[11]

Anuraag Agarwal[1]
Assistant Professor
& Research Scholar

Premendra Kumar Sahu[2]
Assistant Professor
& Research Scholar

Dr. Disha Sharma[3]
Assistant Professor

Md. Faisal Khan[4]
Assistant Professor
& Research Scholar

ORGANISATIONAL INNOVATION: "CREATING VALUE TO EMPLOYEES & CUSTOMERS THROUGH CONTINUOUS IMPROVEMENT PROCESS"

THE CONCEPT OF ORGANISATIONAL INNOVATION

In scholarly work on innovation, innovation is rarely associated with the change of organisations. Instead, innovation normally refers to changes in technical solutions associated with products, production processes or service provisions. Furthermore, innovation may refer to alterations in how capital is provided for businesses and households, or to changes in how firms interconnect in order to create new flows of products and services within sectors or value chains. In consequence, the dominating use of the term innovation concerns product, process, service, market, financial and industrial innovation, like originally put forward by Schumpeter (1934).

However, if one adopts a classic approach to the change of organisations, often inspired by the line of thinking originally proposed by Lewin (1951), it seems reasonable to use the concept of organisational innovation. Changes within organisations are more or less conceived as an unfreeze-change-refreeze sequence symbolising that change occurs as a basically intentional process of breaking down regular patterns of behaviour in order to create new patterns that subsequently become institutionalised. Thus, the state of affairs becomes something radically new, designating that the organisation has embarked on a different path of organizational activities. Similarly, it seems reasonable to adopt the concept of organisational innovation if one adopts a modern approach to the change of organisations, often inspired by the critique of the Lewin model thinking. Here, the change of organisation is conceived as the normal state of affairs, reflecting that the acts of the organisation members are constantly changing the way in which organisational activities proceeds. Thus, if one adopts a modern approach to the change of organisation, organisational innovation becomes the basic condition of organisational life, as for instance

School of Management & Research
ITM University, Raipur, Chhattisgarh
Email id: anuraga@itmuniversity.org

School of Management & Research
ITM University, Raipur, Chhattisgarh
Email id: premendras@itmuniversity.org

School of Management & Research
ITM University, Raipur, Chhattisgarh
Email id: dishas@itmuniversity.org

School of Management & Research
ITM University, Raipur, Chhattisgarh
Email id: mohammadk@itmuniversity.org

described by theories on organisational learning.

There is, however, a logical problem associated with the considerations just performed since they seemingly imply that the change of organisation *in general* can be characterized as organisational innovation. In order to employ the concept of organisational innovation as something different from mere change, it is necessary to delimit the cases in which organizational innovation occurs. In order to do so, it is feasible to initiate the analytical process with a basic definition. Based on Goffin & Szwejczewski (2001) define organisational innovation as "the development and implementation of new organisational structures and processes to offer customers more flexibility and efficiency". This definition which considers innovation in a business context focuses on two aspects of organisational behavior, i.e. organisational structures and organisational processes. Furthermore, changes in structures and processes take place in order to provide more flexibility and efficiency. Thus, organisational innovation is defined as something which contributes to the competitiveness of the organisation where competitiveness is defined in terms of flexibility and efficiency. Let us scrutinise this definition for a moment. At first glance, we may argue that organisational innovation could occur as changes in organisational structures, changes in organisational processes, changes in organisational structures that lead to changes in organisational processes, and changes in organisational processes that lead to changes in organisational structures. However, from a business perspective, i.e. a perspective that argues that organisational change takes place in order to provide customers with more flexibility and efficiency, organisational innovation is a type of alteration that changes the outcome of organisational action. Thus, organisational innovation cannot be conceived as only structural changes, but involves procedural changes. In consequence, we end up with three cases of organisational innovation, as shown in table 1.

