Strengths and weaknesses of innovation implementation

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Abstract
This study aims to understand the innovation process in organizations. By way of a case study, it could be observed that innovation implementation undergoes a mimetic process. Once implemented, however, there is a disconnection between the initial purpose and its results, which are translated into routines through which the effort loses strength.

Keywords: Innovation, sense making, organizational change, case study.

Introduction
The advance of competition in various sectors of the economy has been motivated by recent advances in technology. But the process by which innovation is internalized in companies may be complex and paradoxical (CHRISTENSEN 1997). On the one hand, organizations need to compete and to do so they innovate in many aspects. On the other hand, their internal dynamics, which are not always used for change, may impose restrictions on implementation of the innovation.

This phenomenon shows that innovation is often accepted as being desirable in organizations, but in a contradictory way. This occurs because organizational change may bring with it a new language, a new habit or a new set of values and underlying beliefs. So, a lot of promising innovation is unsuccessful in the implementation phase, because of the resistance of those who have to adopt it.

This is the context within which this work seeks to understand the process for implementing innovation, based mainly on the resistance generated within the
organization. To do so a case study was carried out in an organization in the IT sector that introduced a radical innovation. After this introduction, the theoretical background used in the article will be presented. Then the results of the case study will be given and finally the lessons learned and conclusions drawn will be presented.

Inovation in organizations

Schumpeter emphasized the importance of innovation for economic development and pointed out some of the aspects that organizations face today. His wide-ranging approach also dealt with issues of a social and institutional order and he emphasized innovation as a source of the development of capitalism. The author believes that competition stimulates the search for new products and new technology, and obliges organizations to reach a point at which they are capable of generating high quality at low cost. Schumpeter also considered innovation as a source of dynamism in the development of capitalism (SCHUMPETER 2000).

A practical concept of innovation is that it has to produce results, differentiation and competitive advantage. New ideas, when accompanied by actions or implementation, result in improvements, a gain or profit. When implemented, they have a real impact on the company (GUNDLING 2000).

Innovation can be understood on a scale that varies from incremental improvements to radical transformation. From an organizational viewpoint the type of innovation that truly transforms the organization and penetrates its deepest assumptions is incremental. When this type of innovation is well-implemented and successful, it is not just compatible with the values of the organizational dynamic, but it is a new re-signification of the body of interpretations of the organization. This innovation does not differ from the organization’s customary scope and is, therefore, accepted, but it does not alter the reality, which means there is no re-signification of organizational life. In the case of disruptive innovation, very remote values that are generally brought in by outsiders are imposed on the organization.

This dynamic is explored by March (1999) from an analysis of the organizational strategies of “exploring” (trying to discover, develop, undertake new possibilities and innovate) and “exploiting” (take advantage of what the organization already has). Exploration (innovation) is related to searching, to risk assumption and experimenting new things, while exploitation involves refining, production, efficiency, implementation and the execution of known aspects. The author argues for an equilibrium between exploration and exploitation, because both are essential to the organization, but compete for the same resources. This competition for finite resources may compromise innovation. March also highlights the relevance of decision-making in the resource use process: in the case of exploration (innovation) the decision is explicit, with an analysis of the investment and the return, while in exploitation decision-making is implicit and manifests itself in procedures, habits, customs, rules and goals that have been previously defined by the organization.

In this sense, values and organizational rules start creating an interpretive picture that, over time, leads to stability. The stability of a social group is related to a certain common or customary way of interpreting and sharing experiences (WEBER, 1999). Sharing on a day-to-day basis means that activities become routine. Repetition of this
process ensures that the group constitutes its own ethos, its distinct character, which is expressed in its standards and beliefs (ideology), through activities that are guided by rules of conduct, by a common language and by other symbolic forms (SMIRCICH, 1983, p. 55-65).

Given this picture of stability in organizational routines, Christensen (1997) describes the difficulty and even the failure of organizations that, when faced with the need to innovate, are unable to do so or come up against major obstacles. Therefore, they face the “dilemma” of having to innovate to compete and the difficulty of mobilizing in order to do so, which may be considered to be a paradox. The author argues that large organizations with established markets find it difficult to identify the need for innovation that comes from breakdowns in technology. This may lead to failure. The author points out that the competences that are developed to serve known markets become a source of incompetence when it comes to operating in markets that have demands that are very different from its current niche. This incapacity is not related to people, but to the organization itself: the organization can pick the best professionals, with the necessary requirements, knowledge and judgment capacity, but it may not be prepared to use them.

