

## Chapter 4

# Links between Innovation, Change and Learning in Chinese Companies

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### ABSTRACT

*This chapter is an attempt to explore the links between the types of innovation, the types of organizational change and levels of learning based on a study of 160 Chinese organizations. The authors provide the classification of innovation, organizational change and learning as the theoretical framework. On the basis of survey results, the authors find out there are close connections between the three aspects: innovation type, change type and learning type. There is a direct link between the types of innovation and learning in lower level. However, in the companies which experienced administrative innovation and ancillary innovation, the rate of occurrence of triple-loop learning is almost the same. Moreover, there is not necessarily corresponding relation between the types of innovation and change. Despite the fact that the highest level of innovation is accompanied by the deepest change, the lowest level of innovation may not be necessarily accompanied by the lower level change, i.e. the deepest scope of change may take place even if the lowest level of innovation happens in a Chinese organization.*

### INTRODUCTION

Innovation is defined as the general organizational processes and procedures for generating, considering, and acting on novel and useful insights leading to significant organizational improvements in terms of improved or new business products, services, or internal processes (Wikipedia, 2006). In the

organizational context, Innovation is generally understood as the introduction of a new thing or method. Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services (Luecke & Katz, 2003). Organizational change designates a fundamental and radical reorientation in the way the organization operates (McNamara, 2001). In the process of innovation and change, learning occurs.

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This paper is an attempt to explore the links between the types of innovation, the types of organizational change and levels of learning based on a study of 160 Chinese organizations.

China's development has attracted more and more attention from around the world. Dramatic changes taking place in the past two decades in China has also become a focus of study for different researchers. This study on the connections between types of innovation, organizational change and learning in Chinese organizations will contribute to innovation and change management and will be useful to Chinese managers who attempt to implement innovation or changes in their organizations.

## LITERATURE REVIEW

### Innovation in Organization

The primary criterion for survival and growth of an individual or organization is fitness for future. Fitness for future is primary a function of the development of skills and capabilities related to improving performance and managing change. Innovation and creativity are the driving force behind change, adaptation and evolution. Human creativity is the source of the new possibilities and hope of dreams, action and accomplishment. It is also a source of uncertainty and insecurity.

A convenient definition of innovation from an organizational perspective is given by Luecke and Katz (2003), who wrote: *Innovation is generally understood as the successful introduction of a new thing or method. Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services.* Innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs (Amabile et al, 1996). For innovation to occur, something more than the gen-

eration of a creative idea or insight is required: the insight must be **put into action** to make a genuine difference, resulting for example in new or altered business processes within the organization, or changes in the products and services provided.

A further characterization of innovation is as an organizational or management process. For example, Davila et al (2006), write: *Innovation, like many business functions, is a management process that requires specific tools, rules, and discipline.* From this point of view, the emphasis is moved from the introduction of specific novel and useful ideas to the general organizational processes and procedures for generating, considering, and acting on such insights leading to significant organizational improvements in terms of improved or new business products, services, or internal processes.

### Types of Innovation

Normally innovation could be divided into three classifications: technical innovation, administrative innovation, and ancillary innovation. Technical innovation occur within the primary work activity of the organization, administrative innovations occur within the social system and are concerned with the organization of work and the relationships between organizational members (Damanpour & Evan, 1984). Ancillary innovation spans organizational-environment boundaries and go beyond the primary work functions of the organization (Damanpour, 1990).

There is also classification which distinguishes innovations as programmed or non-programmed; instrumental or ultimate; and according to radicalness (Zaltman et al, 1973). Programmed innovations are scheduled in advance, non-programmed are slack, distress and proactive innovations (King Anderson, 2002). Ultimate innovation is introduced as an end in itself, instrumental innovation is a mean to facilitate the adoption of a further innovation. Radicalness involves novelty and riskiness (Zaltman et al, 1973).

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