Table 1: *Cases of organisational innovation, from a business perspective*

Type of change	*Organisational innovation*
Organisational structures	NO
Organisational processes	YES
Change in structures leading to change in processes	YES
Change in processes leading to change in structures	YES

This line of reasoning is in accordance with the seminal contribution by Zaltman who argue that organisational innovation occurs as the result of performance gaps which they define as "discrepancies between what the organization could do by virtue of a goal-related opportunity in its environment and what it actually does in terms of exploiting that opportunity". The recognition of a performance gap is the outcome of a strategic analysis within the organisation: "When a discrepancy between what the organization is doing and what its decision makers believe it ought to be doing, there is a performance gap". In effect, in order to speak of an organisational innovation from a business perspective, we must consider not only changes in organisational activities that lead to changes in the outcome of organisational action, but also changes in strategic perceptions that lead to changes in organisational activities. Thus, organisational innovation depends on a process of reorientation of the organisational activities where organisational innovation cannot take place without individual and organisational learning.

2. REDIRECTING, SPEEDING UP OR SLOWING DOWN ORGANISATIONAL INNOVATION

Lewin (1951) implied that organisations in general exhibit stable structures that need to be broken down in order to change. To some extent, this proposition was accepted by the behavioural theory of the firm and the classic contingency theory. However, the idea that the character of an organisation may be characterised by a fluctuation between stable and non-stable structures is widely challenged today, and the support of the notion is mainly seen in management fields like the balanced scorecard and business process reengineering. The contrary view is that the organisation is in a state of ambiguity, simultaneously trying to cope with patterns of exploration and exploitation.

The consequence of considering the organisation as being in a state of ambiguity is that organisational innovation must be analysed in terms of *how individual and organisational learning combine with the reorientation of management conceptions*. The role of management conceptions may assume different disguises at different points of time. Often, the change of management conceptions leads to a process of redirecting organisational activities and speeding up organisational change. However, whether one adopts a classic or a modern approach to the change of organisation, there is also a focus on how to maintain coherence between the different types of organisational activities going on. This relates to the issue of stability and predictability of organisational action achieved by coordination, either direct coordination by communication, procedures and management fiat, or indirect coordination by schemes of behaviour, operating procedures and guidelines, e.g. provided by overall and subunit organisational goals. In consequence, the change of management conceptions must also at some points of time lead to a slowing down of organisational change.

This line of reasoning implies that organisational innovation is about redirecting, speeding up or slowing down both the path and the rate of organisational change. While this definition is very strong in the sense that it can be applied both within a classic and a modern approach, it is to some extent at variance with a large bulk of analysis on organisational change. For instance, in a wide variety of organisational surveys the emphasis is on redirecting and speeding up organisational change. This also applies to the main bulk of recent studies that forms the central core of the MEADOW study. However, even if the main emphasis is on redirecting and speeding up, an element of slowing down may also be found in the surveys to the extent that the surveys focus on the effectiveness of organisational innovations, e.g. in the form of productivity gains, growth of turnover and minimisation of input requirements, based on the assumption that effectiveness achieved by coordination and institutionalisation reflects a process of slowing down in order to combine the elements that lead to organisational innovation. On the other hand, the effectiveness to be obtained from coordination and institutionalisation may not rest on slowing down alone, but can also be achieved in a situation where redirecting and speeding up implies that the content and time pattern of different organisational activities are aligned. In consequence, we may argue that the effectiveness of organisational innovation rest on both static and dynamic types of coordination and institutionalisation.

Table 2: *An inventory of organisational innovation*

	Organisational coherence	
Managerial activities	Coordination	Institutionalisation
Redirecting	Semi-dynamic	Semi-dynamic
Speeding up	Dynamic	Dynamic
Slowing down	Static	Static

Table 2 summarises the argument. It implies that when the change of managerial conceptions is combined with individual and organisational learning in a way that speeds up organisational change, we are confronted with a case of dynamic organisational innovation in which the nature of organisational activities is going to be completely different from the point of departure of the change process. Contrary, when organisational change is slowed down, the combination of a change of managerial conceptions and individual and organisational learning is focused on achieving patterns of organisational activities that remain stable for a long period of time or are only subjected to very small changes. In the medium case of redirecting, the focus is on changing the nature of organisational activities while maintaining a stable core of procedures, schemes and guidelines that direct organisational action.

