MOTIVATION INNOVATION PHASE

MM – 101

GENERAL OBJECTIVES OF THE SUBJECT

At the end of the course, Individuals will examine the principles of Creativity & Innovation apply them within the companies need critically reflect the Motivation Phase behavior within companies *and* their impact on the development of this course.

3.   MOTIVATION INNOVATION

3.1   Motivation Phase
3.2   Internal Change Agents
3.3   External Changing Agents
3.4   Invention Phase
3.5   Theorization & Labeling Phase

3.1   <u>Motivation Phase</u>

The motivation phase refers to the preconditions and facilitating factors that lead individuals in a company to be motivated to experiment with a new management innovation. It addresses the question "Under what conditions, or in what circumstances, do executives deem existing management practices to be inadequate for their needs?" The answer to this question is far from straightforward because it is necessary not only to identify the conditions under which executives search for new management innovations but also to specify the circumstances in which they choose *not* to adopt one of the existing solutions that can be obtained in prefabricated form from the so-called management fashion-setting community (Abrahamson, 1996). For management innovation to occur, in other words, the market for management fashions has to fail.

3.2   <u>Internal Change Agents</u>

Consider first those on the ***"demand"*** side of the market. Established theory suggests that the demand for new management practices is driven by the identification of a *novel problem*—a perceived shortfall between the organization's current and potential performance[1]. A perceived shortfall can be caused by a problem that undermines current performance but also by opportunities that may exist and the anticipation of environmental changes. In some instances individual managers in an organization may attribute this shortfall simply to a failure to execute under existing arrangements, but in others they may identify a specific problem or opportunity vis-a`-vis their existing management practices. They engage in a problem-driven search process that begins with existing and proximate contacts, and once they find a satisfactory

solution, they terminate the search and implement the solution.

In cases where the individuals choose to look outside their own organization for a solution, they are confronted with a management fashion-setting community, which shapes the belief systems of users as to what is rational and peddles its particular solutions to users' problems or perceived opportunities. Constrained both by the pressure to conform to the norms of rationality of the organization's institutional field and by the costs of evaluating multiple competing offers, managers will often choose to adopt the solution that appears to be the most progressive and legitimate. This, of course, is the process through which management fashions spread.

Sometimes, however, managers will choose to experiment with developing their *own* solutions to the problem or performance shortfall they are addressing. In the language of institutional theory, such an act can potentially **"appear irrational and retrogressive"** (Abrahamson, 1996:), but there are several conditions under which it may transpire—when the pressure to try something new overcomes the pressure to conform to externally arbitrated management norms. We suggest two such conditions. The first is where internal change agents are able, through an agenda-setting activity, to frame the problem or opportunity such that internal stakeholders view it as genuinely new or as something that cannot be resolved by buying an existing solution from the fashion-setting community. Consider, for example, the Danish hearing-aid manufacturer Oticon. Its CEO at the time, Lars Kolind, was able to convince his employees and board of directors that Oticon faced a significant threat to its viability from large competitors, such as Philips and Siemens, and this was sufficient for him to push through a radical innovation that he labeled the *spaghetti organization* (Foss, 2003; Lovas & Ghoshal, 2000).

The second broad condition is when the organizational context is supportive of new thinking and thereby enhances the degree of freedom for internal change agents to pursue novel ideas. The notion of a supportive organizational context has been conceived in two broad ways in the literature, both of which are potentially relevant here. One set of arguments focuses on the role of management in creating an informal context that encourages individuals to take initiative (Ghoshal & Bartlett, 1994). For example, the more exposure managers have to different industries and organizations, the more receptive they are likely to be to ideas for new practices (e.g., Oldham & Cummings, 1996). The other set of arguments is more concerned with the formal processes of the organization and the extent to which they institutionalize the pursuit of new or better ways of working. For example, we might expect the rigor of the decision-making process in the organization to have a positive influence on internal change

agent motivation because, by clarifying the pros and cons, the uncertainty and ambiguity associated with an idea are reduced.

In sum, internal change agents evaluate a problem or opportunity through an *agenda setting* dialogue with external change agents that helps to establish its novelty, and with reference back to the supportiveness of the current organizational context. To the extent that the problem or opportunity can be framed as novel and the context is supportive, the preconditions for management innovation exist.

