Chapter 6
The Human Factor in Organizational Change

Abstract The **key issues** in this chapter all relate to the risk that organizational change and innovation deplete human resources. Using quick fixes to adopt new forms of employment, new ways of working, or new products and services, impact on the identity and inclusion of people in organizations. It makes those who express valid concerns about the timeliness, feasibility, or risks of such changes seem less central to the key focus and mission of the organization. Our **analysis** reveals the moral hazards of addressing organizational change purely as a strategic business problem. Relying on flexible employment ignores employee needs. Awarding the highest prestige to those who develop new ideas devalues those who are responsible for the feasibility and safety of proposed changes. The use of moral exclusion,

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moral neglect and moral justification as identity management strategies allow organizations to dismiss valid concerns as stemming from ‘resistance to change’. Research reveals that this reduces the likelihood that vital information is shared, and diminishes the ability of the organization to make morally responsible decisions. We propose **solutions** that mitigate the moral hazards of organizational change, by more explicitly taking into account the human factor. The success of mergers and acquisitions is enhanced when culture clashes are anticipated and resolved. Attracting newcomers will add more value when they are encouraged to collaborate with old hands. Creating mutual trust and respect between those who develop new ideas and those who are able to recognize high quality, feasible, and safe options protects the organization from introducing new strategies, products, and services that turn out to be morally irresponsible. Ensuring that multiple viewpoints are included and valued as defining the identity of the organization prevents moral hazards and benefits responsible adaptation.

6.1 Key Issues: Stagnation Means Decline?

There is no dispute that adaptation and change are essential to the long-term survival of almost any organization. Continually updating, improving, and developing new products, services, and procedures is indispensable when it comes to catering for changing client populations or customer demands. It helps to sustain competitive advantage, and is generally needed to keep up with global developments (Birkinshaw et al., 2017; Tidd & Bessant, 2018). This realization easily leads to the assumption that any form of change is, by definition, superior to continuing business as usual. *Stagnation means decline* is frequently offered as the primary reason to introduce change – and to dismiss those who question the need for doing this.

Not every change is an improvement, however, and some introduce moral hazards. Changes can have moral implications when people and products are labeled outdated and discarded before viable alternatives are available, while legitimate concerns not to do so are dismissed as resulting from ‘resistance to change’. Some companies go to market before fully testing the quality of new services or the safety of innovative products – which happened at Boeing, at the cost of hundreds of human lives (see Chap. 1). The eagerness to keep up with market changes can also tempt organizations to implement new ways of working and (digital) solutions that harm the well-being of their employees, turn out not to be legally admissible, or undermine the continuity of customer services in ways that were not anticipated (Morgan, 2019). Clearly moral hazards are incurred by companies and managers who embrace new solutions before critically assessing whether proposed changes offer the best way to address urgent problems. Yet when large companies are asked about far-reaching business transformations, for instance to ‘go digital’, more than half (55%) indicate the main reason for doing this is ‘because other businesses do this’, a 2019 Vlerick Business School study revealed (FD, 2019; see also Box 6.1: Fear Of Missing Out on FinTech – haste makes waste).

Box 6.1: Fear of Missing out on FinTech – Haste Makes Waste

In 2020, the Dutch bank ING completed the acquisition of Payvision, an omni-channel payment platform for e-commerce, that was started in 2018 by taking a 75% share in this company (ING, 2018). The takeover was supposed to strengthen ING's footprint in FinTech and e-commerce for business customers. Instead it ended up as a great embarrassment to ING.

FinTech is a contraction of the English words financial and technology. The term refers to a range of innovative financial products and services, mostly developed by technology-driven start-ups. These all aim to simplify and accelerate the way people handle money, usually by cutting out the role of intermediaries, such as banks. Fintech is therefore an uncomfortable concept for traditional banks: they see their core business model challenged but are ill-prepared to adopt the 'revolutionary' financial concepts that are changing the traditional ecosystem of finance. At the moment banks still are a main force in servicing business and personal finances. However, in order to stay relevant, they have to adapt to these new developments (Geer, 2017; Ginsel et al., 2019).

The ambition to safeguard its position in the industry led ING bank to invest in innovation. Taking over Payvision seemed a smart move: it promised to offer the exact technology that would be right for ING (ING, 2018). However, in its eagerness to participate in new developments, the bank overlooked an important feature characterizing the start-up. Payvision catered for many customers who were excluded from the regular banking circuit because of the questionable nature of their business activities. Payvision did not just include 'adult entertainment' companies in its customer base – for instance in the porn and gambling industry. It was also accused of facilitating the transfer of stolen money.

The European Funds Recovery Initiative filed a claim against the company now owned by ING for repayment of substantial commissions it had received from financial scams that robbed victims in Serbia and Bulgaria of their entire life savings. One of the accused was Gal Barak, also known as 'the wolf of Sofia'. He was convicted for prison sentence in Austria for his activities in international cybercrime involving illegal online trading (Hinchliffe, 2020). In fact, Payvision had been on the radar of the American money laundering watchdog FinCEN for many years.

Once the full extent of their acquisition became apparent, ING sold more than half of Payvision. This effort to repair its image as a clean bank, resulted in the loss of 350 million euros. Eventually ING also decided to cut off the most profitable portfolio, the porn customers. For the symbolic amount of one euro it was transferred back to a former owner of Payvision ('Takeover of Porn and Gambling Customers is a Great Embarrassment to ING', 2020). The supposedly strategic acquisition was meant to gain ING a competitive advantage. Instead, the Fear Of Missing Out cost the bank dearly in its image as well as its capital.

In this chapter we emphasize that organizations run the risk of depleting their human resources in pursuing change. This makes it more difficult to show moral responsibility in efforts to stay ahead of the competition and keep up with market developments. The process of social innovation allows for the *reconciliation* of tested knowledge and procedures with novel insights and developments. If this is successful, individuals and departments who develop 'out-of-the box' ideas collaborate with those who can examine the safety and security of new solutions. However, these people and their organizational roles represent diverging achievements and requirements, which are not naturally compatible and tend not to be equally valued. Highlighting the importance of continuous innovation depicts those who represent change as central to the identity of the organization. By comparison, those who guard viability and safety of new developments seem more peripheral and hence dispensable. Such implicit messages introduce moral hazards when individuals who guard against irresponsible risks and unsafe solutions are devalued or ignored.

We first consider the three quick fixes introduced in Chap. 1 as common strategies that guide organizational change. Replacing employees is easier than engaging with doubts they express about the feasibility of impending changes, and curbs moral responsibility for their needs. Highlighting and rewarding creativity as a key organizational asset tempts people to ignore moral concerns in developing new ideas. Prioritizing the release of new products and services as the focal outcome, may seem to justify neglect of procedural guidelines relating to safety and security. The research we review in this chapter clarifies that these common strategies to achieve organizational change overlook the importance of the human factor. Studies show that this reduces the likelihood that vital information is shared, and introduces moral hazards. We then specify how insight in the group-level mechanisms and identity concerns that people have can be engaged in a more constructive way. Defining individuals who represent change as well as those who represent continuity as equally important but complementary allows organizations to take moral responsibility in realizing adaptive change.

6.1.1 Different Generations of Workers Have Similar Needs

Replacing personnel and hiring employees with different expertise is seen as a quick and easy solution that can benefit organizational adaptation and change (Anderson et al., 2004; Argote & Ingram, 2000; De Dreu & West, 2001; Guimerà et al., 2005). This resonates with the individual difference approach as a quick fix to change behavior in organizations. These ambitions are often cited as an important reason for organizations to limit the commitments they make to their workers, arguing this should facilitate their adaptation to changing circumstances. Former in-house activities are increasingly outsourced, so that staff can be reduced. Flextime or seasonal workers are called in only when needed, even if the very same people who were discarded as employees are hired back only days or weeks later as 'independent contractors' for specific projects. This exemplifies the on-demand recruitment of skills – without considering the needs of the people who contribute these skills – that characterizes the 'gig economy'.

Some argue that this business strategy is preferred by the younger generations of workers. The assumption is that ‘Generation X’ or ‘Millennials’ attach less value to employment security or long-term career prospects than prior generations. We note that scientific evidence does not support these claims (Costanza & Finkelstein, 2015). Differences between generations that are observed in the media rather stem from transitions to other age groups or life stages, as people’s employment needs typically shift across the life span (Mayr & Freund, 2020). Millennials and young people comprising ‘Generation Z’ do acknowledge that temporary assignments and the gig economy offer them flexibility and can improve work-life balance. However, they also express concern that companies only use these employment options to reduce costs and weaken employee rights. Growing up in an age of “unbridled disruption” makes these young people feel unsettled about their future. They embrace technology, but are also well aware of its disadvantages when expressing concern about risks for data security, privacy and fraud. In general, they prefer businesses to take more social responsibility, also in offering better prospects for employment and income security (Deloitte, 2020). In this sense, then, the attitudes of the younger generation are not very different from broader population samples across the world, who expect employers to take responsibility for social issues, including employment security (Edelman., 2019; see also Chap. 7).