So a weak equilibrium in allocating resources between exploration and exploitation initiatives makes any innovation vulnerable. At first sight, radical innovation projects suffer from the disadvantage of uncertainty in terms of return, with results that take longer to appear, complexity when it comes to making them feasible and diffuse effects. Exploitation, on the other hand, is not vulnerable, because it forms part of the daily life of the organization and is decided upon on a day-to-day basis, without any special rituals, because it apparently represents no risk. In this way the paradox is implicitly stated: innovating may be necessary, but it comes up against the limits established by the functioning mechanisms of the organization’s innermost being.

**A critical approach to the phenomenon in organizations**

The tendency to seek innovation has been almost a modern compulsion in the search for answers in a world that is becoming increasingly complex. Talking about innovation is first and foremost talking about a force field between: (a) the element that brings the innovation, and (b) the context that receives it. On the one hand, the person who creates the innovation is going to operate with special risks, uncertainties and levels of determination. On the other, the context that welcomes the innovation may operate in a register of survival, functionality, practicality, feasibility and support for the *status quo*.

These two realities, which are so different, need decodification elements in order for them to be able to come together. The appeal for survival of the *status quo*, the social ethos, etc. compromise innovative efforts. It is necessary to distinguish between: (a) “discourse about” innovation that supports the image and the *status quo* that the organization wants to preserve; (b) its need to bring in what’s new support in order to grow and survive. It is also necessary to distinguish innovation/improvements that are adjustments to the current situation from new concepts, which require new codes, new standards, and a new language that are all created to account for the new direction in which the organization is headed.

It is important to emphasize that every innovation that has the potential to transform goes through a purifying process, where it is decodified to fit the host
environment – the organization. This happens by way of an attempt to adapt this “something new” to the life of the organization and its pre-established system, albeit unconsciously, which is different from the pro-innovation “discourse. This decodification may alter the original idea and send it in a new direction, since innovation needs to be proved in terms of return, financial viability and acceptance by the market (LAMPEL, 2000; MARCH, 1999). It also undergoes decodification to fit the system of current rules and values (SMIRCHICH, 1983). In justifying its feasibility, these adjustments tend to remove the “dream” that gave rise to the idea, in an attempt to prevent an innovation resignifying the reality and compromising the status quo.

So there is a continuous effort to decodify the elements of innovation into established codes (WEBER, 1999), thereby minimizing the impact and adjusting the innovation to fit into already known codes. Therefore, the greater the impact caused by the innovation, the greater the repercussion it will have on the environment and the greater will be the reaction and adaptation mechanisms. Some types of reaction are identified and typified below:

a) **Power**: the innovation is submitted to economic power, as exercised by the investor, who wishes to control the situation and minimize risks to ensure viability and a financial return (LAMPEL 2000). Power is not only manifested in the question of economic power, but also from the viewpoint of the rules and values that govern the conduct of that particular social system.

b) **Cultural**: this occurs when an innovation is outside the scope of understanding, comprehension and habit of how that community deals with reality, its set of meanings and its cultural dynamic. They are related to the beliefs, values, and “recipes for survival” that a group has learned in its trajectory. This mechanism would have no relevance if, when a belief or habit is called into question, it did not generate resistance and even a reaction (SCHEIN 1984).

c) **Creating a routine**: Weber characterizes the mechanism that “chews over innovation” as creating a routine. Any introduced innovation undergoes processing by way of systematization and accommodation. This mechanism occurs in a dubious way, in that on the one hand it participates in the innovation and on the other maintains its status, position and well-being. Therefore, creating a routine leads to change and ensures stability (WEBER 1999).

Based on this theoretical picture the methodology used for analyzing the case study in this work will now be described.

**Methodology**

This case study was carried out in a startup company in the IT sector. This startup first appeared at the time of the Internet “bubble” and was boosted by investments from a multinational group in the sector. The names of the company and the investor group are not revealed for reasons of confidentiality.