3.3   External Change Agents

The role of external change agents in motivating management innovation begins with their ability to identify *new threats and opportunities* in the business environment that require management attention. But, as above, this is only part of the story because many external change agents see their role as stimulating managers (through the agenda-setting process) to adopt an existing or fashionable practice, rather than to create a new one. We suggest that the nature of the management knowledge that external change agents share with their internal counterparts is an important factor in motivating management innovation.

One can identify a spectrum of management knowledge, with new ideologies and ideas at the more abstract end and new practices and techniques at the more practical end. Those external agents who focus on the practical end of the spectrum, with standardized or "off the shelf" solutions to the problems facing managers, will encourage the adoption of management fashions. In contrast, those external change agents who focus on the more abstract end of the spectrum will more likely provide a fertile environment for management innovation because of the "interpretive viability" of their ideas—that is, the extent to which these ideas can be adapted to multiple agendas (Benders & van Veen, 2002; Clark, 2004).

External change agents can interact both directly and indirectly with internal change agents in agenda setting.[7] They generate their influential points of view by linking their interpretation of changes in the environmental context with agenda-setting conversations about the practical issues executives face. They are also influenced by prior cases of management innovation they have been involved with; in Figure 2 this feedback loop is indicated by the three horizontal processes (idea contextualizing, idea refining, and reflective theorizing) that we discuss in greater detail below.

3.4   Invention Phase

MOTIVATION INNOVATION PHASE

MM – 101

Invention refers to either random or planned variations in management practices, some of which subsequently are selected and retained by the organization (Burgelman, 1992; Campbell, 1965). It is the phase in which a *hypothetical new practice* is first tried out in an experimental way. Internal change agents. Figure 2 suggests three ways in which internal change agents might come up with a hypothetical new practice: *problem-driven search, trial and error,* and *idea linking* with external change agents. While each of these subprocesses has value in its own right, our expectation is that invention is more likely when they are applied in combination, just as new technologies typically arise through novel combinations of existing ideas and practices (Hargadon, 2003: 65; Kogut & Zander, 2992; Schumpeter, 1947).

Problem-driven search is a conscious and often planned activity in which individuals seek to create a new practice in response to a specific problem or opportunity (Cyert & March, 1963). Chandler's (1962) description of Alfred Sloan's introduction of the M-form structure suggests a process of this type: Sloan's proposed changes in 1920 were a direct response to the complexity that had been created by bringing together five independent businesses. As Sloan himself noted, "I wrote the 'Organizational Study' for General Motors as a possible solution for the specific problems created by the expansion of the corporation after World War I" (Sloan, 1963).

Idea linking is when individuals in the organization make connections between the new ideas proposed by external change agents and the experimental efforts underway inside the organization. Such connections can be viewed as a form of brokering between relatively disparate networks (Granovetter, 1973; Hargadon, 2003), and they can be nurtured by encouraging individuals to read widely and to attend conferences and other networking events. For example, the concept of activity-based costing was developed by Robert Kaplan, a business school professor, through conversations at a conference with executives at Scovill Corporation and John Deere Component Works about new cost measurement approaches they were experimenting with (Kaplan, 1998). Kaplan had been developing his own ideas about ways of overcoming the failure of existing cost measurement systems (idea contextualizing), and the Scovill and Deere executives had been experimenting inside their own organizations (trial and error). But the birth of activity-based costing per se came when Kaplan and the corporate executives began to interact.

Finally, trial and error occurs when the feedback about a new idea comes from trying it out in practice, rather than from how well it solves an existing problem or how well it fits with the ideas of an external change agent. We can expect trial and error to be an important part of any effective management innovation (when undertaken in

combination with other activities), but it is also possible for trial and error to be an unintended or ad hoc starting point for the whole process. For example, furniture retailer IKEA allowed its customers to pick up their own flat-pack products from the warehouse because of staffing shortages at a busy time, and this practice proved so effective (though in ways that were not foreseen when it was first tried out) that it was rapidly implemented in other stores (Bartlett & Nanda, 1990). New practices can emerge through serendipitous events of this type, and they can also occur when an existing practice is adapted to fit different circumstances (Czarniawska & Sevo´n, 2005; Mamman, 2002;Sturdy, 2004).