The failure to offer some basic employment and income security can have severe consequences, also at the societal level. In the United States, for instance, hourly workers who live from paycheck to paycheck cannot afford to stay at home even when they are ill. During the COVID-19 pandemic, they continued going to work even when suspecting they were contaminated with the virus. This not only jeopardized their own well-being and recovery but also contributed to the spread of the disease. For instance, in residential care homes for the elderly many deaths might have been avoided with better employment conditions (CBS, 2020; Gollan, 2020).

Being ready to discard employees, exchanging them for people with different expertise, and continually introducing ‘fresh blood’ would seem to facilitate adaptive innovation. Perhaps companies that follow this strategy expect it will keep people motivated and ‘on their toes’ for fear of being made redundant (see also Ellemers & Jetten, 2013). Some companies actively fuel such fears. Here, we highlight the hidden costs to using employee turnover and minimizing commitments to employees as a quick fix to achieve change. These costs not only emerge at the individual level, but impact the functioning of work teams and organizations (see Fig. 6.1: The hidden costs of flexible employment). Paradoxically, these may undermine the organization’s potential for change instead of increasing its adaptability. Failing to offer employees long-term prospects, refusing to show loyalty when business slows down or markets change, implicitly communicates a lack of confidence in their adaptability, and signals they are less valued organizational members. The research we review in this chapter reveals that this process prevents employees from identifying with the organization. It precludes them from fully understanding its mission and client base, and actually discourages them from making an effort to update their skills. In fact, studies suggests that the sense of being devalued impedes the willingness to collaborate with others in the organization. Frustrations about

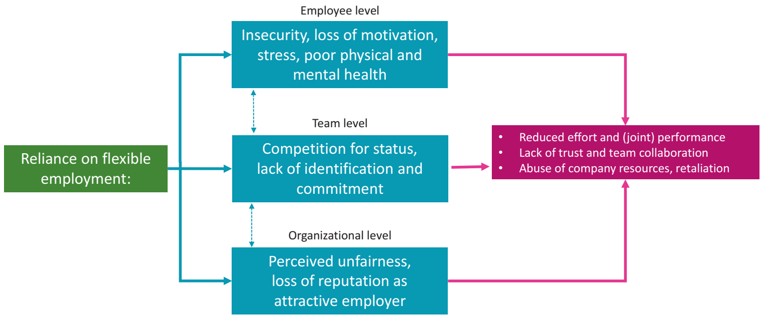

Fig. 6.1 Hidden costs of flexible employment. Illustrates how the reliance on flexible employment impacts psychological mechanisms at different organizational levels, and introduces important costs for the organization

lack of commitment from the organization may even tempt employees to retaliate by abusing organizational resources for personal gain. In the end, this introduces moral hazards and makes it less likely that they truly add value or facilitate change.

6.1.2 New Solutions Have Unanticipated Outcomes

Changes in business models, production methods or services that are prompted by external developments and requirements are often morally charged. These include increased regulation (stricter quality standards), evolving stakeholder concerns (about animal testing, chemicals, human rights, climate change), or market changes (concerns about responsible food production, depletion of natural oil reserves; see also Chap. 7). The more disruptive these changes are, the more difficult it is to anticipate whether novel solutions will not raise new and additional regulatory, stakeholder, or market concerns. When making strategic decisions about realities that might emerge in the future, organizations therefore cannot rely on existing knowledge of legal restrictions, established risks, or known mitigation strategies to prevent such problems.

Yet the choices they make often have moral implications. Facebook experienced public outrage after selling its user data to Cambridge Analytics, due to breaches of data protection guidelines (Patterson, 2020). Google was challenged for the algorithms they used for personnel selection – optimizing for the characteristics of current employees resulted in built-in biases against underrepresented groups (Dattner et al., 2019). At Apple software developers made it possible for voice recognition facility SIRI to record personal conversations and connect these to user data. Even though it was intended to improve customers' experiences, this feature was condemned as a violation of privacy regulations (Hern, 2020). The inability of all parties involved in these examples to anticipate and regulate these hazards illustrate the limits of relying on the legal approach as a quick fix to secure adherence to moral standards through innovations and strategic organizational changes (see Box 6.2: Kodak: from film to pharmaceuticals).

Box 6.2: Kodak: From Film to Pharmaceuticals

After being founded by George Eastman in 1888, Kodak film company grew to become one of the biggest players in the photographic industry, employing more than 145,000 people at its peak. Now the legendary film company is characterized as a 'fallen giant'. The increasing use of digital photography by the general public as well as professional filmmakers and photographers forced the company to shift its activities to printing for professional companies. This couldn't prevent the company from having to file for bankruptcy protection in 2012 ("Coronavirus: Camera Firm Kodak turns to Drugs to Fight Virus", 2020).

It all changed in the summer of 2020, when the COVID-19 pandemic disrupted international supply chains. The resulting shortage of active pharmaceutical ingredients in the USA, raised calls for the domestic production of generic medicines. These events prompted Kodak to announce the repurposing of two existing US production facilities. Supported by a $765 million Federal loan, the company stated the ambition to produce up to 25% of the domestic need for non-biological generic farmaceuticals. In the process, the company promised to create up to 1500 new jobs. Questions were raised about the conditions under which the loan was awarded, about the ability of the company to deliver on its promises, and about the choice of pharmaceuticals (such as Chloroquine) that would be produced (Blankenship, 2020).

Nevertheless, when news of the deal was made public Kodak's share price skyrocketed from $2.62 to $43.45 per share. Clearly investors considered the willingness of the company to adapt to changing market needs a smart move. However, Kodak's plans to relaunch its production of pharmaceuticals were quickly put on hold. The Securities and Exchange Commission decided to investigate the fact that company executives bought millions of stock options, while conducting secret negotiations about the Federal loan (Warmbrodt, 2020). A premature leak of the deal to the media, implies that legal options for insider trading convictions are reduced. Regardless of the outcome, production plans will not proceed until the investigation is closed (Carosa, 2020). So far, only the company's executives profited from the decision to start producing pharmaceuticals.

In fact, this was not the first time Kodak ventured into the drug industry. Already in 1988 the company acquired the Sterling Drug company, hoping to benefit from its extensive experience in the production of chemical compounds. At the time, the state also offered an incentive package of over $100 million to protect local employment for 1300 people. Notwithstanding promises made, only a year later the research and manufacturing facilities at this site were closed down, resulting in massive loss of jobs (Rulison, 2020).

So how should we view Kodak? As a company that is willing and able to do make radical changes as a way to survive? Or as a business that repeatedly appropriated public money and violated employee expectations? In both cases, the move from film to pharmaceuticals seems to be driven by the ambitions of executives to benefit from government support as much as by the desire to keep up with market changes.

Regulators too find it challenging to take responsibility for monitoring the ethical and legal consequences of new technologies, ideas, and processes – that often are unprecedented. The less certain people are about the relation between their actions and the impact these have, the more problematic this responsibility is. In general, companies as well as regulators can only take on such responsibilities when their professionals can adhere to established standards of excellence, and can exercise relative autonomy in deciding whether or not strategic decisions are ethically acceptable (Pandza & Ellwood, 2013). By definition, however, there are no established standards for new developments. Further, most organizations are quite reluctant to afford discretion to make such decisions to their professionals.

The frequent occurrence of unprecedented changes makes reliance on regulation to prevent that innovations and strategy changes result in ethical breaches extremely difficult. Digitalization and the introduction of 'smart' technologies, such as cars without drivers, robots for healthcare, algorithms for personnel selection, genetic modification for more efficient food production, or the use of drones for surveillance all have quite disruptive effects. Organizations and their employees may therefore not fully envision the ethical implications of their decisions. Further, existing regulations may not apply and appropriate certification guidelines still have to be developed. Examples such as this show why relying on legal guidelines and (external) regulation may be of limited use as a quick fix to ensure that the implications of product and service innovations are morally acceptable.

6.1.3 The Human Factor Is Key to Successful Adaptation

The adaptive potential of organizations is generally seen to depend on specific characteristics that indicate their agility, and on strategic decisions, for instance to invest in the development of new technologies. Indeed, from an economic perspective, investing in new facilities and technologies would seem the key to successful adaptation. However, simply investing more money in the development of new technologies, services, or products does not necessarily enhance innovative company performance. For instance on the list of 'most innovative companies in the world' between 2002 and 2017 'top innovators' were not the companies that made the highest investments in Research and Development activities (Jaruzelski et al., 2018). Instead, these were all companies that aligned innovation projects with the needs of their end-users and their overall business strategy. Companies that were able to recruit company-wide support to integrate competing requirements were seen as the most innovative ones and also outperformed their industry peers in terms of financial success (Jaruzelski et al., 2018).

