

Management of innovation and change: novotel



1. Introduction:

Novotel is one of the world's major hotel chains, occupying a leading place in Europe and with locations globally. Started in 1967 by Paul Dubrulle and Gerard Pelisson, they expanded their empire by building new hotels and buying other hotel chains.

Novotel merger with Jacques Borel hotel and its restaurant groups in 1983 saw the group renamed Accor. Currently, Accor employs over 145, 000 people and operates in 132 countries. Within hospitality industry Accor operates more than 2100 hotels with over 2 million rooms and more than 53, 000 employees in this sector (Novotel: p3)

This report analyses Novotel's change management programme in the early 1990s which was outlined in three major parts:-

Firstly, case study has the summary of the actions that managers took in terms of strategy and organisation.

Secondly, the consideration of the sequence and timing of events, and how this resulted in rapid transformation in an organisation employing more than 30, 000 people.

Third, the emphasize in dialogue nature of the change processes, giving an inside stories from those who have taken part in the process. This gives a nice picture of what went right and what went wrong and the action to manage implementation of change.

I have outlined the analysis in the following parts, critical evaluation of models of innovation and change management, the evaluations of key triggers of change and the likely sources of resistance to change, and then I have outlined a challenges which managers face during change management, and lastly, I have developed conclusions and recommendations to move Novotel forward, these recommendations based on my analysis.

2 Innovation and Change (Hotel business): _

[evaluation of alterative models of innovation and change management]

Although much has been written about managing change in large private and public companies, very little has been written about managing change in an ever-changing hospitality and hotel industry in particular. The ability to effectively manage and embrace change is so of great benefit to today's hotelier. And, to successfully intact and overcome change, Hotels need to have specific attitudes and set of skills to go about change and planning for that inevitable change.

In the case study, Novotel has adopted a competitive strategy that includes reducing costs of operations (Novotel: p. 25). That is to say, their business strategy is cost leadership and persuading this business strategy requires being open to ideas and that it responds quickly and flexibly to the ideas that re-present opportunities for potential revenue growth (Blumentritt, 2004). Firms can compete on price or differentiation (Porter, 1980; 1985), Novotel can be non-price attributes include its brand, reputation and service.

On the other hand, there are different types of innovations, the first type is Incremental innovation, this modestly improves a firm's processes or services or it can be used in fine-tuning its business model, i. e. the way it creates value for its customers. Radical innovation significantly improves existing products and services or completely replaces them with new ones. Radical innovation occurs less frequently than incremental innovation partly because most organisations do not have the technical and human resources required for radical innovation, and because radical innovation happens so quickly organisations are not prepared for the risks and uncertainty which comes with this type of innovation.

It should be noted that, Innovation is not a competitive strategy in itself, but it is used to enhance any competitive strategy once the strategy has been designed. If the strategy involves increasing the rate at which new products or services are introduced, then innovation can impact the firm in more than one or different ways.

2. 1. The change process and methodologies

Over the last 20 years the speed and scale of organisational change have accelerated and there has been a significant increase in the number of organisations that have approached to change management. There are several forms of change in an organisation, some forces and others deliberate.

The Strategic Change Initiative (organisational change process)

Fig. 1 – A Model of the change process, Boddy 2005

The first type of change is, systematic change is slower, less ruthless, more focused and more carefully constructed and timed. There are different approaches to systematic change such as: – quality improvement, work reprogramming, benchmarking, and strategic planning. The nature of these approaches can be overly formalised and so stifle initiative in the organisation (Huy, Q. and Mintzberg, H. 2003). Another type is, Organic change, this type of change is done internally in the organisation or other words it seems to ascend from the ranks without being formally managed. The problem with the organic approach is groups within organisation may begin to work at cross-purposes and this will result in scramble over resources, yet its outcome can be dramatic. Planned change is an iterative, recurring, process which involves analysis, action and evaluation, and further action and evaluation. It is an approach which maintains that once change has taken place, it must be self-sustaining to maintain the momentum. This means that, all change agents or stakeholder i. e organisation, managers and recipients jointly diagnose the organisation's problem and jointly plan and design the specific changes (Burnes, B. 2003). Another type is emergent change which is a continuous process of experiment and adaptation aimed at matching organisation's capabilities to the needs and dictates of an energetic and uncertain environment. This type of change is achieved through a number of small to medium scale incremental changes. Another type is, dramatic change is frequently initiated in times of crisis or of great opportunity when power is concentrated and there is great stakes to be

controlled. Mintzberg (2003) argues that “ unlike the phoenix of mythology, which could rise from its own ashes but once every 500 years, companies cannot continue to rely solely upon the mythical promise of dramatic re-emergence”.