Both individual and group interviews were carried out, using a semi-structured script. Those interviewed were the following groups: (a) the new product/service development team, with part of the original team from the acquisition; (b) professionals
from the purchasing organization who interfaced with the development team; (c) the company’s management. The interviews were recorded, transcribed and subsequently analyzed.

This case deals with the launch of a new concept in the IT sector. The technological solution comes up with a new conception for using IT that apparently represents a significant leap forward in the sector. The product promises to establish a new tendency in the market and everything indicates that it could be one of the most advanced developments happening. Its implications could alter the behavior of end consumers and represent a change in the product, service, technology and business/supply chain model (given that it allows value supply to be moved from the B to B segment to the B to C segment). The concept has proved to be a radical innovation, which is the reason why the multinational company in the sector bought this development.

Case description
The creator of the idea that led to the new product worked in the beginning of the Internet, installing access providers. It was a boom time for the Internet, with volatile markets and, therefore, a real treasure hunt: first the idea was sold and then its execution was made feasible.

The scenario at the time was characterized by a very large sales volume, but without due support of the business. Delivery was not reliable. In this scenario, the undertaking analyzed went to market, still as a project. Its founders traveled, sought resources and talked to investors, while at the same time developing the product during the early hours of the morning in both the company’s provisional headquarters as well as in hotel rooms.

The situation changed when a company from the sector invested in it. The reality changed and the whole team became part of the company that had now become the owner of the development. The team of bold young people and entrepreneurs was now going to experience what it was like to be part of a structured organization that sold IT solutions in a more conservative, technological paradigm. These two ways of thinking and acting led to the hiring of a manager with experience with startup situations, who was capable of understanding the innovation while it was still in the project phase as being a potentially profitable business.

An analysis of potential profitability becomes a key variable for understanding this stage, since the innovation competes for organization funds in its day-to-day operations (MARCH 1999). The dynamic of estimating the profits that are linked to the development of the new product causes a natural difficulty, which is how to deal with the unknown. In fact, it becomes difficult to control the quality of the initial versions, when the product is still not mature. There is instability and poor reliability, which are characteristics that are inherent to the development process and that are not always tolerated by investors.

As a result contradictions start becoming manifest in the discourse. People attribute importance and interest to the investment and say they are anxious to see the new product ready. But in the daily actions, priority is not given to development and no effort is made or sufficient interest given to supporting and understanding the change; there is a distance between discourse and action. The operation absorbs the organization’s
resources and what is urgent and operational determines the rules and priorities in the decisions that are made, as suggested by March (1999).

Tolerance to natural difficulties is once again small and many decisions are taken that harm development solutions and requirements. There is a distance between discourse and actual daily practice. The metaphor used is that of the parrot, which can speak, but is incapable of understanding what it says.

Development of the new product depended on the organization to make it feasible, whether in the development of specific production solutions, or in the use of the sales channel for the first tests in the market. The product being developed ended up competing for space and resources with the organization’s other business. In this dispute for resources, it was frequently possible to observe hostility, jokes, irony and heated debate. The prioritization criteria for the allocation of resources were similar for the whole of the business. There was only a small differentiation and tolerance for the new development, but this was not enough to sustain the original idea.

The company’s management dealt with the need for short term financial results in the organization, in a response to the Board of Directors. This meant that the development team had to prove the technical and economic viability of the new product continuously. There appeared to be no understanding of the time needed for the development, or even tolerance of errors. The management had two discourse natures: (a) one that publicly praised the new product, thus seeking to portray an image of modernity and innovation; and (b) a discourse directed at segments of the organization itself, where it became ironic and contemptuous.

In this context the idea is decodified for the production and commercial process, using the organization’s structures. Conflicts become more obvious, since the support areas emphasize operational, routine and non-creative procedures. Changes in how the business matures accentuate the conflicts that exist, because the Project Director is no longer the inventor. Preparing reports for investors and explaining and justifying development expenditure becomes difficult for the original team and so new people are brought into the team. The innovative idea is now part of the structure of the company that bought it and is being molded by its routines, structures, beliefs and values.