External change agents. The role of external change agents in the invention phase mirrors that of internal change agents. In other words, their ability to come up with a *new idea* for management practices is a function of three often-linked activities: *idea contextualizing, idea refining,* and *idea linking*. Idea contextualizing involves speculating on new ways of working that potentially address threats or opportunities in the business environment. This is a common activity among management thinkers, involving a back-and-forth interaction between the myriad of issues faced by managers on the one side and the set of possible solutions on the other.

 For example, Davenport and Prusak (2003:) describe how their initial ideas about knowledge management emerged through the research agenda of the Ernst & Young Centre for Business Innovation. Idea refining can be viewed as a form of disciplined imagination (Weick, 1989), in which the external change agent works through the implications of a particular idea in terms of how it might work in practice or in other contextual settings. Campbell (1974) viewed this activity as "ideational trial and error"; it is directly analogous to the process of trial and error that internal change agents go through, but it occurs in the conceptual domain.

Idea linking, as discussed earlier, involves reconciling the external change agent's knowledge base (which is typically deep in terms of academic discipline or functional expertise) with the context-specific ideas of internal change agents. For example, activity-based costing emerged through a combination of dissatisfaction with existing accounting methods and Kaplan's perspectives on the changing pressures on manufacturing companies, but it then required an explicit link to Scovill and Deere for the concept to be put into practice (Kaplan, 1998).

Taken together, these three activities can be viewed as alternative but complementary approaches to theory development: idea contextualizing is about developing new

solutions to existing problems, idea refining is about working through the consequences of an idea through a series of "thought trials" (Weick, 2989), and idea linking is an inductive-deductive loop through which concepts are reconciled with empirical evidence.

Implementation Phase - The implementation phase consists of all the activity on the "technical" side of the innovation after the initial experiment up to the point where the new management innovation is first fully operational. Like Zbaracki (1998), we distinguish between the technical elements of the work and the rhetorical elements that are concerned with theorizing and labeling the innovation (discussed in the next section). Our description of this phase involves making sense of the actions of internal and external change agents in implementing an *in vivo new practice,* as well as understanding the ways existing employees react to it and influence its implementation (Lewin, 1952).

Internal change agents. Figure 2 indicates two primary activities that internal change agents engage in as they attempt to implement an in vivo new practice. One is *trial and error,* in which progress is achieved by monitoring and making adjustments against the original concept. For example, to develop Procter & Gamble's "Connect and Develop" innovation process, its originator, Larry Huston, observed that he ran six years of experiments before he had a proven methodology for tapping into external sources of technology (Birkinshaw, Crainer, & Mol, 2007). The other activity is *reflective experimenting,* in which internal change agents evaluate progress against their broader body of experience. For example, Stjernberg and Philips made the following observation about how such individuals can be most effective:

> As the [innovation] attempt proceeds, he [the internal change agent] needs to be able to learn from the consequences of his own actions and to alter these actions accordingly. He will be more capable of seeing and learning how to manage the change and the learning dilemmas if he has a well-developed capacity for reflection (1993).

Organizational context also plays an important role in facilitating or inhibiting the implementation of new ideas. Zbaracki (2998) observed that the reaction of employees to implementing new management practices is generally negative: they are likely to be intimidated by innovations, particularly if the innovations have a significant technical component and the employees are mostly ignorant of their potential benefits. But the cultural perspective on management innovation suggests employees' reactions will also vary according to their personal circumstances and the immediate work environment in which they are placed (Knights & McCabe, 2000). The implementation process is

therefore likely to involve careful maneuvering by internal change agents as they focus their efforts on those parts of the organization that are more amenable to change. As the literature on technological innovation describes, such tactics include pursuing corridors of indifference through the organization, building coalitions of senior executives to support their ideas, framing innovation as an opportunity and not a threat, accessing resources beyond the individual's control, and maintaining a generally tenacious and persistent attitude (Howell & Shea, 2002; Rothwell et al., 1974; Scho¨n 1963; Wrapp, 1967).