3. NOVOTEL: Change Management Programme

From Kurt Lewin’s work (appendix 1) in the 1940s to the present day, organisational change, as a systematic process, has become the core and part of organisational life. Change in organisations does not have to be dramatic or far reaching, Stickland (1998) notes, “ sometimes change is incremental and hardly noticed: a new piece of equipment or software is introduced or a person leaves and somebody new joins the organisation. Sometimes change is large and dramatic: a complete re-organisation, a merger or a take-over, and no one and nothing in the organisation is unaffected” (Stickland 1998: 298). The recent economic crisis has provided a sense of urgency that helped organizations everywhere to successfully implement changes that would have been difficult if otherwise. Various cultural and structural factors have a direct effect on the very success of the organisation. These are highlighted when an organisation attempts to redefine itself, to change their image in an attempt to maintain or enhance their capabilities (Gratton, 1999).

In Novotel’s case, they were forced because of plummeting annual profits and in response they adopted a competitive strategy that includes reducing their operational costs and also reduce service prices in the hope of increasing their hotels occupancy (Novotel: p. 23). Being more innovative in this way also requires being open to ideas from previously untapped sources

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inside and outside of the company, and designing a firm that responds quickly and flexibly to the ideas that represent opportunities for potential revenue growth (Blumentritt, 2004).

3. 1 Key triggers of change

Reason which can trigger change can be listed as internal Triggers (i. e. New staff, Conflict, Sales /profit drops, De-motivation, Skills gap, Loss of key staff) and External Triggers (i. e. Economy, Supply, Government policies, Competitors, Funders, Customers, Shareholders, Media, Public and technology)

These triggers for change can be analyzed using various managerial tools which are available in order to gain an essential understanding of the environment, both external and internal:

A PESTEL analysis: this tool has five dimensions which are political, economic, social, technological, environmental, legal. It is used to pick up factors in the local or micro, and national or macro contexts that managers need to take account of. Another tool is, STAKEHOLDER analysis this is a cultural or values audit that provides an understanding of some of the people factors over and beyond a resource audit. A Third tools, SWOT analysis this is a simple approach which measures strengths, weakness, opportunities, and threats. It provides a structure in which to lay out the need and the readiness of the organization for change.

As previously mentioned, a change in competitive strategy is likely if the firm faces loss of customers, lack of pricing power or shrinking profit margins like in the case of Novotel (Novotel : p. 12).

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Beckhard and Dyer (1983) point out that another important change trigger is simply strategic choice on the part of existing management team. Some ways this may occur through strategic planning, interaction with customers, competitors, etc., and gut instinct that a new market or product is worth pursuing. This type of trigger is much more generative and proactive than reacting to the environment or working to maintain alignment.

Regardless of which of these many triggers initiate the change process, there are several

key activities that can facilitate a successful change implementation (see appendix 4). Furthermore, I have put together a way to successful implement change from managers perspective in section 3. 3.

3. 2 Sources of resistance to change

Initially after the change has been effected, there is resistance to change, these resistances can be grouped in different categories such as, Individual (i. e. fear of failure, ignorance, status loss, inertia, role loss) or Team (social loafing, pairing, lack of openness), can be organisational, (board members/top management, culture, structure, huge costs, limited resources, contracts or beliefs) or External factors such as (investors, suppliers, regulators, media, politics or collaborators.)

As Kotter and Schlesinger (1979) emphasized, despite the risk of resistant behaviours have been acknowledged by many experienced managers, very few of them tend to take time to systematically analyze situations in terms of determining potential individuals who may resist change with different reasons.

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Firstly, one of the most obvious reasons for people to resist change initiatives has been the feeling that new circumstances will damage staff self interest. Also, , Employees can face increased levels of anxiety or fear from changes or proposed changes in the work environment. The term self interest entails a political meaning which refers to power relations with in the organization. In other words, new ideas about the way employees work usually impacts relations between different individual groups. Salaman (2000) argues that “ organisational employees actively strive to avoid and divert control; they seek to maximise their own interests which they may or may not see as coincident with the organisation’s, and they attempt to resist the domination of others while advancing or defending their own area of control and autonomy” (Salaman, 2000, p. 123). This means that, staff can resist change to maintain their social status in the organization Resistance can become overt i. e. in industrial action, including working to rule and strikes (Coram, R, and Burnes, B. 2001).

Secondly, the aim of change efforts has been to create a new pattern of working which employees are expected to adopt themselves. From this point of view it is argued that employees do not resist to the idea of change but to its potential outcomes (Dent & Galloway-Goldberg, 1999). As shown in the Novotel case study, the re-structuring made the reorganizing of personnel and management structure, roles were re-definite so is the reward systems and payment (Novotel: p14).

Third, almost all prescriptions for a successful change implementation emphasize the necessity to make individuals understand meaning of change. Daft (2000), states that employees may tend to resist change when they are

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not informed about needs, purposes and outcomes of it. This is also vivid in the Novotel change programmes, a testimony from a receptionist in France, described that “ they didn’t understand what the project was all about” (Novotel : p. 21) In addition to inadequate knowledge about change, if employees are suspicious about real intentions of change initiators, there is a high possibility of resistance.