More generally, research results offer no convincing evidence for the common view that specific characteristics of the organization – such as its size or the sector in which it operates – are the decisive factor for successful adaptation to changing demands (Andriopoulos & Lewis, 2009; Damanpour, 1991; Hage, 1999). For instance, a meta-analysis examining 10,538 study results obtained from 52 different samples found no advantage in this respect for smaller companies, high tech firms, or the invention of new products (Sarooghi et al., 2015). Instead, studies highlight the decisive role of micro-level mechanisms relating to communication and people management – as often neglected factors in this regard (Ghoshal & Bartlett, 1997; see also West & Farr, 1989).

This human factor turned out to be an impediment to successful adaptation at Finnish company Nokia. The company was market leader in first generation mobile phones because of its reliable products that offered good value for money. But when Apple launched the first iPhone in 2007, Nokia quickly lost market share. This seemed unnecessary because of its healthy finances, and investments in product development, including the know-how to create a touch-screen. However, the company did not benefit from its new technological and software features that would allow it to keep up with new competitors. They key hurdle was that knowledge about these innovations was *not shared* with other departments and was not included in strategic decision making (Cord, 2014; Heikkinen, 2010; Nykänen & Salminen, 2014; Peltonen, 2019).

Different indicators thus point to the conclusion that there is no quick fix in pushing for change by acquiring new technology, developing new products, or even buying up other companies to introduce different insights and skills. Approaching change purely as a strategic business decision makes it easy to neglect important stakeholders and their interests, and introduces safety risks and other moral hazards. Whether and how organizations actually benefit from these opportunities for change crucially depends on the *human factor*. This includes the willingness of the organization to invest in developing new ways of working, to help newcomers forge relationships with more experienced workers, and to support different groups of professionals in sharing their knowledge with each other (Kane et al., 2019; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). For organizational adaptation to be successful, changes in human behavior are required. Benefiting from technical developments requires 'social innovation' (Anderson et al., 2014; West & Farr, 1989). In the next section we consider common organizational approaches to this human factor, and highlight the moral hazards that tend to be introduced in this way.

6.2 Analysis: The Moral Hazards of Workplace Disruptions

Organizational structures are designed to help people define their specific task in the organization – be it product development, quality control, budget specification, or project management. This allows them to focus on their own specific responsibilities, without being distracted by alternative requirements. Distinguishing between specific organizational concerns and functions in this way is generally seen as a way to secure that a range of different – and seemingly incompatible – goals are met. However, it can also introduce a lack of clarity about the key mission and identity of the organization especially during times of disruptive change. For instance, after the global financial crisis of 2008, regulators required banks to separate managerial responsibility for sales of new products from accountability for compliance and product quality. This was seen as an important step towards mitigating the risks of account managers recommending risky financial products to customers, just to meet their sales targets. However, in practice this did not resolve the moral dilemmas that emerge in customer relations. Instead, it only resulted in stressing out lower level employees because performance targets set by their sales manager were incompatible with the demand for more careful client selection communicated by their quality manager.

Research evidence highlights that assigning the task of quality control to a specific department or officer may even introduce a false sense of security. It is a way to separate these concerns from the core business and day-to-day practices, making others in the company less attentive to quality concerns and risks associated with the new products they develop. An examination of financial derivatives offered by 157 large US banks between 1995 and 2010 for instance, revealed a pattern that is akin to the moral licensing effects of appointing diversity officers, that we have noted in Chap. 5. In this case, banks that appointed Chief Risk Officers (CRO's) were also the ones that developed the most complex new financial derivatives (Pernell et al., 2017). These findings suggest that outsourcing quality control to the assigned risk officer made trading desk managers less concerned about developing and selling potentially risky products. The researchers characterize this sense of false safety as an example of moral licensing, where appointing a CRO allowed organizations to maximize financial returns instead of eliminating risks. Containing responsibility for the quality of products to specific departments or officers, separates it from the ambition to offer new financial products or to compete for customers in the market. This implicitly communicates that product quality is not seen as a key performance feature that defines the success of the organization in reaching its goals.

In this analysis section we elucidate how the focus on innovation and change impacts upon the identity of the organization and its members. A likely consequence is that the importance of prior knowledge and existing expertise is neglected – and that individuals representing these insights are ignored. We specify how common organizational approaches convey implicit messages about which people, roles, and tasks are valued in the organization – and which are devalued. In keeping with the paradox of morality, endorsing such messages can alleviate feelings of identity threat people may experience due concerns about the moral appropriateness of their decisions. These identity management strategies prevent people from fully considering the moral implications of their choices and priorities, and stand in the way of addressing moral concerns that are raised by their actions. Below, we present results from research that highlights the moral hazards that are likely to ensue.

6.2.1 Moral Exclusion in Employment Relations

Temporary, flexible, and gig employment are seen as securing the continuous introduction of 'fresh blood' to benefit the adaptability and innovative potential of the organization. Indeed, studies have documented that the introduction of newcomers into existing task groups can increase the number of unique ideas that they develop, as well as general team creativity (Choi & Thompson, 2005; Nemeth & Ormiston, 2007) and innovative outcomes (Perretti & Negro, 2007). However, it is not self-evident that this happens. Introducing new members into existing work teams can be time consuming, and disruptive (Baer et al., 2010; McGrath et al., 2000). If not managed well, frequent changes in the composition of work teams can undermine a sense of commitment to joint goals, and threaten feelings of security that are needed to be able to accommodate new insights and skills offered by newcomers. Ongoing changes in the composition of work teams prevent incoming team members as well as longstanding employees from feeling fully respected and included. This is a source of identity threat that undermines their motivation and ability to work well together (Ellemers & Rink, 2005; Rink & Ellemers, 2008).

Research evidence consistently reveals that employees usually prefer to have more long-term prospects and job security. They suffer in different ways when this is not forthcoming (e.g., Veenstra et al., 2004; Von Hippel et al., 1997). Hidden costs of reliance on flexible employment, can emerge at the level of the employee, the work team, and the organization (see Fig. 6.1). Temporary work and insecurity about job continuity is associated with increased stress and burnout rates, reduced well-being, self-reported somatic complaints and overall poor health (De Witte et al., 2016; Zeytinoglu et al., 2004). People who work in insecure jobs generally have less long-term career success (De Cuyper et al., 2011), and may even become alienated from the regular labor market (Feldman et al., 1994; Kalleberg et al., 2000; McLean Parks & Kidder, 1994).

The absence of long-term prospects is not only costly for individual employees, but also for their employers (McLean Parks & Kidder, 1994). Some proffer a cynical view on the risk of absenteeism due to stress, burnout, and loss of mental or physical health (Darr & Johns, 2008). Instead of noting these as downsides of hiring people for specific tasks, they argue that temporary employment is the best solution for the organization to avoid such employee costs. However, there is convincing evidence that reliance on temporary contracts is just as costly, if not more so. Temporary employment prevents workers from identifying with the long-term mission and success of the organization. This is a serious hazard when the organization's employment strategy implicitly communicates lack of concern for their income security or overall well-being. When the organization fails to reciprocate and reward the efforts invested by employees by refusing steady employment, they see this as unfair and feel morally excluded. Such violations of the 'psychological contract' where organizations don't offer the employment rewards that were implicitly promised occur quite regularly (Robinson & Rousseau, 1994). Research shows such breaches undermine employee enthusiasm and engagement, and reduce efforts extended towards organizational effectiveness (Beard & Edwards, 1995; De Gilder, 2003).

Thus, organizations suffer when their reliance on flexible work and temporary contracts fails to instill a sense of shared identity in employees. A study documented this in a chain of 270 US retail stores among over 7000 employees and 3000 temps (Eldor & Cappelli, 2020). In the company, agency temps were seen as lower status workers, who are less well trained, screened, and instructed, and work under less favorable conditions. Four years of data, including attitude surveys, financial performance, and secret shopper ratings of sales personnel in the store revealed the cost of implicit messages communicated by relying on such lower status workers as a matter of course. The decision to place agency temps at core functions in frontline sales lowered the perceived status of the company and reduced the willingness of regular employees to identify with their workplace. In turn, this lowered the work performance of regular employees on such key indicators as service quality and sales volume. Importantly, adverse effects of reduced company status and identification occurred independently of more instrumental concerns employees might have about their own career prospects. That is, statistical analyses revealed the key role of decreased organizational identification due to the reliance on agency temps, even after correcting for the negative impact of people being insecure about their job.

Other studies have revealed similar patterns, attesting to the downside of temporary work for the identity of the organization. For instance, one study showed that permanent workers come to see their organization as less trustworthy when they observe that many of their colleagues are only offered temporary employment (Pearce, 1993). Additionally, relationships between permanent and temporary staff often suffer from the introduction of such perceived unfairness. For instance, temporary employees have been found to show resentment towards permanent staff, whom they suspect of having to work less hard under more favorable labor conditions (Kossek et al., 1997).

