

Management of innovation at business database company

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I was asked by Business Data Base Company (BDC) to review and comment on the problems facing the firm in the short and long term and recommend a possible plan of action. This report highlights the problems found and makes recommendations regarding possible solutions. The four key problems that I have identified are; organisational inflexibility, resistance to change, company culture and the leadership style. BDC is a bureaucratic organization with at least five levels of hierarchy. For this reason the company's response times are likely to be slow.

In turn it could be difficult to maintain high levels of customer service and react quickly to market signals. This hierarchical aspect of the bureaucratic structure has also lead to poor communication as messages have to go through a number of people. This slows down the decision-making process and the messages can also become distorted. On the other hand a bureaucratic organization is rationally designed for optimum functional performance and has the ability to handle complex integrated processes.

Max Weber (1864-1920) termed this organisational form a " rational-legal system" 1. According to his theory every department and every employee contributes towards the company's goals and conforms to its authority and existing rules. Simon Hodges is BDC's recently promoted sales manager. He is in charge of the new software which has proved to be so successful. In fact a number of new customers contacted him to see if the service could also be offered to them². As a result the company may find it difficult to satisfy their rapidly expanding customer base.

This may add to the existing problem of rapid growth. Consequently a number of strains and difficulties that are by-products of rapid growth may occur. For instance the company may not have enough customer support staff or the financial resources to cope with the growing needs for capital. The culture at BDC makes it difficult to introduce innovation throughout the organization. The case study shows that Simon Hodges is finding it extremely hard to obtain consensus for his project and to implement change. The problem of change at BDC is its people.

The employees have little discretion. Their work is broken into small tasks and everyone is supposed to 'do their own bit'. They are also used to doing things the way they were always done. The ability to change is unlikely to thrive in this environment. The long-term employees show a lack of willingness to move along with the times and they are afraid of challenges. As a result the short-term impact of the upheaval can be huge. The company is also under threat from not only their main competitor, Anderson and Clarke, but also the European competition.

BDC's rigid hierarchical structure shows that there is a need for flexibility. Adopting a new leadership style and implementing new strategies, requiring changes to organizational structures and staff responsibilities, can lead to a number of problems. These may include inefficiency or even chaos. Overcoming these obstacles can be both time-consuming and costly. However if the company doesn't introduce this innovative change it may be in danger of losing its touch with customers. Staff also require training in order to run the new systems.

Employees cannot deal with change because their skills are specific to present situation. There is a proposal to rationalise the information analysis department which will involve staff reduction and redundancies. The objective of this is to cut costs, reduce the break-even point and make the company more competitive. It may also help to reorganise BDC and boost efficiency. This needs to be handled with great tact and care in order to minimise the potential problems of such an action. Specifically,