

## Managing Innovation or Culture Change?

By Lanny Vincent

Increasingly I find myself engaged in conversations wherein clients present “innovation” as their stated interest, but as I listen more closely, their underlying goal turns out to be changing their organization's culture, often called “change management.”

Many established companies are engaged in both change management and innovation management. While each may deal with change, innovation management and change management are different. Their goals, focus and purpose are distinct from each other.

Change management attempts to reform or transform the performance of the organization and its employees. The focus is on the core capabilities of the organization in serving existing customers and markets. Its purpose is to improve the organization's performance in the form of efficiencies, improvements or lower costs. Change management is inherently *egocentric*, focused inwardly on the organization itself. Its primary concern is improving productivity of operating throughputs.

Innovation management attempts to renew the organization's relevance to those it serves. The focus is on external conditions, factors and dynamics in discovering prospects and needs and converting them into customers and solutions, respectively. Its purpose is to develop and introduce new value propositions in the form of new products, processes or services. Innovation is inherently *allocentric*, focused outwardly on serving others. Its primary concern is nurturing efforts of developing new value.

A global consumer durables company I worked with for a number of years made a very explicit record of its innovation journey, stating that innovation would intentionally serve the broader and more fun-

damental purposes of organizational transformation. After more than a decade along this journey, the purposes of organizational culture change may have been realized. However, many express disappointment at the unrealized goals of their innovating.

A company may require both innovation management and change management, and the efforts of one may reinforce the goals of the other. However, the two should not be thought of, managed or led as if they were one. Doing so produces much unnecessary frustration. Yet this may be happening more frequently than we realize, particularly since lean principles and the faddish “both/and” (vs. either/or) seem to have saturated

the thinking of executive leaders.

A favorite book of mine is *Differences That Make a Difference* by Russell Ackoff, which is filled with insights for leaders and managers. Ackoff took 50 sets of common terms, which are frequently used interchangeably by mistake, and clarified their more appropriate and accurate use.

For example, many use “react” and “respond” as if they are synonyms. Ackoff suggests they are not. To make the difference explicit, he brings in a third term: “reflex.” Reflex is what happens automatically, in human physiology, it's *autonomic*. With a

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reflex we have no choice. In contrast, when we “react,” according to Ackoff, we have a choice but we don’t exercise it. However, when we “respond,” we not only have a choice, but we consciously make it.

Were Ackoff alive today, I bet he would add another pair of concepts that are frequently confused with each other: innovation management and change management. That these two concepts are often used synonymously has led to a great deal of wasted effort, disillusioned innovators and cynical leaders. All this could be avoided with a bit more attention to the differences between innovation management and change management.

Detached analysts like economists and sociologists use the word “innovation” to describe how new ideas, values, know-how or products diffuse into a population and culture. As a result, these analysts tend to view innovation *retrospectively*. Everett Rogers in 1962 offered a diffusion theory for innovation that has become synonymous with innovation itself. Popular updates to Rogers’ original theory include Malcolm Gladwell’s *Tipping Point* and Geoffrey Moore’s *Crossing the Chasm*. Diffusion is a type of change that describes how something new (product, process, technology, idea or knowledge) becomes adopted by a market or society.

Entrepreneurs and innovators use “innovation” to describe both the process (innovating) and the result (an innovation) of their efforts. As active participants, innovators typically view innovation *prospectively*, often with a more detailed and close-up perspective. Peter Drucker, a father of

modern management theory, was one of the first to take this point of view. Drucker wrote *Innovation and Entrepreneurship* in 1985 in which he describes innovation as the systematic and diagnostic discipline or tool entrepreneurs use to create, develop and introduce new value for prospective or current customers.

A third use of the same word “innovation” comes from organizational leaders. Their use of “innovation” describes organizational changes required to dramatically improve performance. As leaders who are tasked with the process and outcomes of organizational change, these so-called “innovations” can be classified as either reformations or transformations. According to Ackoff, “reformations” seek performance improvements through organizational behavior change without changing structure or function; while “transformations” require changes in structure or function.

When “innovation” is used to describe change management, the primary focus is on the organization and its performance. However, when “innovation” is used in the contexts of economists and innovators, the primary focus is on a new value proposition the organization is developing or introducing to those it serves.

Both change management and innovation management involve diagnosis, making changes and dealing with resistance, which is often underestimated. Yet the counter-measures each employs to address this resistance are distinct. When organizational change efforts and innovation management are attempted simultaneously, the change efforts will often unintentionally produce new strains of resistance to the innovation and innovators.

If change management and innovation management are attempted simultaneously then some insulation mechanism will be required (see “Innovation Midwives: Sustaining Innovation Streams in Established Companies,” *Research-Technology Management*, 2005). Ignoring the need to insulate innovation and innovators, or even worse, integrating the change management effort with innovation management, will

cause all sorts of waste and confusion, which does not have to be repeated.

The difference between innovation management and change management is often ignored or poorly understood by well intentioned leaders who say that both are needed. The problem is in managing and leading both as if they are the same thing. Consider what Drucker wrote in 1973 in his book *Management*: “Because its purpose is to create a customer, the business enterprise has two—and only these two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.”

That innovation is often regarded as an exception and interruption to “real work” is a testament to this pervasive confusion—a failure to recognize a difference that makes a difference. Innovations renew an organization’s relevance to those it serves. Culture change aims to improve the performance of those doing the serving. An organization should always seek to improve what it’s currently doing. Sooner or later, however, every organization needs to renew its relevancy to those it serves. □

## The Myths and Realities of Corporate Innovating

### **Myth:**

*Innovating is about being different.*

### **Reality:**

Innovating requires getting to the truth and believing it enough to do something about it.

This is one of 20 myths and realities about innovation revealed in our survey report entitled, *Corporate Innovation Management: Reconciling “Trellis” and “Vine.” What Veterans of Corporate Innovating Are Saying*.

If you would like to receive a copy of our survey results, please contact Jane Gannon at jane@innovationthatwork.com or (415) 387-1270.

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