nagel
Senior Fellow & Wagner Professor
Lehigh University
Topics This Presentation

- Organizational Change and Innovation Suggest Agility
  - Forces for Change
  - Managing Change
  - Resistance to Change
    - Personal
    - Organizational
  - Overcoming Resistance to Change
- Kotter’s Eight-Step Plan for Implementing Change
- 21st Century Innovation
- Organizational Development & Agility
  - Techniques for Success In OD & Agility
  - Core Competencies Produce Value

“Organizational behavior”
Eleventh Edition
By Steve Robbins
Reference Book
Topics This Presentation

- Transitioning from
  - Type S: 20th Century Static Organization
  - To Type A: 21st Century Agile Organization

- Contemporary Change Issues For Today’s Managers
  - Stimulating Innovation
    - Development Process
    - Organization
    - Culture
    - Management style
  - Brainstorming
    - Avoid These Brainstorming Mistakes
  - Expect the Unexpected
  - Be Agile & Be Innovative
    - Adaptable To Deal With Change
  - Creating a Learning Organization

"Organizational behavior"
Eleventh Edition
By Steve Robbins
Reference Book
Organizational Change and Innovation Suggest Agility

- When the target moves a herd of elephants is not able to change.
- A flock of birds is agile and able to follow a moving target.
  - Able to adapt and change directions rapidly.
## Forces for Change

<table>
<thead>
<tr>
<th>Force</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Nature of the workforce | More cultural diversity  
                      | Aging population  
                      | Many new entrants with inadequate skills |
| Technology          | Ubiquitous information, sensors and networks  
                      | Information Integration without borders  
                      | Access, Transaction and Digitization |
| Economic shocks     | Globally linked economies  
                      | Rise and fall of dot-com stocks  
                      | 2000–02 stock market collapse  
                      | Record low interest rates |
| Competition         | Global competitors  
                      | Mergers and consolidations  
                      | Growth of e-commerce |
## Forces for Change

<table>
<thead>
<tr>
<th>Force</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Instant gratification</td>
</tr>
<tr>
<td></td>
<td>online shopping for price and facts</td>
</tr>
<tr>
<td></td>
<td>configurable modular products</td>
</tr>
<tr>
<td></td>
<td>experience economy</td>
</tr>
<tr>
<td>Purchasing Agents</td>
<td>Global sourcing and sourcing hubs</td>
</tr>
<tr>
<td></td>
<td>Customized goods and services</td>
</tr>
<tr>
<td></td>
<td>Shared profits, lower prices</td>
</tr>
<tr>
<td></td>
<td>seeking collaboration for low cost</td>
</tr>
<tr>
<td>Social trends</td>
<td>Global connection</td>
</tr>
<tr>
<td></td>
<td>Internet chat rooms</td>
</tr>
<tr>
<td></td>
<td>Retirement of Baby Boomers</td>
</tr>
<tr>
<td></td>
<td>Rise in discount and “big box” retailers</td>
</tr>
<tr>
<td>World politics</td>
<td>Iraq–U.S. war</td>
</tr>
<tr>
<td></td>
<td>Opening of markets in China</td>
</tr>
<tr>
<td></td>
<td>War on terrorism following 9/11/01</td>
</tr>
</tbody>
</table>
Managing Change
Enhancing organizational Agility

Change Agents
Persons who act as catalysts and assume the responsibility for managing change activities.

Goals for Change:
Improving the ability of the organization to adapt to changes and be more Agile.
Changing the agility of individuals and groups in the organization.
The Politics of Change

- Impetus for change is likely to come from outside change agents.
- Internal change agents are most threatened by their loss of status in the organization.
- Long-time power holders tend to implement only incremental change.
- The outcomes of power struggles in the organization will determine the speed and quality of change.
Sources of Individual Resistance to Change

- Selective information processing
- Fear of the unknown
- Habit
- Security
- Economic factors

Individual resistance
Sources of Organizational Resistance to Change

- Threat to established resource allocations
- Threat to established power relationships
- Structural inertia
- Limited focus of change
- Threat to expertise
- Group inertia

Organizational resistance
Sources of Organizational Resistance to Change

- Management of organizational units
  - Fear loss of power and control in change

- Lack of clear vision for what to do to implement the change
  - Don’t see or understand the rational for the change

- Lack of belief in commitment by senior managers
  - Change de jure
  - Popular management changes fade over time and can be ignored by middle managers
Sources of Organizational Resistance to Change

- Lack of incentives and metrics in management goals and objectives
  - Tell me how I am measured and I will tell you how I will behave
- Fear of technology by senior and middle managers
  - Either feel inadequate in using it
  - Or don’t believe it will work to support the business goals and management needs
Overcoming Resistance to Change

Tactics for dealing with resistance to change:

• Education and communication
• Participation in the planning
• Facilitation and support
• Negotiation
• Manipulation and cooptation
• Coercion
Change the Status Quo

Desired state

Status quo

Restraining forces

Driving forces

Identify them!