3. MANAGEMENT THEORY: BRIDGING THE DICHOTOMY

Inspired by Davis & Scott (2007), the development of management theory can be seen as a theoretical and practical movement from a focus on the preconditions for change to a focus on the processes of change in a way in which the traditional dichotomy between a rational and a natural approach to organisational action (table 3) vanishes and is replaced by an integration of the two perspectives. This implies that the way in which the role of management is conceived gradually has changed from emphasising how structures are managed and organisational design is achieved to an emphasis on how the values of the organisation members can be combined in shared definitions of reality.

Table 3: *Rational and natural views of organisations*

	Rational model	Natural model
	The organisation as a designed artifact	*The organisation as a natural phenomenon*
Basic question asked	How can organisational effectiveness be achieved?	How can organisational behaviour be explained?
Existence of goals	Goals exist, but they may be multiple, conflicting and perhaps displaced	Goals are an inappropriate concept. Behaviour is better explained in terms of power and processes of interaction
Control	Overall guidance of the organisation towards objectives	Exercise of power and influence by groups
Major stress	Formal organisation Organisation design	Informal organisation Unanticipated results
Orientation	Normative	Descriptive
Role of management control	Rational and neutral procedures used to help ensuring overall effectiveness	Tools used by one group to enable them to dominate other groups

In consequence, the very notion of management changes from managing to leadership and change becomes increasingly understood as *changing* i.e. that the organisation is always in a state of change and never settles down at a stationary state. Changing means that the primary role of management is not to create change, but to address the incumbent processes of change by redirecting, speeding up or slowing them down. While management often is described as the prime mover of organisational innovation, the way in which the managerial role takes its course is as a set of activities that in different ways and applying different goals try to push the organisational activities or part of it in directions that are different from the course that the organisational activities would have taken automatically.

This line of reasoning is at variance with the classic perspective on organisations according to which the managerial role is confined to coordinating and institutionalising activities within organisations that are homogenous, mechanic, stable and rule oriented. The role of management is to construct an organisation like a well-oiled machine that supplied with the necessary inputs produces an output in accordance with a predefined set of organisational goals. This conception of the organisation as a machine (Morgan, 1997) provided the main foundation for the study of management in the industrial era, but was increasingly challenged as the so called “people factor” came to be seen as a disturbing but necessary factor in organisational activities, first introduced in the studies by Elton Mayo (1933) and later developed by writers like Chester Barnard (1938). The appearance of the people factor at the analytical scene did not only increase the interest for studying motivation and developing theories on human relations, but also directed management theorising towards focusing on informal organisations and the large number of daily interactions between organisation members that shape the everyday life in an organisation and creates processes of development and change outside the control of management. Today, the role of the people factor and the existence of an informal organisation are regarded as normal conditions for organisational activities and not only as mechanisms that create incremental organisational changes. It is widely recognised that these conditions result in a number of contradictions and often conflicts within the organisation that set the organisation adrift in a way in which formal goals are replaced by informal goals that are often quite different from the formal goals.

During the middle part of the last century, the open approach to management and organisational change just described was to some extent challenged by the advent of Systems Theory that lead to hypotheses on the organisation as a cybernetic system and on management being described as the brain of the firm. While these approaches gradually disappeared, Systems Theory diffused into management theory in a more "soft" version where the organisation came to be seen as a set of interacting sub-systems being itself a subsystem that interacted with various extraorganisational subsystems within the organisational environment. This soft version of Systems Theory is for instance quite prominent in theories on bounded rationality, the behavioural theory of the firm, contingency theory and organisational design. Especially contingency theory, also known as the situational approach, has been important as a line of theorising eliminating the mechanistic approach. The main idea of contingency theory is that there is no best way to organize because the design and structure of organisations depend on how the organisation interacts with the environment where the interaction is analysed in terms of subsystems of demand, technology, structure and social factors.

The role of the people factor and the issue of conflicting goals were important sources of inspiration for theorising on organisational design during the 1960ies where organisational design came to be seen as a way of changing the organisation by applying social-psychological methods. While social-psychological methods seemed to be less efficient in practice than in theory and thus gradually withered away in the field of management theory, they nevertheless increased the interest among scholars and practitioners for the psychological and cultural aspects of management. Subsequently, during the 1980ies, a focus on culture achieved a prominent position within management theory, partly in its own right and partly as element of an ongoing development of theories on human relations and motivation into what became known as human resource management (HRM). Analysis of organisational culture implied that even large scale management change programs often had a minor impact because the culture and sub cultures of an organisation seemed more powerful than formal management. Gradually, it was recognised how powerful culture is in shaping organisational activities, and especially the work by Edgar Schein (1988) on culture and leadership became the starting point for a large number of empirical studies focusing on the role of organisational artifacts, norms and values within the organisation.