Some organizations allude to the possibility of more steady employment as a long-term vision, hoping this will guard against the downsides of insecure jobs. Surely, the chances of earning such a 'reward' should only make people work harder to prove their worth? Indeed, as long as temporary employees perceive the acquisition of steady employment as a realistic prospect, they might be willing to invest in the organization and develop a sense of identification (Marler et al., 2002; McDonald & Makin, 2000; Veenstra et al., 2004; Von Hippel, 2006). However, research evidence also shows that there is a limit to the efforts people are willing to invest to be more securely included in the team or organization (Ellemers & Jetten, 2013; Ellemers et al., 2013; Sleebos et al., 2006a, 2006b). As it becomes evident that the organization is not really willing to extend more long-term commitments, workers will find it increasingly difficult to engage with their job, to care about the organization's interests, or to identify with its goals and mission. What is the use of continuing to invest in a relationship with an organization or co-workers when it is clear your efforts and interests are not valued?

When flexible employment is not just a form of probation but a core organizational strategy to accelerate new developments, at some point people will give up and stop trying. Research shows they are then more inclined to devote their efforts to other activities that might benefit their personal well-being, development, and career goals – even abusing organizational resources in the process (see also Chap. 4). Flexible, temporary, and gig employment can be quite legitimate and may even be indispensable when dealing with sudden peaks in customer demand, one-time projects, or seasonal production. But using flexible employment as a standard business strategy to maximally curb organizational responsibility for the human labor that is hired, implies lack of care for the long-term interests of individual workers. Not considering them as people whose interests and outcomes matter communicates that they are morally excluded (Anand et al., 2004).

Such moral exclusion may seem to relieve the organization and its decision makers from feeling responsible for the uncertain fates of these individuals (see Chap. 2). But neglecting the preferences and interests of workers as a matter of course by only offering flexible employment conveys lack of concern for their outcomes. As we have seen in Chap. 4, such disrespectful treatment is known to prevent concern with long-term organizational outcomes, damages the positive image of the organization, and reduces the willingness of individuals to identify with its leaders, or to psychologically commit to its goals (Ellemers et al., 2004; Graen & Scandura, 1987; Tyler & Blader, 2000; see also Ashford et al., 1989; Barnett & Miner, 1992; Broschak & Davis-Blake, 2006; Pearce, 1998; Uzzi & Barsness, 1998). Especially employees who feel they have invested 'the best years of their lives' in the company, or incurred occupational illnesses will consider the neglect of their long-term commitment aversive. The perceived unfairness of such treatment can invite forms of misbehavior that damage the organization including sabotage, appropriation of company resources, sharing of confidential information and other forms of 'organizational retaliation' (Skarlicki & Folger, 1997). When those who are laid off see this as a breach of the 'psychological contract' they think they have with the organization, this may carry over into lack of trust in a new employer (Kim & Choi, 2010). While excluding these employees from the organization's circle of care may seem to relieve the organization from taking moral responsibility for their outcomes, the costs of this identity management strategy might fully outweigh its anticipated benefits.

The negative effects of job insecurity for work satisfaction and somatic health can only be avoided when people voluntarily opt for temporary employment (Ellingson et al., 1998; Isaksson & Bellaagh, 2002). As noted above, however, even among younger generations of workers, employee preferences for such flexibility may be less wide-spread than many employers conveniently think. In reality, being known for failing to offer long-term prospects can actually make it highly challenging for the organization to attract, motivate and retain young talents or key specialists when new expertise is sought (see also Chap. 7).

6.2.2 Moral Justification in Celebrating Creativity

Organizations often strive to develop creative innovations, to be the first to capture market potential with novel solutions, or to get customers to quickly replace prior versions of their products. Commercial enterprises as well as public service organizations – and scientific research institutions – commonly invite and celebrate the development of new products and different solutions. However, this strategy has implications for the perceived identity of the organization as well as the people working there, introducing another source of moral hazard.

Studies and experiments into the psychology of creative thinking reveal there may be a dark side to encouraging creativity. For instance, some of this research clearly shows that organizations where creativity is highlighted as a rare quality, induces a sense of entitlement that invites cheating. Supervisors reported more unethical workplace behavior for subordinates who considered themselves exceptionally creative (Vincent & Kouchaki, 2016). Further, seeking exposure to multiple contexts and moral rule systems may boost creativity, but can also result in a sense of 'moral relativism' implying that people also become less motivated to take seriously or comply with any particular set of rules (Lu et al., 2017). Indeed, one study found that prompting people to think creatively caused them to be creative in the moral domain as well, as they reasoned that dishonest behavior might be permissible in pursuit of this important goal (Gino & Ariely, 2012). Thus, different studies and observations show that encouraging and celebrating creative thinking can also tempt people to think creatively about important rules and guidelines, even to the extent that they think cheating is justified.

Always highlighting the benefits of 'new and improved' solutions as defining the success of the organization calls into question the value and continued relevance of past achievements and current guidelines – and of the individuals responsible for them. Focusing on the added value of new and different services, products, and ideas, neglects the work needed to carefully test for safety, quality, or even the actual feasibility and novelty of these inventions (see Box 6.3, Theranos – too good to be true). This is one of the moral hazards of defining creative roles as inherently superior and more central to the mission of the organization than monitoring the safety and viability of these solutions. Affording more status to the people performing in creative roles and attaching more value to their contributions threatens the esteem for and identity of organizational members responsible for compliance and quality control, while at the same time offering moral justification for neglecting their concerns or ignoring their recommendations.

Box 6.3: Theranos – Too Good to Be True

Theranos was a high tech company founded by Stanford dropout Elizabeth Holmes. She was able to inspire and commit experienced business people (such as Rupert Murdoch, the Walton family), jaded politicians (such as Henry Kissinger, George Shultz) and well-connected private investors (such as Carlos Slim) to support her vision (see also Asher-Shapiro, 2019). The ambition was to develop the technology to offer quick, inexpensive, and non-invasive medical diagnoses for a number of diseases by analyzing only one drop of blood on-site.

The company developed a production site in Silicon Valley, and hired many hardware and software developers to create innovative solutions to realize the promises that were made. However, Theranos started selling its products before procedures were tested or approved by regulators, and medical experts maintained it was simply not possible to achieve what was promised. Yet, the initiative successfully attracted billions of dollars as startup capital, and persuaded US pharmacy store chain Walgreens to offer the 'disruptive' but non-existent service to customers at their stores (Carreyrou, 2018).

Analyses emphasize that even former employees of the company voiced their doubts and concerns about the feasibility of the project to responsible managers time and again. However, the pressure to deliver, the ambition to disrupt the industry and the strong belief that medical problems could be overcome through innovative high-tech solutions made investors, and clients, politicians and managers deaf to such concerns. In the end, inevitably everything fell apart, revealing large scale deception of all stakeholders: patients, jobs and investors, when the company went bankrupt (see Gibney et al., 2019).

Focusing on creative solutions as the key outcome to be achieved generally overlooks the fact that – by definition – creative processes are unpredictable, often taking up extra time and resources that were not planned for. Even at the level of very simple cognitive tasks, a robust observation is that people suffer from so-called 'speed-accuracy-trade-offs', where emphasizing fast responses invites mistakes while more careful work inevitably takes up more time (e.g., Liesefeld et al., 2015). This is especially true when adapting procedures, developing different solutions or designing new products: expecting people to do this quickly deprives them from the opportunity to try out different options or learn from mistakes. A more careful and precise approach would make it possible to develop high quality and fool-proof outcomes, but takes more time.

A comparison of thousands of companies in many different countries revealed that organizations typically adopt one of these strategies. Some organizations invite the development of creative solutions and innovative ideas by investing in high-risk projects. Others incentivize research and development activities with a focus on long-term implications and compliance issues (Almor et al., 2019). For instance, a 20 year longitudinal study revealed an overall trade-off between patenting activity in product development and ISO 9000 quality program certification in paint and photography industries. Companies boasting higher rates of creative product development were less likely to have quality certification, and vice versa (Benner & Tushman, 2002). These results highlight that focusing on the importance of new discoveries and creative solutions implicitly communicates that potentially adverse outcomes in terms of quality and safety are relatively less important.

The moral hazards of this approach became clearly visible when leading medical journal 'The Lancet' had to withdraw a study it had published on the effectiveness of Cholorquine as a possible treatment for patients with COVID-19. Only after the scientific community expressed concerns about the reliability of the reported data, did the journal conclude that it could not verify the actual existence of these data or check the accuracy of the analyses that had been reported (Mehra et al., 2020). This is not the only example where huge incentives and high rewards of being the first going to market with remedies for medical conditions induce healthcare companies to adopt and prepare commercial use of their products before their quality is verified in peer review (see also Box 6.4, Healthcare unicorns). These cases clearly illustrate the moral hazards of celebrating creativity as the key ingredient of organizational success.