Time
Sources of Organizational Resistance to Change

- Management of organizational units
  - Fear loss of power and control in change
- Lack of clear vision for what to do to implement the change
  - Don’t see or understand the rational for the change
- Lack of belief in commitment by senior managers
  - Change de jure
  - Popular management changes fade over time and can be ignored by middle managers

Sources of Organizational Resistance to Change

- Lack of incentives and metrics in management goals and objectives
  - Tell me how I am measured and I will tell you how I will behave
- Fear of technology by senior and middle managers
  - Either feel inadequate in using it
  - Or don’t believe it will work to support the business goals and management needs
Kotter’s Eight-Step Plan for Implementing Change

1. Establish a sense of urgency by creating a compelling reason (Vision & understanding) for why change is needed.

2. Form a coalition with enough power to lead the change.

3. Create a new vision to direct the change and strategies for achieving the vision.

4. Communicate the vision throughout the organization.

Kotter’s Eight-Step Plan for Implementing Change

5. Empower others to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving.

6. Plan for, create, and reward short-term “wins” that move the organization toward the new vision.

7. Consolidate improvements, reassess changes, and make necessary adjustments in the new programs.

8. Reinforce the changes by demonstrating the relationship between new behaviors and organizational success.

Individual Exercise

1. Identify an organizational change you would like to make
   a) What are the forces causing you to need this change?
   b) What benefits will making this change provide?
   c) What are the restraining forces (politics, individual and or organizational resistance) you may have to overcome?
   d) What tactics will you use to overcome the resistance?
   e) Identify which (could be all) of the Kotter’s Eight-Step Plan for Implementing Change you will most need in achieving your goal and say why and how you will use them.
Group Exercise

- When you have finished the individual exercise briefly share your answers with your group.
- The group should quickly identify one or two answers that they work on as a group
  - For the selected individual answer use the groups expertise to enhance the answer and prepare to report to our class.
  - If you select two or more individual answers they should be able to be integrated into one group answer.
    - For example the desired change might be one of the following:
      - A more globally desired partner
      - More agile and able to change with changing markets
      - Decentralized into several organizational units with more autonomy
      - More entrepreneurial
Group Reports
Dealing with change must become an asset of our organization

- Your Agility is linked to your strategy and will determine your competitive advantage

- Competition is now based on innovation

The Need For Change Will Not Go Away

Strategy

Knowledge Economy

21 Century: Innovation

90’s: Rapid Response

80’s: Product Quality

70’s: Production Cost

60’s: Production Scales

Resource Economy
Innovation is the basis for

- **Product change**
  - New and more complex products
  - From goods and services to solutions and experiences

- **Process change**
  - New technology processes and materials
  - Integrated information tools
  - Outsourcing to third parties

- **Market changes**
  - Global
  - Customized
  - Shorter time spans
Changing Rules Of The Innovation Game

Open Innovation Principles
- Many smart people outside
- Internal R&D cannot cover all needs
- External R&D also creates value.
- Profit is in combining internal and external in a good business model
- Sharing IP is becoming the rule

Closed Innovation Principles
- We have the smartest people
- We discover, develop and market ourselves
- To be first to market means winning
- Create most and best ideas means winning
- Control IP to control entrance of competitors
Discussion on open vs closed innovation

- Pros
- Cons
Managing change is about managing innovation and being very good and very fast.

Organizations need to be more agile to be able to innovate and use the innovations successfully.

The most important assets are no longer physical:

» Such as plant equipment and machinery.

The most important assets now are people:

» Ideas, relationships, ability to convert ideas into practice.