Taken as a whole, the literature suggests that implementation transpires through a dialectical process (Van de Ven & Poole, 1995). Internal change agents try out the proposed new practice, and they evaluate its progress against the original idea (trial and error), its conceptual validity (reflective experimenting), and the reactions of other employees (i.e., the organizational context). Some aspects of the new practice may prove to be unworkable, and the reactions of employees may in some cases be directly opposed to what is being pursued. But after several iterations, an outcome will often emerge that is a synthesis of the opposing forces (Knights & McCabe, 2000; Zbaracki, 1998). In other cases the internal resistance generated by various aspects of the organizational context may be sufficiently strong that the experimental new practice does not get taken forward at all.

External change agents. The role played by external change agents in the implementation phase is less clear-cut than in other phases. External change agents lack deep contextual knowledge of the focal organization, as well as the accountability for results that most internal change agents face, so they rarely play an active role in actually implementing new ideas in vivo. However, we suggest they potentially play a critical indirect role in making management innovation happen.

The essence of the external change agent's role is to create a *thought experiment* (analogous to an in vitro experiment performed by a biologist before a new molecule is tried out in vivo in a live body). External change agents draw from their prior experience (*reflective theorizing*) and their deep knowledge of a particular conceptual domain (e.g., an academic discipline or a functional competency) to sharpen their new idea (*idea refining*), and on the basis of the insights gained, they attempt to influence and direct the implementation efforts of the internal change agents (*idea testing*).

There is some evidence of what this set of activities looks like in practice. For example, Stjernberg and Philips (1993) highlight the roles external change agents play as facilitators and sounding boards, and Kaplan provides a thoughtful account of his own experiences in this area:

MOTIVATION INNOVATION PHASE

MM – 101

> *During this process of intimate engagement with implementation, the action researcher [i.e., the external change agent] not only advances the theory underlying the concept, but also becomes a skilled practitioner. . . . Such skill also enables the action researcher to distinguish between theory limitations vs. poor implementations when companies experience difficulties applying the innovation (1998).*

These activities can, as Kaplan suggests, be thought of as a form of action research—where the aim is to "build theories within the practice context itself, and test them there through intervention experiments" (Argyris & Scho¨n, 1992). In terms of our framing, the external change agent therefore plays a dual role, oscillating back and forth between his or her thought experiment about what might make sense in the world of management ideas and the in vivo implementation of what actually works in the world of practice. This dual role potentially offers great insights to both worlds. Unfortunately, though, the evidence suggests interventions of this type are on the decline. While action research has an illustrious past (Emery & Trist, 1960; Lewin, 1946), it has lost ground in recent decades to more passive forms of research, a point we return to in the discussion.

3.5 Theorization and Labeling Phase

The fourth phase results in a *theorized new practice*—one that is retained and institutionalized within the organization. While an effective implementation, as described above, is clearly a necessary part of the process, the intangible and system-dependent nature of management innovation means that the results of the implementation are likely to be highly unclear for several years (Teece, 1980). We therefore expect that there will be an important rhetorical component associated with a successful management innovation. Key change agents will seek to make the case with constituencies inside and outside the organization that the new practice is legitimate, even though this new practice represents (by definition) a departure from the tried-and-tested offerings of the fashion-setting community (Abrahamson, 1996; Suchman, 1995).

We view this phase as consisting of two interlinked elements: *theorization* and *labeling.* Theorization is increasing "the zone of acceptance by creating perceptions of similarity among adopters and by providing rationales for the practices to be adopted" (Greenwood et al., 2002; Strang & Meyer, 1993; Suddaby & Greenwood, 2005; Tolbert & Zucker, 1996). In the context of this article, theorization is therefore first about building a logical rationale for the link between an organization's opportunities and the innovative solution that is being put in place, and second about expressing that logic in terms that resonate with key constituencies inside or outside the organization. Labeling refers to

the selection of a name for the management innovation in question that reflects its theorization. Labels have been shown to have a significant effect on the acceptability of management practices to various constituencies (Eccles & Nohria, 2992; Kieser, 1997).

Internal change agents. The primary role of internal change agents in this phase is to build legitimacy for the innovation among employees of the organization. As a means of defusing the widespread skepticism toward management innovation that employees often exhibit (Knights & McCabe, 2000), internal change agents will often theorize about the value of the new practice and label it in such a way that employees see its potential value, and also see it as consistent with the prevailing norms of the organization. The outcome, in other words, is a new practice that has been theorized vis-a`-vis the immediate organizational context (whereas external change agents focus on theorizing beyond this immediate context).

