

THE CULTURAL SHIFT TO SERVICE INNOVATION OPENNESS: HOW EMPLOYEES REACT TO OPEN INNOVATION INITIATIVES

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Introduction

Business and academic scholars alike observe the increasing need for companies to collaborate with external stakeholders to pursue successful innovation (e.g. Felin and Zenger, 2014). One prominent strategy to face this challenge is to adopt an open innovation (OI) approach (Chesbrough, 2003; Laursen and Salter, 2006). However, open innovation initiatives often originate at the strategic top management level, while middle managers need to carry out the implementation. Research on OI mainly examines a firm or project level but pays little attention to the individual level (recent exceptions being Alexy *et al.*, 2013; Salter *et al.*, 2015). Hence, we need a better understanding of (1) how middle managers react towards the strategic directive of openness and (2) how their activities enhance or impede this cultural shift. Given the above insights, this paper uses a practice lens to explore the process of how individual managers accompany the cultural shift from a closed to an open innovation system. Due to the exploratory nature of the study, a longitudinal case study is conducted investigating the OI journey of a large German investment company called here Capital Yield (CY). It contributes to existing literature by disentangling individual employees reactions in terms of resistance or support of the open innovation initiative.

Conceptual Background

Shifting to open innovation practices is mainly a task that needs to be done on an individual level. Therefore, we need to consider those employees, who will have to practice the new openness in their everyday workplace environment. Using a practice lens allows us to look at the process of opening up from the individuals' point of view to better understand the source of all resistance and support, and to better understand the change the company went through when introducing open innovation to the private customer segment (e.g. Corradi *et al.*, 2010, p. 268; Feldman and Orlikowski, 2011). On the one hand, employees might resist the change towards open service innovation. Resistance is an activity to raise attention to an issue, which might be dictated by top management with the resister not agreeing to it, or the resister might raise attention to an issue that is not on the top management's agenda (Courpasson *et al.*, 2012). On the other hand, employees might embrace the change program and hence are motivated to support and promote the cultural shift. They engage as 'issue sellers' and raise attention to the issue and mobilize others with different specializations (Howard-Grenville, 2007).

Method

We base our work on a longitudinal (6 years), qualitative study conducted at CY (large German investment firm) to deepen our understanding of the cultural shift dynamics at the company. We collected data through open-ended interviews and archival data (observations, company presentations etc). Our data collection and analysis followed the guidelines suggested by qualitative research (e.g. Yin, 2010; Spiggle, 1994). To ensure trustworthiness of our findings, we employed the usual process of categorization, abstraction, integration and iteration with scientific insights and refutation with selected participants.

Findings

In 2010 the first OI initiative was implemented. During that phase, CY's employees showed great concerns but also interest in OI. The analysis of interviews almost 5 years later shows that interest is still there, but due to several reasons OI is somewhat ignored. Three main reasons for this resistance could be detected. These will be explained in more detail in the following.

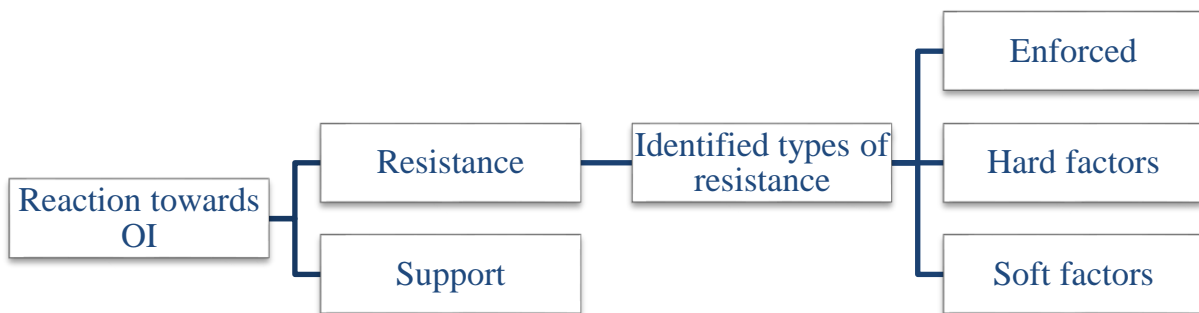


Figure 1: Concept map

Resistance at CY

After many years of open methods at CY, some people still felt enthusiastic while other still believed the downside to OI was greater than the actual benefit. The initiative was instructed by top management and middle management was supposed to implement it. Top management expected great results from the OI initiatives such as new and innovative ideas on the platform, which would not have arisen before. Further, the initiative was introduced without any further input. Middle management had to figure out how to implement and run the platform without having additional resources, e.g. employees, IT, budget etc. for the long run. As a result of the top-down initiated OI platform, many reactions were not necessarily in favor of the platform. Employees believed that top management wanted them to open up, but did not allow them to open up the way they wanted to but regulated every step of the process. Employees and middle management felt they were not involved enough and ex-

pressed different types of resistance towards the platform and the OI initiative in general. Overall, three topics of resistance emerged: (1) Enforcement, (2) hard factors, and (3) soft factors. First, due to the enforcement, the OI initiative led to resistance as middle management and employees were not involved in the process but merely implemented tasks given to them by top management. This exclusion led to high levels of frustration and resistance. Second, hard factors, such as a lack of resources and budget, IT capacity and employees' full work schedule, were a major area of conflict. Almost every interviewee mentioned lack of resources as a main reason for not using or not wanting to use the OI platform. Further, the resource shortage led to frustration as employees' own ideas were seldom prosecuted. Instead, employees felt that top management was merely listening to outside ideas to the ignorance of their own ideas. As a consequence, middle manager's frustration levels were further amplified. Third, the management of expectations and a certain unwillingness to move out of one's comfort zone can be identified as soft factors that hindered the successful implementation of OI. Communication was also part of the problem. It seemed that it was not sufficiently clarified to employees what the platform should and should not be. Therefore, some employees felt demotivated, as they were under the impression that their own work was not valued.

Conclusion

Overall, there were mainly two kinds of attitudes towards the announced change in the degree of openness. The ones embracing the idea believed that improved and structured internal processes would lead to a better communication and exchange with retail banks. This would increase the customers' loyalty and satisfaction and differentiate CY from competitors. While some believed more openness would lead to better services and communication, others had the feeling that it would not be of any use. Or as one interview partner stated: "Of course, resistance is always likely when a forceful personality is afraid to lose power."

The willingness to innovate seemed to be present at CY. Yet, many initiatives failed or were not even put on the agenda because of missing resources. Furthermore, the financial sector is a difficult place for innovation. The product around which everyone innovates is complex and of critical importance to the end-customer. Therefore, some employees had the impression that CY was not generating anything new, while the success perception just needed a longer-term orientation.

Hence, in our longitudinal case study at CY, we saw that employee's reactions to open innovation differ very much. Some managers embraced the trial towards a cultural shift, while others persistently resisted the shift so far. Apparently, at CY, the cultural shift has generally not taken off yet, showing the importance of individuals appropriating open innovation practices into their daily routines. If they do not adopt these practices, the organization as a whole cannot fulfill a cultural shift towards an open innovation system.

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