During the last decade or more, the focus on organisational culture has diminished, but at the same time cultural theory has developed into a broader focus based on paradigmatic diversification. The broader focus encompasses issues like cultural diversity within the organisation in terms of gender, ethnographic properties and social groups, and the inclusion of humanistic and social science traditions in management theory, exhibiting points of departure like symbolic interaction and the idea that organisations are cultures in their own right. This theoretical development has happened during a period of time where especially European organisations and their management have been confronted with increased diversity of staff and the recognition that new products, new post-industrial production methods and increased concentration of the production of knowledge have altered the ways in which culture develops in and around organisations.

Interestingly, the development of a broader focus on culture has taken place alongside an increased focus on how the combination of production and management techniques changes the quality dimensions of organisational activities, i.e. total quality management. While total quality management has its theoretical roots in the 1960ies, it remained for many years a practical phenomenon of primarily Japanese management until it became widely distributed across American and European economies during the 1980ies and 1990ies. The idea of quality management was based on the conception of organisations as natural systems where the main task of management is to facilitate that tacit knowledge becomes explicit by using methods that allow knowledge to diffuse across the entire organisation. The paradigm of total quality management diffused across a large number of firms in the Western hemisphere at the same time as the Japanese economy dramatically slowed down, leading to a European surge of quality management. The application of quality management in theory and practice has continued to develop and has also diffused into the management of public institutions, recently in the form of lean management.

While quality management focuses on the production activities of the firm, a parallel development focusing on the human resources has occurred in the form of Human Resource

Management that to an important extent also emphasises the diffusion of knowledge across organisations. HRM is often defined in terms of a hard and a soft component. While the hard component includes measures necessary for operating a contemporary organisation in terms of labour market relations, salary systems, health etc., the soft component includes human relations techniques based on a reformulation of theories on human relations and organisational design. In effect, the soft component encompasses a social psychological approach that in practice has developed into new professions of human sourcing within organisations. In recent years, these theoretical trends have diffused into the theory of the learning organisation where the ideal seems to be to create an organisation that continuously transforms itself. However, the ideal does in many cases represent a wide array of non-trivial managerial problems and indeed the idea of a learning organisation points to an essential aspect of contemporary management, i.e. that organisations continuously add to the stock of knowledge and that the organisation members learn every day. Faced with an increased speed of change in the extraorganisational environment that creates new demands and new knowledge, management constantly needs to influence what new competencies are created within the organisation. At the same time, management experiences a relatively decreasing knowledge about key elements of the new knowledge created throughout the organisation. Therefore, management has to introduce management systems that create the framework for sufficient learning and knowledge diffusion within the organisation.

While competence building always has been a management subject, the last fifteen years has witnessed a new surge of managerial tasks related to competence building. In essence, the management of contemporary organisations implies that all organisation members become part of the management activity, at least as far as their own individual tasks and competence building are concerned (Landy & Conte, 2004; Yukl, 2006). Competence building by management fiat seems not to be efficient. At the same time organisational development has become more than just class-room teaching and apprenticeship. The idea of including focus on the daily learning and the development of tacit knowledge have in many organisations made learning an integrated part of the soft side of HRM.

Knowledge management is not in itself about managing people, but about managing information so that the organisation members get the best opportunities for getting hold of the knowledge appropriate for the tasks at hand. In this way, knowledge management becomes about managing data warehousing and mining, of course not in the strict sense of managing information as such, but in terms of changing the capability of the organisation and the organisation members to handle information. Subsequently, educating people and making sources of information ready for use are managerial tasks that are important for structuring work in general and for redirecting the organisational activities. These elements combined with the search for quality and improving the innovative capabilities of organisation members have highlighted a new field of management, i.e. the management of teams implying devolution among work groups in consistency with the HRM policies of the organisation. In fact, the idea of a learning organisation includes teams as essential organisational units, but also many other types of organisations experiment on a regular basis with teams.