It is useful to apply Suchman's (1995) three basic forms of legitimacy to help clarify the approaches used here. Pragmatic legitimacy (appealing to employees' self-interested calculations) is pursued by showing early evidence of the innovation's value and by allaying employees' concerns, but such evidence is likely to be hard to come by in the early stages of implementation. Moral legitimacy (a positive normative evaluation through consistency with the organization's value system) is pursued by playing up how the innovation builds on previous changes the company has been through and/or that the organization has a tradition of trying out new ideas. Finally, cognitive legitimacy (the development of plausible explanations for the innovation that mesh with larger belief systems and the experienced reality of the audience's daily life) is pursued by showing that management innovation is a necessary solution to a specific and novel challenge the organization is facing (Tolbert & Zucker, 1986).

This form of internally focused theorization and labeling is best performed by internal change agents because of their existing credibility with employees (Stjernberg & Philips, 2993). It is achieved through a combination of *reflective experimenting* (whereby the new practice is interpreted in light of the internal change agents' broader body of experience) and *theory linking* with external change agents (by talking to them directly, by reading their books, or by listening to them speak).

External change agents. The role of external change agents in the theorization and labeling phase is twofold. First, they have an important role to play in building cognitive legitimacy inside the organization, because their status as independent experts means they are brought in—for example, as speakers at company events—to verify both the significance of the challenge the organization is facing and the validity of the proposed innovation as a response to that challenge. This form of input is referred to in Figure 2

as *theory linking.*

External change agents also play a major role in building legitimacy for the innovation beyond the boundaries of the organization. This is often deemed by the organization to be a worthwhile activity, because most employees have some level of awareness of how their organization is viewed by external constituencies (through customers and outside partners, friends, or the media), so their opinion of the innovation is shaped to some degree by what external constituencies say about it. Influential media such as newspapers and magazines have been shown in other contexts to play an important role in legitimating the actions of individual executives and organizations and we would expect them to play an important role here as an indirect communication channel through which employees' attitudes toward the innovation are shaped.

The externally focused theorization and labeling process involves a set of challenges different from that of the internally focused process. The external constituency is typically management intellectuals, such as senior leaders in other organizations, journalists, consultants, and academics (Guille´n, 1994). These individuals operate at a more abstract level than employees (i.e., they are likely to of these differences, the approaches used to build legitimacy for the innovation to external audiences are likely to be somewhat different. Pragmatic legitimacy can only be achieved vis-a` -vis external constituencies by demonstrating that the innovation is yielding valuable outputs. Procter & Gamble claimed, for example, that the company increased the percentage of new products arising from external ideas to 40 percent as a result of its Connect and Develop innovation process (Huston & Sakkab, 2006). However, such evidence is relatively hard to put together in the early stages of a management innovation, for the reasons we have discussed. Moral legitimacy is pursued by seeking a positive normative evaluation of the innovation among managerial intellectuals, which may involve showing how the innovation is procedurally consistent with existing management practice (e.g., Six Sigma was positioned as a successor to total quality management; Harry & Schroeder, 2000), or it may involve demonstrating the credentials of the organization as a proven high performer with a track record of innovation. Cognitive legitimacy, in contrast, is typically pursued by framing the innovation as a logical solution to one of the generic challenges or problems that all large organizations face. In Kieser's words, ***"The implementation of the new principles is presented as unavoidable [by management gurus], because the old principles are bound to fail in the face of the menacing dangers"***. This approach is similar to the pursuit of cognitive legitimacy with employees, except here the arguments will be expressed in more abstract or generic terms.

External change agents typically develop their knowledge of a particular innovation

through prolonged interactions with internal change agents (through *idea-linking, idea testing,* and *theory-linking* activities) and through their own *reflective theorizing.* External change agents have the skills for contextualizing the innovation in terms of contemporary business challenges, as well as the necessary contacts with media organizations. It should be observed that internal change agents can also help to build legitimacy for management innovation with external constituencies by writing articles or books and speaking at conferences. Although they may lack the theorization skills and personal networks of external change agents, they have greater credibility through their personal championing of the process, which may help to establish the moral legitimacy of the innovation.