Understanding organizational behavior is now a critical management skill.
Strategies of Innovation

- Creative Strategy
  - Create total new products, business and technology processes, became the market leadership

- Following Strategy
  - Follow the trends, develop similar products, technology and business processes

- Modifying Strategy
  - Most of them are Joint-venture production, modify the products and processes for localization
The Most Important Innovation Assets Are People

People Produce Value
Organizational Development & Agility

Organizational Development (OD)

OD Values:
1. Respect for people
2. Trust and support
3. Power equalization
4. Confrontation
5. Participation

Agility Principle:
Leverage the People Resource's
1. Skills
2. Knowledge
3. Expertise
4. Relationships
Techniques for Success In OD & Agility

Sensitivity Training

Training groups (T-groups) that seek to change behavior through unstructured group interaction.

Provides increased awareness of others and self.

Increases empathy with others, improves listening skills, greater openness, and increased tolerance for others.
Techniques for Success In OD & Agility

Process Consultation (PC)

A consultant gives a client insights into what is going on around the client, within the client, and between the client and other people. Identifies processes that need improvement.

Help you to see your organization as others do

Take blinders off
Is there a Chinese saying for this?

- Thinking outside the box
- Leaving your comfort zone
- Paradigm breaking
We See & Value The Same Thing Differently
The Golden Rule

Do unto others
as you would have them
do unto you

Mass Production Thinking!
The Platinum Rule

Treat each person in the way that they value

Appropriate to their values and circumstances

Change from

"this is what I want, so I'll give everyone the same thing"

TO

"let me first understand what they want and then I'll give it to them."
Techniques for Success In OD & Agility

TRUST ENABLES!

BEFORE

AFTER

Agile Thinking

Roger N. Nagel © 2006
Team Building

High interaction among team members to increase trust and openness.

Team Building Activities:

- Goal and priority setting.
- Developing interpersonal relations.
- Role analysis to each member’s role and responsibilities.
- Team process analysis.
The Platinum Rule:

- Applies to members of a team
- Also applies to stakeholders
- Each stakeholder can and often does value things differently
Techniques for Success In OD & Agility

Intergroup stakeholder Development

Efforts to change the attitudes, stereotypes, and perceptions that groups have of each other.

Intergroup Problem Solving:

• Groups independently develop lists of perceptions.
• Share and discuss lists.
• Look for causes of misperceptions.
• Work to develop integrative solutions.
Appreciative Inquiry

Seeks to identify the unique qualities and special strengths of an organization, core competencies which can then be built on to improve performance.

Appreciative Inquiry (AI):
- Discovery: identifying the core competencies of the organization
- Design: finding a common vision which builds on the core competencies
Core Competencies Produce Value

21st Century

Traditionally

Values & Ethics
Culture and Reputation
Managerial Values & Experiences With How Run Company
Skills & Knowledge Capabilities Embodied in the People
Technical Resources Equipment & Accessible Information
Techniques for Success In OD & Agility

**Type S**

20th Century Static Organization
- Organizational culture is:
  - Hierarchical,
  - Risk adverse, and
  - Punishes failure
- Leaders tell people what to do and how to do it
- Decision making is slow and cumbersome
- Change is a challenge
- Innovation discouraged

**Type A**

21st Century Agile Organization
- Organizational culture is
  - Distributed authority
  - Entrepreneurial
  - Learn from failure
- Leaders define a compelling vision with goals, metrics, and constraints
- People are empowered, asked to think and make decisions
- Ability to change is a strategy
- Innovation is encouraged
To Change From Type S to Type A

Remove Levels

The customer would like a minor modification. Is that okay?

I see a way to make our customers happier. Okay?

Okay!
To Change From Type S to Type A

You must give people the tools and opportunity
To Change From Type S to Type A

- What percentage of the time do you feel the people in business organizations spend thinking and innovating?
- Are leaders giving them the tools they need to innovate effectively?
To Change From Type S to Type A

Leaders
- Encourage people to think
- Sets goals, objectives and constraints
- Share information needed to accomplish tasks

Share Information
Encourage appropriate risk taking
Group Exercise

Discuss in your group the things we have just covered and which are summarized below

Techniques for Success In OD & Agility
- Sensitivity Training
- Process Consultation (PC)
- Thinking outside the box
- The Platinum Rule
- Trust enables
- Team Building Activities
- Inter-group stakeholder Development
- Core Competencies Produce Value

The Change From Type S to Type A organization
- Remove levels from hierarchy
- Give people tools and opportunity
- Ask people to think
- Sets goals, objectives and constraints
- Share information needed to accomplish tasks
- Encourage appropriate risk taking

Exercise
Group exercise continued

- Identify the three things you most value as a group and explain why you feel they are valuable.
- For each provide an example from one organization that would benefit from applying what you have identified.
- Prepare to report to the class.
Contemporary Change Issues For Today’s Managers