Box 6.4: Healthcare Unicorns

In the business world, privately owned startup companies that have an estimated value of over $1 Billion are called ‘Unicorns’. The name indicates the mythical status of such a company, rendering it as desirable and difficult to find as the famous fantasy animal. Until about ten years ago, this label seemed appropriate: such a company would be as rare as a unicorn: an investment one could only dream of. During the past years, unicorns have been sprouting like mushrooms: in December 2020, 511 such companies were known, 68% of which were listed since 2018. These include 26 ‘decacorns’ (worth over $10 Billion), and even one ‘hectocorn’ (worth over $100 Billion; CB insights, 2020a, December 22).

The enormous size and impact of such companies implies these can have disruptive impact. Not only on its own investors, employees, or clients, but also on local, national, and even global markets and economies. Yet, unlike publicly listed companies, their private ownership implies that these companies fall under national regulatory regimes in which there typically is no legal obligation to disclose vital information about their business (Fan, 2016; Tarver, 2020).

This concern is particularly pressing in the healthcare sector, where 42 unicorns were listed in the summer of 2020 – doubling the number of the previous year (CB insights, 2020b, May 28). These companies not only consist of digital platforms to sell health-related products, but also include start-ups that propose disruptive therapeutics and health-care devices, develop ‘revolutionary’ new drugs, or sell tools for the detection and diagnosis of potentially life-threatening diseases such as cancer. In addition to concerns about financial stability, such public health claims also raise questions about the scientific basis documenting the effectiveness of these ‘revolutionary’ new products. As long as these companies remain private, however, there is no obligation to reveal such information.

Researchers have attempted to link the activities of 47 healthcare unicorns to the scientific literature. They argue that patent registration does not require the same level of documentation as scientific publication. Further, data submitted to the US Food and Drug Administration (FDA) as well as reasons for rejection remain confidential (Cristea et al., 2019). Therefore, the researchers used the criterion of peer-review as a minimum threshold for the transparency, accountability and credibility of underlying principles in the scientific community. Their main conclusion is that much of the evidence supporting the claims of healthcare unicorns is collected in stealth: the innovative healthcare solutions they sell are not subjected to scientific scrutiny.

The conclusion is based on the following findings: First, the number of peer-reviewed articles published by healthcare start-ups is extremely low. Even the most highly valued healthcare unicorns had published only very few or even no scientific papers. The highly cited publications that were found mostly document early phase pre-clinical research, which does not offer conclusive evidence for the effectiveness of new treatments. Finally, only in very few cases did company websites indicate the involvement of influential scientists as founders, leaders, or members of a scientific advisory board (Cristea et al., 2019). In sum, the 'revolutionary' healthcare innovations that are promised to customers and attract such enormous investments have no foundation in tested scientific insights.

6.2.3 Moral Neglect of Prioritizing Novelty

Adaptability is often seen as an individual difference variable, associated with specific personality traits (being open to new experiences) or demographics (being educated, being young). These are seen to indicate the flexibility vs rigidity of particular workers and explain their (un)willingness to adapt to changing organizational requirements. However, such assumptions ignore the power of situations. In fact, research demonstrates that the same individuals may either resist or embrace change, depending on how they are treated by the company. It all relates to how the proposed changes speak to the way they think of themselves and affect their role in the organization. In the end, openness vs resistance to change is prompted by the implications of proposed changes for the way people perform their professional duties as well as their prospects of remaining included and valued as organizational members.

Psychological theory and research generally distinguish between two different types of motivation in task motivation and goal achievement ('regulatory focus theory'; Higgins, 1997, 1998; Molden et al., 2008; see Fig. 6.2; Promotion and prevention goals). The term '*promotion focus*' is used to indicate an emphasis on the realization of desired endstates and the achievement of ideals. In a state of promotion people typically pursue happiness by trying to gain positive outcomes. The term '*prevention focus*' refers to the pre-occupation with avoiding negative outcomes and meeting important obligations. People in a state of prevention aim to

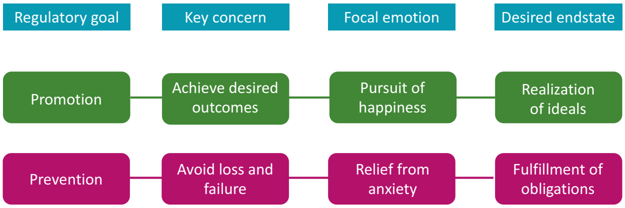

Fig. 6.2 Promotion and prevention goals. Summarizes the main differences between promotion and prevention goals, in terms of the key concern that is highlighted, the focal emotions that are addressed and the endstates that are desired

relieve the tension they experience when considering the possibility of loss or failure (Brockner & Higgins, 2001; Higgins et al., 2001; Higgins et al., 1997).

Surely everyone can think of examples among their own acquaintances or friends of the prototypical daring entrepreneur, in contrast with the rule-abiding civil servant. People often assume these two states of mind refer to stable differences between individuals, reflecting character traits that were formed during childhood and persist through the life-course. However, research clearly reveals that certain roles, assignments, or situations can activate a focus on promotion or a focus on prevention – regardless of more stable individual differences (Higgins et al., 2001). The daring entrepreneur may also be an overprotective parent or display hypervigilance about healthy food choices, while the rule-abiding civil servant may surprise you with tales about thrill-seeking sports activities or travels to faraway destinations that many see as risky.

Organizational roles, assignments or incentive structures can cause individuals or work teams to adopt a focus on promotion or on prevention. Experimental research shows that emphasizing promotion goals by offering work teams specific mottos (‘if there is a will, there will be a way’) induces them to come up with more creative and ‘out-of-the-box’ solutions. However, this also made them more lenient and liberal in accepting solutions that did not meet stated requirements. Conversely, when prevention goals were highlighted (‘an ounce of prevention is worth a pound of cure’), team members were more inclined to reject solutions. Unfortunately, this also led them to reject solutions that were objectively acceptable (Faddegon et al., 2009; Faddegon et al., 2008). These study results clarify that there is not a single best way of approaching work related problems or task assignments. In both cases team members performed sub-optimally: prioritizing productivity and creativity led them to propose and accept incorrect solutions; prioritizing security and avoidance of failure lowered performance rates and prompted the rejection of correct solutions. For individuals as well as organizations, *both* types of orientation complement each other and are needed to function well. This is why it is important to secure a balance between the two – even though they do not naturally go together.

Prioritizing novelty and change also impacts upon the types of organizational roles and contributions that are valued and are seen as defining the organization’s identity. For instance in tech startups, which often are highly coveted employers. The energy of creating something new tends to be captured in the sense of working together in realizing a joint vision – often at an unconventional location where opportunities to play, work out, eat, and relax are offered alongside attractive spaces for solo and teamwork. When nobody has prior experience and all are new to the company, everyone's contributions are valued, and people with different types of skills and abilities can only improve and advance as they go along. However, at some point in the growth of a small startup company standard business facilities relating to accounting, HR, customer services or logistics are needed too. Over time, these more standard departments tend to become separated from product development, or are even outsourced to external parties. The creative work to develop new products is typically seen as defining the core business and identity of the company. People doing this work are afforded high visibility, high status, and the best possible work conditions. However, departments responsible for administrative and service roles are often housed at less attractive locations, work under less favorable conditions, and are generally given to understand their efforts are less valued and less important for company success.

A case in point is Booking.com, the holiday accommodation website. During the initial startup phase all company workers shared the same location. New recruits starting out in support jobs would be assigned more challenging and creative tasks as they gained more experience. All were part of the excitement about their innovative mission that strengthened their shared identity. It all changed when customer services were relegated to a building outside the center of Amsterdam. Those working in this service center were suddenly offered less attractive lunch options, less pay, and less management support. At the same time, they were subjected to higher performance targets and longer working hours than before. These changes not only resulted in more sick-leave and burnout among those working at the customer service center, but also raised unease among the computer programmers who remained at the city center location. They felt that the company did not fairly attend to all its responsibilities. In fact, they joined forces in a works council to communicate their view that the work practices that had evolved failed to represent the shared values of the company they signed up for (Rengers et al., 2020). Similar developments were observed at other major Tech companies. For instance, at Amazon the highly visible and well-paid website designers expressed concern about the unfair employment conditions and lack of personal safety of warehouse workers preparing the shipments that were ordered online. Tech workers and programmers participated in – and sometimes led – the protests against the way the company treated its warehouse workers, when increased sales of the online store during the COVID-19 crisis intensified these problems and further damaged the image of the company (Paul, 2020; see also Chap. 7).

These are just two examples. Both companies suffered from focusing on their mission of new product development as representing the distinct identity of the company. This approach did not benefit work that needed to be done to secure continuity of their services and optimize customer satisfaction. The dangers of prioritizing some types of solutions over others are well-known and have been documented as a key pitfall in strategic decision making (Harrison, 1987; Janis, 1972; Nutt & Wilson, 2010). When novelty and change are seen as key defining features of the company it is easy to prioritize resources and budgets for the development of new products and ideas while neglecting to provide facilities to monitor continuity and compliance. These implicit (or sometimes quite explicit!) messages about the value of different organizational tasks and team roles define the perceived image of the organization as change oriented instead of conservative. At the same time, ignoring key organizational outcomes that seem less central to this identity discourage those working at these tasks, damages the image of the organization, and is likely to introduce moral hazards.