Fourth, change plans aim to move an organization from their existing position to ideal one and as Stapley (1996) states this transition period is kind of a journey that contains a lot of uncertainties. Curtis and White (2002) define uncertainty as “lack of information about future events” (Curtis & White, 2002, p. 17). When people lose their personal control, it becomes difficult to make rational decisions which would produce desirable outcomes. As a result, individual who experiences loss of control is likely to resist change because of apprehension brought by uncertainties about change (Novotel : p. 18) . Kotter and Schlesinger (1979) argue that difference in information that groups work often leads to differences in analyses, which in turn can lead to resistance (p. 108).

Fig 2. Framework for Managing Change

3. 3. Managers Role: Overcoming Challenges

In order to overcome change, managers face challenges when implementing strategies. The key element in implementing change or change management process is communication. Having effecting communication approach towards employees.

Furthermore, employees' attitude, perception of managers' actions, employees' motivation and continuous improvement of the working environment can be other elements a manager responsible for change should take.

Below is the list of common challenges posed for managers tasked with implementing change management and they can mitigate any resistance:-

Employees Communications: During the change process, take time to interact with employees as not all employees are outspoken or bound to hold their views to themselves and this could result in 'underground' resistance to change. When this happens it could result in delays and will hinder understanding of staff's unfulfilled needs and expectations. This is on Lewin's unfreezing stage (Levasser, 2001).

Employees Co-operations and Collaborations: Managers in hotel industry ought to understand that different individuals do not the same views or opinions about change, most people tend to be worried about change. In other words, Managers needs to promote cooperation with staff before and during change process.

Employees Motivation: This is critical especially during the change implementation stage, Manager ought to make sure that employees are stay motivated and be ready to listen to staff's opinions, and also take time to explain what is happening, this will help staff's morale.

Employees Attitude: according to Levasseur (2001), this is also a focus during implementation stage (Lewin's stage), a Manager should try his/her

best to understand employees attitude. In addition, Conner's (1998) lists stability, immobilisation and denial are factors in human cycle of negative response in hospitality, Manager as a leading person should be bare these 3 factors in mind.

4. Conclusion:

In summary, resistance to change blocks the end results change was meant to produce, that means innovation is undermined, and whatever change is generated will be a reaction a reaction to the circumstances and part of the process by which those circumstances persist. On the other hand, responding or choosing to pursue change, promotes innovation and will do so naturally and consistently as a function of what is observe to be possible. Change based on this second view is likely to be an improvement on what already exists.

It is also important to know how beneficial the change to be enacted is important to the organization and its staff. With high demand of staff in hospitality industry, it is good for leading managers in change management process to pay attention to the attitudes, motivation, cooperation and be receptive to views raised by staff as this will motivate employees and also it will create a conducive environment for and encourage staff. When staff are encouraged, they will be willing to accept change and sustain hotel's competitiveness.

To successfully meet and overcome change, Novotel's Presidents need to have specific attitudes and skills for envisioning; anticipating and once they know the impending change, and planning for that inevitable change. And

having known the impending change they need to know how to effectively communicate that change to co-workers, clients and external collaborators and future prospects to stay in charge of the competition. While change may not come easily, hotel operators can be sure that it will indeed come.

5. Recommendations

Plan for Change: Because there are multiple countries which change is happening, Huy and Mintzberg (2003) highlights that, “ the realization that effective organizational change often emerges inadvertently or develops in a more orderly fashion”. For the organisational change to succeed, all types of change should be considered (Huy, Q. and Mintzberg, H. 2003: 79). This means, there at Novotel needs to organise and formulate change management strategy that can look into inducing change from one country to another rather than focusing on their hotels but they should consider different customs in different countries. Eliminating this concern can reduce stresses caused by what is regarded as an unwanted interaction.

Change Resistance Management: Change resistance is effectively reduced by decreasing resisting forces rather than increasing driving force. This driving force is the fear of punishment and forcing people to accept change can result in increased resistance. Success will only come by removing the resisting force. For further recommendation on strategies to decrease resistance. (see appendix 5)

Keep Staff Updated: though out the change process, make sure to update staff and make it clear to them on what they should expect, also make sure the pass information is on as early as possible even if it is bad news. These

updates and information reduces anxiety which is caused by uncertainty.

According to Mullins (2005) he makes an emphasis that knowledge removes fear from an individual and gives them confidence to join the course of change.

Communicate after change: this refers to the Lewin's refreezing stage in Levasseur (2001) book. Manager as a leading person should continue to communicate with staff, about the change which is being implemented,. Through communication, Manager can discover to what extent change has had an impact to staff and take necessary steps to support them.