- What can managers do to help their organizations become more innovative?
- How do managers create organizations that continually learn and adapt?
- Is managing change culture-bound?
Contemporary Change Issues for Today’s Managers: Stimulating Innovation

Idea Champions

Individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance, and ensure that the idea is implemented.
Innovation

A new idea applied to initiating or improving a product, process, or service.
1. IDEO Development Process Phases

1. Understand the market
2. Observe real people in real situations
3. Visualize new concepts as they will be
4. Evaluate and refine the prototypes quickly
5. Implement for commercialization

They are looking at what people think and do!
2. IDEO Organization

- Diverse hot product teams
- Relatively flat hierarchy
- Workplace designed by employees
3. IDEO Culture

- Status comes from ideas
- Failure is accepted and valued
- Informal
- Builds on ideas in brainstorming
- Crazy and messy but disciplined
- Self motivated
4. IDEO Management

- Few titles
- Low key
- Hire people who don’t listen
- Facilitate success
Watch the IDEO Video
Be A Detective During The Video

- List examples that you find of IDEO’s
  1. Development Process
  2. Organization
  3. Culture
  4. Management style
  5. Characterize David Kelly
  6. List Innovation clues

- Be prepared to discuss and share with your group
Write your observations down

- Development Process
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________

- Organization
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________

- Culture
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________

- Characterize Kelly
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________

- Management style
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________

- Innovation clues
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
  - __________________
## Teams form view and report

- **Development Process**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________

- **Culture**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________

- **Characterize Kelly**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________

- **Organization**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________

- **Management style**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________

- **Innovation clues**
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
  - __________
The Final Design

- Child seat from roller coaster design
- Modular baskets
- Bag hooks for check out clerks
- Scanner
- Cup holders
- Sideways motion

Innovative?
Innovation Clue From IDEO

- Stay Close to the Action
  - Sensory immersion
    » Body language tells a lot
    » Live interaction provides inspiration and ideas
      - Take pictures and videos
    » Asking questions of people involved while they are involved
      - There are no dumb questions
    » Experiencing the phenomena
    » Look for trends
Innovation Clue From IDEO

- Facilitator
  - Brainstorming
  - Integrating disparate teams together
- Multi disciplinary people on the team
  - To redesign a super market shopping cart
    - Engineers
    - Industrial designers
    - Psychology
    - Architecture
    - Business administration
    - Linguistics
    - Biology
Innovation Clue From IDEO

- “The best way to get a good idea is to get a lot of ideas”---Linus Pauling
  - Deliver more value
  - Create more energy
  - Foster more innovation

- Brainstorming should be organized, frequent and made part of the culture
Innovation Clue From IDEO

Seven secrets for better brainstorming
1. Sharpen the focus ➔ Problem statement
2. Playful rules
3. Number your ideas
4. Build and jump
5. The space remembers
6. Stretch your mental muscles
7. Get physical

Provide examples you saw on the video clip
Sharpen the focus

- Clear problem statement needed
  - Describe the problem not a solution idea
    - Don’t be to narrow in the description
    - Don’t focus on product modification
    - Describe the opportunity or problem you are addressing?

- Be tangible without limiting possible solutions
  - Helping bike commuters drink without spilling or burning their tongues

- Focus on need of customer not the company
  - Know what you enable and ask how can we do it better
Innovation Clue From IDEO

- Playful rules
  - Facilitator is key
    - Capture ideas for the group
      - Put them where they can be seen
    - Don’t critique or debate ideas suggested
      - Turn critiques off gently
    - Bell for off topic comments
  - Go for quantity of ideas
    - Encourage wild ideas
  - Be visual
    - Use paper on walls, tables, etc
Avoid These Brainstorming Mistakes

1. The boss speaks first
   - Constraints introduced
     - Every thing must be patentable and made in our factory

2. Everyone gets a turn
   - Kills spontaneity and the natural process of feeding off ideas as you get inspired

3. Experts only please
   - Bring in the people who have experience not expertise in theory, factory worker, consumer, need insight not just traditional expertise and theory
Avoid These Brainstorming Mistakes

4. Do it off-site
   - We want it to happen at work often, not just in special setting
   - Off sites fine, but we need the innovation in the workplace as well

5. No silly stuff
   - Dumb and stupid filters always catch brilliant ideas
   - Having fun makes brainstorming work better
   - Let your mind wander off narrow path to real innovation