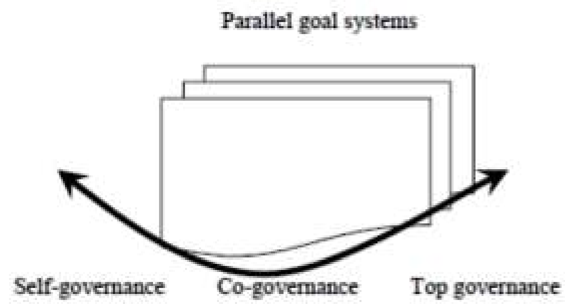
The management of teams does not only represent a substantial deviation from traditional hierarchical work, but is at the same time a new way of including change in the organizing process. Team organising becomes more than just making HRM policies concrete through the delegation of specific management responsibilities. Teams are a management form that allows the organisation to be more efficient in coping with external and internal change through shorter lines of communication, decision making in proximity to what needs to be decided upon, and integration of operational structures. In this way, many organisations have made substantial efforts to transform their structures into specific forms of team-organising depending on the needs and culture of the organisation.

Theoretically, the team organisation can be seen as an efficient mixture of performance and quality organising principles including the diffusion of HRM policies, but in spite (or perhaps because) of this many organisations are only partially successful in making the transition to team organising. Severe coordination and communication problems across and between teams occur which makes it important to consider the preconditions for running a team-based organisation. This observation has lead to a recent theoretical development, i.e. the idea of the High Performance Work Organisation (HPWO). HPWOs are organisations that exhibit especially innovative properties in the development of new products, services and knowledge that are contingent upon a close cooperation with skilled and demanding customers.

4. ORGANISATIONAL INNOVATION: LIVING IN PARALLEL UNIVERSES

The vision of organisational innovation as a phenomenon that occurs through a combination of institutional management, group management and self-management working together in creating shared definitions of reality implies that organisational innovation involves the combination of different goal systems and different methods of management at the same time. For instance, in the case of organisational innovation involving management by teams, the different teams are supposed to manage themselves according to the goals of the team, coordinate their activities with other teams that manage according to their goals, and make sure that the management of the team complies with the overall guidelines and goals of the organisation. In consequence, the team has to deal with self-governance, co-governance and top governance at one and the same time. While the team operates within the framework of the organisation as a whole, it also operates within its own framework interplaying with the frameworks of other teams. Thus, the everyday life of organisational activities resembles a life that goes on simultaneously in parallel universes. In essence, this perception of organisational activities which is portrayed in figure 1 is at variance with the classic concept of the organisation as operating according to a single unifying purpose or a single set of unifying goals.

Figure 1: *Governance in parallel universes*



This line of thinking has important implications for how organisational innovation as described in table 2 is achieved. In the case of speeding up, innovation becomes increasingly complex as the speeding up implies a rapid change of parallel goal systems throughout the organisation, or implies that some goal systems change faster than other goal systems. The same will apply to cases of redirecting, however to a smaller degree. In fact, organisational innovation may be easier to achieve in cases where only some parts of the organisations are speeding up or redirecting, provided that this can be done without ramifications for the coherence of the organisation. In consequence, the existence of parallel goal systems and ensuing problems of coherent organisational governance provides a strong case for why slowing down is an important aspect of organisational innovation.

Recognising the existence of governance problems related to organisational innovation has both theoretical and practical implications for studying organisational innovation. From a theoretical point of view, two approaches to organisational innovation may come to mind. On the one hand, organisational innovation may be studied as a process where the importance of redirecting, speeding up and slowing down varies through different stages of the process. For instance, organisational innovation may occur in a sequence that starts with redirecting followed by speeding up and concludes with slowing down. This line of thinking is parallel to how processes of implementation are often described. On the other hand, if one allows for processes of feedback during the process of organisational innovation, it seems more reasonable to consider redirecting, speeding up and slowing down as simultaneous phenomena. Finally, one may describe organisational innovation as one where redirecting, speeding up and slowing down occurs simultaneously, however with different strength at different points of time.