Defining the identity of the organization in terms of its ability to create novelty and change prompts employees to be less focused on procedures to ensure public safety or prevent financial risks. Even when such concerns are expressed they are likely to be ignored, because the prevention goals they represent are seen as less strategically important for the success of the organization. In fact, such expert judgments are often dismissed as simply communicating aversion to change of these individuals. The counterpoint of this observation is that preventing problems and reducing chances of failure are not at all beyond the scope of innovative industries – it is just that these risks are often underestimated or neglected. Indeed, media analyses of company scandals often reveal that people inside the company had been aware of and warned against impending problems at an early stage – to no effect. This suggests that many (socially) costly innovation failures could have been avoided if only companies had paid more attention to balancing their focus on novelty and change with the desire to prevent engagement with morally questionable options (see also Chap. 8, in the section on whistle blowers).

6.3 Solutions: Mutual Trust for Responsible Adaptation

The work reviewed in the prior sections of this chapter reveals that the reluctance to embrace innovation and change may constitute a healthy response to a one-sided focus on temporary employment, the celebration of creativity, and the prioritization of novelty over safety. The moral dangers of these common strategies emerge because they implicitly communicate lack of appreciation for the professional expertise and relevant knowledge networks of existing members of the organization, or for the trust they have built with external stakeholders (Hage, 1999). Discarding specialized skills and information time and again makes the organization vulnerable to moral hazards when new solutions are proposed, as it disregards employees with knowledge about relevant risks.

Research evidence clearly reveals pitfalls to look out for, and what can be done to circumvent them. Importantly, it counters common expectations about lack of appropriate knowledge and information as the main cause of work-related problems. This conclusion emerged for instance from a study among medical residents in the USA that examined 70 hospital incidents (Sutcliffe et al., 2004). A closer analysis revealed that the observed failures in communication and patient management did not reflect lack of available knowledge. Instead, these all related to *social* factors, such as hierarchical differences, role conflict, or lack of balance in interpersonal power, which prevented people from *acting* upon the information they had. Thus, even if the knowledge and expertise needed are present in the organization, in itself this doesn't imply that these inputs are taken into account or even heard.

Similar conclusions emerge from studies examining decisive factors that predict innovative team or organizational performance. This was observed, for instance, in the functioning of different business units in a large multinational electronics company. Here, work units could exchange key resources to foster product innovation. However, the likelihood that such exchanges were actually made crucially depended on social factors and trust between workers from different units (Tsai & Ghoshal, 1998). This is similar to the pattern found in negotiations, where the ability to reach key turning points also depends on perceiving good faith in the other party ('affective trust'), instead of reliance on the accuracy of their insights ('cognitive trust'; Olekalns & Smith, 2005).

An in-depth analysis of the network ties of 153 employees at two different firms likewise pointed to the importance of interpersonal trust in understanding the way they work together in project teams. The researchers distinguished between people's trust in the task abilities, interpersonal benevolence, and integrity of their co-workers (Shazi et al., 2015). This study revealed that employees did not just approach co-workers because of the unique insights or knowledge they had to offer, but because of their perceived benevolence and integrity. In fact, when co-workers were seen to be lacking in integrity, their ability seemed irrelevant (see also Chap. 1). This combination of skills could even function as a negative selection criterion, where people actively avoid interactions with co-workers whom they see as competent but untrustworthy. The importance of mutual trust in building productive collaborations between co-workers was further substantiated in a meta-analysis, drawing together results from 112 studies examining 7763 task teams (De Jong et al., 2016). This analysis concluded that trust among team members was more decisive for the team's performance than professional abilities, past achievements, or trust in team leadership.

These research results clarify that the innovative power of people working together does not simply depend on the novelty or diversity of available insights and knowledge. Importantly, the potential for social innovation is determined by their willingness to work together, to benefit from differences between them, and to learn from errors that are initially made. This only happens when they feel they can trust each other's benevolent and sincere intentions. In this final section we take a closer look at how the use of identity management strategies can prevent the development of mutual trust and cooperation. Avoiding the moral hazards introduced in this way is possible, provided that organizations make an effort to value and include the efforts of those who guard against irresponsible risks as well as those who represent innovative change.

6.3.1 Transforming Through Mergers and Acquisitions

In general, a sense of shared purpose and common identity is a key condition for facilitating mutual trust and fostering productive working relations. As noted before, it is notoriously difficult to secure a common identity through organizational disruption and change. This has been well-documented in the case of corporate acquisitions and mergers. Such strategic decisions are often initiated as a way to extend existing expertise, promising a benefit from the combination of different sources of knowledge and professional networks (Ellis et al., 2009). However, three out of four mergers fail to yield these anticipated benefits, even when the combination of resources, product knowledge and customer relations should have offered an obvious source of competitive advantage (Marks & Mirvis, 2001). In fact, business analysts see human factors and incompatibility between company cultures as the root cause of such failures (Bradt, 2015). One example is acquisition in 2017 of the Whole Foods grocery store chain by online retail company Amazon. Whole Foods CEO John Mackey said the merger had resulted from “love at first sight”. Yet efficiency changes implemented by Amazon after the merger mainly frustrated customers and depressed Whole Foods employees (Gelfand et al., 2018). In a merger, the main challenge is to prevent moral exclusion of those representing ‘the other organization’. Showing concern for their needs and appreciation for their knowledge and abilities makes it more likely that the individuals involved actually share their knowledge and experience in a process of social innovation.

Despite considerable resources being invested in catalyzing such synergies, a key factor identifying merger success versus failure is the (lack of) management attention for incompatibility of company identities (Das et al., 2011). Perceived incompatibility of company identities is especially problematic when trying to realize added value by integrating ‘rule making’ with ‘rule breaking’ organizations. ‘Rule making’ organizations typically focus on efficiency and rule standardization, and have ‘tight’ organizational cultures. ‘Rule breaking’ organizations are characterized by creativity and personal freedom, and have ‘loose’ organizational cultures (Gelfand, 2018). An obvious way for large and traditional ‘rule making’ organizations (such as multinationals) to become more change oriented and innovative is to take over smaller startup companies with a ‘rule breaking’ approach (such as digital startups).

However, transforming the organization through such an acquisition is not self-evident. A study of over 4500 international mergers from 32 different countries between 1989 and 2013 highlighted differences between ‘rule making’ versus ‘rule breaking’ organizations as a recurring problem (Gelfand et al., 2018). After correcting for other possible explanatory factors, the (in)compatibility between these two types of pre-merger identities and day-to-day practices was decisive for merger success, measured in return on assets in the years after the merger (Gelfand et al., 2018). In this process, it is crucial to avoid the experience of identity threat. If constituents feel undervalued, they will focus on defending their unique and separate identity. Such defensive responses make it less likely that they will find new ways of thinking of their joint mission that would allow them to productively work together (see also Van Leeuwen et al., 2003). Indeed, research shows that lack of concern for social tensions and insufficient management of integration problems is an important reason that mergers and acquisitions often don't deliver the added value that was hoped for (Meglio et al., 2015).

When employees of the pre-merger company with unique expertise or coveted technology feel out of place after the merger, they will seek employment elsewhere. Likewise, the focus on new product development or digitalization can frustrate employees of the pre-merger company. Their contribution of longstanding customer relations or regulatory experience seems to be devalued. In both cases the most cherished experts often are the first to leave. Awareness of this risk has led some multinationals to retain smaller companies as separate organizational entities instead of trying to merge them with the larger organization, sometimes even keeping the acquisition secret. However, this defeats the purpose of achieving social innovation that benefits from the combination of human abilities and informational assets (see also Box 6.5, Ben & Jerry's 'secret' acquisition).

Box 6.5: Ben and Jerry's 'Secret' Acquisition

Unilever, a multinational consumer products company, bought ice cream manufacturer Ben and Jerry's in 2000. Despite its small size and modest client base, Ben and Jerry's was an attractive acquisition. It embodied the values and priorities that exemplified the future vision Unilever had embraced in formulating its new business strategy. When this acquisition was finalized, both parties agreed to a deal in which Unilever would not reduce jobs, nor would it alter Ben & Jerry's production process or social mission. In fact, Unilever committed to donating 7,5 percent of Ben & Jerry's profits to foundations, minority-owned businesses, and poor neighborhoods. In return, the owners of Ben & Jerry's pledged to help Unilever achieve its social and environmental goals (Hays, 2000).