Analysis of the results

Two different phases in the case study were analyzed: the creation phase and the development phase. The first phase is fluid and creative, having a multi-skilled team that has no discipline or method. In this phase, they look for partners and struggle to survive. “Angels” may appear in this phase. They are the investors who want to take part, identify with the idea and are betting on the possibility that they will receive a financial return.

In the development phase, on the other hand, there is a continuous struggle for investment and for demonstrating that the business is viable. There is a search to control product quality so that operation standards can be repeated. Various product versions and ‘debugs’ are made to prepare it for the first contracts. People are taken on who have a professional profile, discipline and a specialization. The new idea is finally internalized in the company, but not without conflict and resistance during the process.

Given the facts presented in the case study, the players in the innovation process can be described as “dreamer”, “angel”, investor and “parrot”, as shown in Table 1.
Table 1 – The dynamics: The dreamer. The Investor, the Angel and the Parrot.

<table>
<thead>
<tr>
<th></th>
<th>Dreamer</th>
<th>Angel</th>
<th>Investor</th>
<th>Parrot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why do they do it?</td>
<td>Passion, Ambition</td>
<td>To share the dream</td>
<td>To earn money</td>
<td>Imitation</td>
</tr>
<tr>
<td>Profile</td>
<td>Visionary, Committed to the idea</td>
<td>Partner up to a certain point</td>
<td>Conservative, Does not go into it to lose control</td>
<td>Conservative, Follower, Looks for a comfort zone</td>
</tr>
<tr>
<td>Emotional involvement</td>
<td>High</td>
<td>Medium</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Propensity for risk/uncertainty</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

The process starts when someone or a group bets on an idea. This is more common outside the organization and this person or group operates as an outsider. Within the organization, these movements vary, but there is a tendency to be more compliant or better adjusted to the standards of the investing organization.

The case also shows the mimetic process, based on management in a fashion guise, which is characterized by the assumption: “if you don’t innovate, you will fall behind”. The so-called “parrots” are the disseminators of the transitory beliefs that certain techniques are a must in managerial progress (ABRAHAMSON 1996). This group treats innovation as fashion. Wood (2001) describes the “spectacularization” of the organization as the response to an environment characterized by complexity, acceleration, abstraction and simulation. So, just as in the organization, where the discourse about prioritization in the allocation of funds for innovation is contradictory, in the company too, the “parrots” who play the role of disseminators of innovation spread, but only innovation as fashion management.

Conclusions

This work sought to understand the process for implementing innovation, based mainly on the resistance generated within the organization. In this process, it was obvious that organizational resistance may be a weak point, given that it alters the disruptive nature of innovation projects and thus generates a superficial impact on the performance of the organization.

The effective implementation of what’s new leads to the construction of a new language, which makes the initial dream real. Innovation, with its transforming potential, creates new languages and arouses reactions and passions, which are characteristics that are identified with the roles of the “dreamer” and “angel” in this paper. Although not seen or fully understood, the beliefs that guide the exploration process in disruptive innovation initiatives become a reference point for other groups in the organization and some of them, the “parrots”, seek to replicate in a mimetic way the priorities and disseminated values, but in a contradictory way.

This work allowed some important points for reflection to be characterized: (a) innovation seems to be important and necessary for the growth of organizations; (b)
innovation seems to be one of the factors that support the competitive capacity of modern organizations; (c) because of the competitive strategy of the organization, a particular innovation may be convenient and necessary; (d) innovating is a possible path, but it is going to depend on how the organization “sees and interprets” reality; (e) in organizations, the perception of reality is shared by many, and while this may generate a type of collective interpretation of the internal and external environments, it is not homogeneously distributed within the organization.

In this sense the strength to be highlighted in this case study refers to the obvious adaptation role of the “dreamers” to the new set of meanings to which they are submitted after the investment. In a different organizational context, the project that has been invested in was not discontinued, even after changes in the allocation of funds, because the transition strategies (not necessarily fully appropriate) were adopted to guarantee continuity of the implementation of the innovation and thus a return for investors. These transition strategies seem to be a promising field of research and it is recommended that future studies analyze this issue.

**Bibliographic References**