From a practical point of view, i.e. in case or survey studies, the analyst needs to be aware that the existence of parallel goal systems create governance problems as part of organisational innovation. Thus, the analyst needs to address how organisational coherence comes about as part of organisational innovation, how different types of change affect organisational coherence, and whether organisational innovation takes place in one or more parts of the organisation. Furthermore, the affect which different types of change have on how organisation members perceive organisational innovation becomes important, as the perceptions of organisation members may lead to either resistance to or support of the changes going on. These are important aspects, as the analyst is normally interested in how organisational innovation contributes to effectiveness, but the ensuing effectiveness is sensitive to how organisation members cooperate, i.e. how they coordinate goal systems based on what they think about the changes going on. In essence, the analyst needs to take into consideration how leadership comes about.

Thus, the concept of organisational innovation advocated in this paper implies that the analytical focus is on organising rather than organisation, on procedures rather than structures, and on managing rather than management.

This conclusion seems obvious based on how management theory has developed, as described above. The development of management theory in a way that bridges the dichotomized rational and natural approach to organisational action reflects that scholars have increasingly come to recognise that organisations need to focus on both planned and emergent actions, and that the change of organisational activities is achieved by both careful design and coping with unanticipated processes of change. A strong theoretical force driving this development is the simple fact that management theory is primarily applied science dealing with real-life problems. While real-life problems may be analysed in terms of formal analysis resembling a rational approach to organisational action, they do merit considerations concerning how the problem and its solution are influenced by what people think and experience.

REFERENCES

- Beyerlein, M.B., S. Beyerlein & F. Kennedy, eds. (2006), "Innovation Through Collaboration", *Advances in Interdisciplinary Studies of Work Teams*, Vol.12,
- Burns, T. & G.M. Stalker (1961), *The Management of Innovation*, London: Tavistock.
- Cyert, R.M. & J.G. March (1963), *A Behavioral Theory of the Firm*, Englewood Cliffs: Prentice-Hall.
- Gjerding, A.N. (1992), "Work Organisation and the Innovation Design Dilemma", in B.-Å. Lundvall, ed., *National Systems of Innovation*, London: Pinter.
- Gjerding, A.N. (1996), *Technical Innovation and Organisational Change. The Innovation Design Dilemma Revisited*, Aalborg: Aalborg University Press.
- Gjerding, A.N. (1996a), *Organisational Innovation in the Danish Private Business Sector*,
- Hatch, M.J. (1997), *Organization Theory*, New York: Oxford University Press.
- W.H. Starbuck, eds., *Handbook of Organizational Design*, Oxford: Oxford University Press.
- Lorenz, E., J. Michie & F. Wilkinson (2004), "HRM Complementarities and Innovative Performance in French and British Industry", in Christensen, J.L. & B.-Å. Lundvall, eds, *Product Innovation, Interactive Learning and Economic Performance*, Amsterdam: Elsevier.
- Lund, R. & A.N. Gjerding (1996), *The Flexible Company. Innovation, Work Organisation and Human Resource*

Management, DRUID Working Paper No. 96-17, Aalborg: Aalborg University.

· Luhmann, N. (1995), *Social Systems*, Stanford, CA: Stanford University Press.

· McAuley, J., J. Duberley & P. Johnson (2007), *Organization Theory. Challenges and Perspectives*, Gosport: Pearson.

· March, J.G. (1991), "Exploration and Exploitation in Organizational Learning", *Organization Science*, 2: 71-87.

· Mintzberg, H. (1979), *The Structuring of Organizations*, Englewood Cliffs: Prentice-Hall.

· Nielsen, P. & B.-Å. Lundvall (2003), *Innovation, Learning Organizations and Industrial Relations*, DRUID Working Paper No. 03-07, Aalborg: Aalborg University.

· Thompson, J.D. (1967), *Organizations in Action*, New York: McGraw-Hill.

· Weick, K.E. (1979), *The Social Psychology of Organizing*, Reading: Addison-Wesley.

· Woodward, J. (1958), *Management and Technology*, London: HMSO.

· Zaltman, G., R. Duncan & J. Holbek (1973), *Innovations and Organizations*, New York: John Wiley and Sons.