Despite offering a perfect match with the social and environmental mission Unilever had embraced, the multinational company was careful not to advertise this acquisition too widely in the media. The Unilever brand was not communicated in the way Ben and Jerry's products were packaged or marketed. Instead, Unilever carefully maintained the impression that Ben and Jerry's was a separate small brand. Presumably, this also helped to prevent people from noticing that its other brands were not as innovative or didn't meet the same responsibility and sustainability targets.

Other multinationals too, such as Nestlé taking over Wildscape or Danone acquiring Stok Cold Brew-coffee, do not advertise their ownership of small brands. The dilemma these large companies face is how to best include and benefit from their acquisitions of these brand products and activities. On the one hand, these small companies embody innovative ways of doing business that could enhance the socially responsible image of the multinational. On the other hand, emphasizing these high standards and ambitions may also call into question the moral appropriateness of business practices and lack of change in the rest of the company.

Realizing the added value of additional opportunities and resources represented by organizational mergers crucially depends on the success of creating a common identity (see also Giessner et al., 2011). Only when 'rule makers' and 'rule breakers' trust and benefit from each other's insights and skills will both be able to contribute to the ability of the organization to develop innovations and to do this responsibly. Unfortunately, this key precondition for social innovation is not always anticipated or actively managed. Standard attempts to prevent 'merger failures' tend to secure *material* outcomes for employees, for instance relating to job continuity and pay levels. However, research reveals that such measures only address part of the concerns employees are likely to have (Ullrich et al., 2005; Van Dick et al., 2006). Studies of actual mergers documented the importance of catering for *social* needs, such as belonging and respect. In fact, the likelihood that managers and employees were able to realize anticipated synergies depended on how well their feelings of identity threat were managed.

Results from other studies in organizations – as well as experiments with mergers of ad-hoc work teams – lead to similar conclusions. Across the board, the likelihood that employees are committed to their new role in the merged organization depends on whether they perceive their pre-merger identity is properly acknowledged and valued (Giessner et al., 2011; Terry, 2001, 2003; Van Dick et al., 2004; Van Knippenberg & Van Leeuwen, 2001; see also Bartels et al., 2006; Bartels et al., 2009). Only when this is the case, will the merged organization be able to reap the benefits of combining the diverging strengths and skills that motivated the merger in the first place. In the merged organization it is therefore important to explicitly highlight the added value of 'rule makers' in guarding against irresponsible risks, while also acknowledging the creative contributions of 'rule breakers'.

Survey data of Korean companies that had been taken over or had acquired other companies in different types of industry revealed the importance of offering such social support. In this study, employees who felt they still had access to management support and resources for creative work and experienced the merger as an opportunity, saw the transformation as a boost to their creativity. However, those who considered themselves cut off from such support and experienced the merger as a threat found their creativity to be reduced by the merger (Zhou et al., 2008).

The likelihood that social innovation can be achieved through mergers and acquisitions depends on the ability of management to define and build a shared identity. Ideally, the shared identity includes and values the pre-merger entity that represents creative 'rule breaking' skills and practices as well as the pre-merger company that is known for responsible 'rule making' and safety maintenance. The success of this endeavor is not defined by rational considerations alone, as demonstrated in the research reviewed above. Instead, a crucial factor is the success of the merged organization in defining and supporting a shared goal and mission, in which each constituent can be trusted to play its unique and valued role. Highlighting the importance of creative work, while also noting and valuing those who are responsible for safety regulation and risk management, benefits the mutual learning that prevents moral hazards.

In sum, social innovation is only possible when those who represent continuity and those who represent change are both secure about the perceived worth of their contributions. This makes it possible to trust and benefit from each other's insights, without entering a competition for whose ideas and solutions are the 'best'. In particular when 'rule making' and 'rule breaking' work teams and organizational units are merged, there are important differences to overcome. Handling this successfully requires management to attend to the human factor and invest in the explicit articulation of how the *combination* of these different perspectives and ways of working will help achieve joint goals. We will now consider how this can be fostered in daily interactions, by examining the integration of newcomers and old hands in work-teams.

6.3.2 Benefiting from Newcomers and Old Hands

As is the case with mergers and acquisitions, a crucial factor when introducing newcomers to existing work teams, is whether individuals manage to share their knowledge and adopt a different perspective to collaborate towards shared goals (see also Hoever et al., 2012). A review of 52 studies on the acceptance of newcomers in organizations reveals how difficult it is to do this well (Rink et al., 2013). Emphasizing the added value of newcomers and their insights and skills implicitly devalues existing employees and their concerns. Highlighting newcomer contributions can make longstanding employees insecure about their own position in the team, and easily fosters competition and hostility between 'newcomers' and 'old hands'. These instances of identity threat impede the willingness of both parties to reflect upon the appropriateness of current practices, to benefit from new insights they encounter, or to engage with the other at the interpersonal level. Offering clarity and security about the positions and roles of newcomers and old hands facilitates social innovation and helps to avoid moral hazards.

Responsible adaptation requires that valid concerns are accommodated when incoming experts introduce novel perspectives. Such concerns have been raised for instance about the replacement of human labor with technological solutions or transferring tasks to robots. A review of 42 studies investigating acceptance of robots in production industry and service sectors reveals that workers generally do see the benefits of such innovations, and are open to implementing them. At the same time, their experience is that these also introduce new difficulties, such as reduced human contact, and unnecessary reliance on technology (Savela et al., 2018). Further, employees find it more difficult to identify with their work team when collaborating with robots rather than humans (Savela et al., 2019). Such discomfort about a lack of a common identity is also reported by customers when interacting with service robots designed to resemble humans (Mende et al., 2019). Engaging with these difficulties to resolve them makes it more likely that important technological innovations can be followed through. Dismissing such concerns – and devaluing the insights and expertise of the individuals voicing them – will only increase the chances of following through on innovations that may prove to be too risky or turn out to be morally unacceptable.

There is no dispute that introduction of newcomers, tech experts or robots can enhance the knowledge base of the organization and benefit innovation. However, whether these assets can be used in morally responsible ways also depends on whether new knowledge is successfully shared with existing members who can evaluate how it might contribute to the achievement of organizational goals (Kogut & Zander, 2003; March, 1991; Miller, 1994; Miner, 1994; Zander & Kogut, 1995). In general, however, people find it notoriously difficult to deal with different viewpoints and dissent (Jetten & Hornsey, 2014), and this is a common source of distrust and miscommunication (Coupland et al., 1991).

Encouraging people to share and benefit from diverging insights therefore requires great care. Opinion differences can lead to intellectual debate. Diverging interests can be negotiated to a compromise. But a productive working relationship can only be maintained when those who contribute different insights or dissenting opinions are not suspected of being incompetent, or even worse, of being disloyal (Halevy et al., 2015; Jehn et al., 1999). Unfortunately, the very fact that a newcomer is seen as representing a group with different professional expertise (tech skills), or introduces different concerns (customer interests) can undermine the impact of the information they contribute, due to suspicion and mistrust about their true motives (Hornsey & Imani, 2004). Standard solutions to prevent such difficulties include socialization and onboarding programs offered to newcomers. Training newcomers to adhere to existing standards should increase trust in their abilities and intentions, and can build a sense of common identity and purpose. However, research shows such introduction programs also make incoming team members less inclined to bring to the table different insights or critical knowledge they may have – for fear of standing out (Rink et al., 2013). Without sharing their different insights or unique information, however, old hands cannot benefit from their added value (Gruenfeld et al., 2000).

Extending mutual trust and confidence is even more challenging when the educational background or prior commitments of newcomers seem to prioritize different *moral values*. Unfortunately, this feeling is easily triggered when individuals with different professional identities are expected to work together. In general, people tend to see their own moral position as universally valid and objectively true. Being exposed to others who represent a different type of expertise is likely to confront different value priorities. For instance, new team members may advocate the development of technical solutions rather than addressing human concerns, or emphasize the importance of efficiency rather than high quality. The identity threat introduced in this way jeopardizes moral self-views and can be resolved by morally excluding them. This process can result in the dismissal of valid solutions, merely because the people presenting them are not trusted. For instance, an experiment revealed that suggestions to devote more time to patient care instead of office work were evaluated more negatively when these were voiced by incoming colleagues who only had 3 weeks of work experience, rather than by co-workers with 18 years of experience (Hornsey et al., 2007).

When allowing newcomers to introduce diverging concerns care should therefore be taken to prevent that this is seen to question the validity of one's own professional values and moral priorities. Once disagreements are seen to stem from diverging values they seem absolute and insurmountable, offering no middle ground or room for compromise. Research reveals this elicits emotional and physiological threat. It makes people less inclined to find a productive solution (Kouzakova et al., 2012; Kouzakova et al., 2014), and tempts them to see their opponents as lesser humans (Skitka & Mullen, 2002). This can invite and justify aggression against them (Skitka et al., 2015). Known techniques for peaceful conflict resolution are not effective in such cases (Harinck & Ellemers, 2014).