6. Write down everything
   - If every one takes notes they turn off the stimulation of brainstorming
   - Taking notes shifts focus to the wrong side of your brain
   - Sketch and doodle, but don’t take notes
Innovation Begins With an Eye

- Not market research,
- Not focus groups
- Go to the source
  - Not experts in the company
  - But the real people who use the product or some thing similar
Avoid Unnecessary Complexity

From Chapter 3, Innovation Begins With an Eye:
In the old days, Dad could ask the old-timer behind the counter in the fishing store for help or information, but that won't work today at Wal Mart. Dads often don't remember much about fishing and don't want to look stupid. So we decided to change gears. Make it all-in-one, playful, and toy-like. Rod and reel incorporated in one piece, with all the essential gear in its own compartment—lures here and bobbers there. My favorite touch was the smallest: Even bait was included, in the form of a magical worm-shaped mixture Berkley calls Power Bait.
Innovate on a product in your group

- Group should be assigned one of the following needs to fulfill
  1. Make product appealing to very wealthy
  2. Make product available to handicapped people
  3. Make product safer for the end user
  4. Improve product functionality

- Your job is to brainstorm suggestions to meet the need assigned on your product.
  - Prepare to report back to the group
Groups report on their innovations
Be a pro-active Innovator
Expect the Unexpected

- Success is often the result of random encounters, accidents, or experiments gone wrong
  - Learn from everything
  - Especially failure
- When you expect to learn from strange places it is more likely to happen
Kleenex was for cleaning cream
- The use for colds was not anticipated
- The agile (quick) repositioning by Kimberly-Clark was a key to the success
Be Agile & Be Innovative

- At Dupont Kevlar was for tires
  - Other applications made the success and were a surprise
    » Aircraft industry
    » Police usage
    » Canoes, kayaks, powerboats
    » Ropes, cables, hoses
    » Parachutes
Be Agile & Be Innovative

- Surprising use of products
  - Milk box
  - Duct Tape
  - Golf cart
Be Agile & Be Innovative

- Surprising use of products
  - Milk box
  - Duct Tape
  - Golf cart
Be Agile & Be Innovative

- Surprising use of products
  - Milk box
  - Duct Tape
  - Golf cart
Innovation Suggests Agility

- Early innovators bring new ideas and product concepts to market
- The products are typically simple and come in only one flavor
- When Competition enters the market new flavors are added
  » Agility in speed and offering variety become important
Agility: Adaptable To Deal With Change

- Adaptability is key
  - Customers no longer want Vanilla
- Dependant on
  - Understanding the customers needs
- Customized solutions

Innovation Agility
Innovation and Agility

Early Innovation

Innovation Agility
Agility

Customized solutions
Understanding what the customer values

Flexibility
Economy
of Scope

Complex choices

Economy of scale - All the same

Skills of People - Too expensive

Good Part in green Problem in red
Creating a Learning Organization

Learning Organization

An organization that has developed the continuous capacity to adapt and change.

Characteristics:

1. Holds a shared vision
2. Discards old ways of thinking.
3. Views organization as system of relationships.
5. Works together to achieve shared vision.

Creating a Learning Organization

Fundamental Problems in Traditional Organizations:

• Fragmentation based on specialization.
• Overemphasis on competition.
• Reactiveness that misdirects attention to old solutions rather than creation.
Managing a Learning Organization

- Establish a strategy
- Redesign the organization’s structure
- Reshape the organization’s culture
Mastering Change: It’s Culture-Bound

Questions for culture-bound organizations:

1. Do people believe change is even possible?
2. How long will it take to bring about change in the organization?
3. Is resistance to change greater in this organization due to the culture of the society in which it operates?
4. How will the societal culture affect efforts to implement change?
5. How will idea champions in this organization go about gathering support for innovation efforts?
Every morning in Africa, a gazelle wakes up; it knows it must run faster than the fastest lion or it will be killed.

Every morning in Africa, a lion wakes up; it knows it must outrun the slowest gazelle or it will starve to death.

It doesn’t matter whether you are a lion or a gazelle;............

When the sun come up,

- you had better be running!
XIE XIE

Roger N. Nagel
Wagner Professor and Senior Fellow
CSE Department &
The Enterprise Systems Center at Lehigh University
200 West Packer Avenue
Bethlehem, Pennsylvania, 18015
(610) 758-4086, (610) 868-0402 [fax]
Rnagel@lehigh.edu