Anticipating and actively preventing such concerns reduces the danger that the arrival of newcomers only introduces unproductive conflict (O'Connor et al., 1993). Explicitly communicating positive expectations about the contributions of newcomers can help create a shared identity where they are respected by other ingroup members (Chen, 2005; Renger et al., 2019). This makes it more likely that they speak up to voice their ideas, and enhances the likelihood that others will recognize the value of their proposals (Kane et al., 2005). However, it is just as important to prevent the emergence of identity threat among existing team members caused by fears of position loss (Scheepers & Ellemers, 2005). If not managed well, highlighting the unique experiences and novel expertise represented by newcomers easily signals a lack of appreciation for the past contributions and loyalty displays of existing team members (Hage, 1999). If this is the case, it can only result in loss of motivation and commitment on all sides. Offering everyone clarity and security about their own position in the team allows them to work towards the achievement of joint goals (Ilgen & Sheppard, 2001; see also Ellemers et al., 1998). In fact, reassuring existing team members about their own value and position can prevent old hands from defending their own ideas, and makes them more attentive and accepting of valuable contributions offered by newcomers (Rink & Ellemers, 2015).

Introducing newcomers easily raises identity threats that invite moral exclusion and destructive conflict (Jehn et al., 1999). Benefiting from dissent between newcomers and old hands is only possible after explicitly establishing that all team members subscribe to the 'right' values and are needed to achieve shared goals. Research shows the added value of explicitly providing advance explanations about the different contributions to be expected and why these are needed (Rink & Ellemers, 2007a, 2007b, 2011). This makes it possible to focus the discussion on the issue and task at hand, without questioning the competence or integrity of the individuals involved (Ellemers et al., 2020). If this is done well, people become more willing to engage with someone who is critical of their solution (such as a legal expert). It benefits information sharing, improves the quality of team outcomes, and helps prevent morally questionable decision making (Nemeth & Rogers, 1996). Importantly, this effect is most clearly visible when the disagreement is authentic; explicitly assigning someone the role of devil's advocate to foster debate was found to be much less effective (Nemeth et al., 2001a, 2001b).

6.3.3 *Reconciling Continuity and Change*

We have argued that responsible adaptation requires that novel insights and ideas are not introduced before testing them against existing knowledge of important risks and procedures. Of course, changes in organizations usually involve competence enhancement (acquisition of new skills) as well as competence destruction (removal of those with outdated skills). As indicated in prior sections of this chapter, this prompts many organizations to accelerate the acquisition of new skills by first identifying and removing people with skills and competencies that are no longer needed. However, research reveals that focusing mainly on the destruction of competencies that are no longer needed (usually for efficiency reasons) tends to be more difficult and less successful than achieving change by also building on and extending existing competences (Gatignon et al., 2002). One reason for this is that it is not always easy to anticipate exactly which skills and experiences have become obsolete, and how these can be replaced by other types of expertise. People who are aware of customer history, who are able to compare specifics of new with previous solutions, or remember the steps that need to be followed to implement production changes, can be sorely missed.

A truly innovative company is characterized not by its ability to show a one-time disruptive transformation, but by its general adaptability to continually changing circumstances – even without knowing what these may require. The key to successful adaptation, researchers therefore agree, is to find a way to continually *reconcile* past successes and existing capabilities with demands of new products and markets instead of replacing one with the other (Smith & Tushman, 2005; see Fig. 6.3: Successful innovation). As should be clear by now, it is not self-evident that this happens, and it takes special care to manage this process well (He & Wong, 2004). A first requirement is that businesses acknowledge the tension between different aspects of success: through optimal use of existing knowledge and skills (‘exploitation’), and through the development and trying out of new knowledge and skills (‘exploration’). Both activities are needed, and have to be balanced for responsible adaptation (Andriopoulos & Lewis, 2009; O’Reilly & Tushman, 2004).

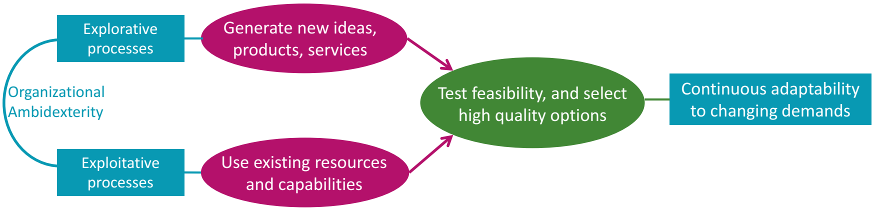

Fig. 6.3 Successful innovation. Highlights that organizational adaptability to changing demands depends on whether the development of new ideas, products, and services benefits from existing resources and capabilities. Social mechanisms determine whether efforts are made to test the feasibility of different options and select those with the highest potential

Organizing such forms of integrative collaboration implies placing trust in the experience and good judgment of the people on the work floor. Decentralized organizational structures allow professionals to communicate directly and effectively with each other to mobilize and integrate all available skills and knowledge. The recommendations on how to allow people to benefit from diverging insights – and the pitfalls to avoid – resemble the guidelines on creating feelings of inclusion despite employee diversity (see also Chap. 5; Ellemers & Rink, 2016; Guillaume et al., 2012; Rink & Ellemers, 2008, 2010). This enables them to work out solutions to competing demands, for instance in project teams. Doing this successfully requires the creation of complex assignments and team tasks that *include* quality control and production scheduling – instead of separating these for efficiency reasons and management control. If done well, this allows for more flexibility and customization, as well as maintenance and exploitation of existing capabilities on the work floor (Hage, 1999).

The continued ability of companies to attract and retain people with different types of experience, professional skills and expertise is key in this process. Embedding these in a structure that recruits and combines their different inputs and efforts allows for the rapid solution of complex problems, and is associated with company survival through change (Hage, 1999). Companies that manage to do this well show a high level of 'ambidexterity', that allows them to increase their flexibility and productivity (Damanpour, 1991). The organization's ability to build on existing resources and capabilities as well as adapting to varying circumstances, enables a process of continuous adaptation and responsible renewal. A review of many studies aiming to identify conditions that foster innovation, highlights the added value of supportive human resource practices in achieving this (Colakoglu et al., 2019). Organizations that care for the needs of employees induce high employee involvement, commitment and trust, which benefits effective information exchange, and skills development. These studies consistently reveal that intrinsic interest and empowerment of employees – rather than employment flexibility or monetary incentives – are key factors in achieving the ambidexterity that fosters responsible innovation (Colakoglu et al., 2019). Organizations that do this well not only manage to be truly innovative, but are also more likely to be successful in the long run (Almor et al., 2019; Hage, 1999; Junni et al., 2013; O'Reilly & Tushman, 2004).

To achieve this, organizations also have to be 'culturally ambidextrous', in facilitating the collaboration between 'rule breakers' and 'rule makers' (Gelfand, 2018; Gelfand et al., 2018). Managers and employees charged with quality monitoring and production continuity might focus on prevention goals. Even if this does not represent their chronic outlook in life, the prospect of production or quality failures easily makes them concerned about relinquishing control. In a similar vein, managers and employees hired for creative product development and innovation are continually prompted to address promotion goals, and might fear loss of autonomy. Communicating clearly that both performance aspects and concerns are valid and need to be met, allows people to understand how their different skills and expertise can complement each other, contribute to the achievement of joint goals, and even define their shared identity (Rink & Ellemers, 2007b, 2007c). This should help alleviate the feelings of threat that make them reluctant to embrace change.

6.4 Conclusion: Reliability Anchors Innovation

The business examples and research reviewed in this chapter demonstrate some of the hidden costs of the three quick fixes often used to push for change. Relying on flexible employment communicates moral exclusion that invites noncompliance and misbehavior. Celebrating creativity contributes to irresponsible risk taking when it devalues those who monitor security and continuity. Prioritizing novelty as a valued outcome in its own right invites misbehavior or even fraud when this tempts people to do anything for success. In general, requesting that people change the way they need to do their job is not only about the specific skills they do or do not have. It also disrupts their sense of who they are and raises concerns about whether they (still) belong in the organization.

Instead, we recommend to maintain an equilibrium between novelty and safety concerns by attending to the human factor in organizational change. Organizations can achieve this by explicitly noting the value of different individuals and departments for the organization. This makes it more likely that they *share* their knowledge and resources and *trust* each other in pursuing similar goals and values (Ghoshal & Bartlett, 1997; Nahapiet & Ghoshal, 1998). Doing this requires active interventions to avoid that task roles, organizational structures, and power differences prevent people from adequately communicating their expertise when this is relevant or share their knowledge when it is needed (Sutcliffe et al., 2004). Clearly defining the continuity as well as the changes in the status and identity of different departments, roles, and people in the organization, is a key factor to secure collaboration and knowledge sharing. In general, explicitly valuing and combining promotion and prevention goals, and ensuring that 'rule breakers' work together constructively with 'rule makers' will benefit such ongoing knowledge sharing. Realizing social innovation in this way will allow the organization to show continuous and responsible adaptation to changing circumstances, markets and clients.

Recommended Reading

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