

How firms can avoid being dinosaurs

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It's a common refrain in today's business world that change is the only constant. More than ever, success depends on the ability of companies to adapt to these changes through innovation.

As individuals, we tend to become set in our ways as we age. The same also goes for companies.

Several studies show that as companies get older, they become more rigid. Mental inertia or resistance to change sets in. This makes it difficult for older companies to evolve and keep pace with new developments.

So how can companies reverse this and resist, or counter, a slide into obsolescence?

One way to stimulate change in a company's knowledge and capabilities is through hiring. In other words, by bringing in new blood and learning from it.

However, a common temptation or pitfall for older companies is to recruit people with expertise already aligned to their own existing knowledge.

So how can companies decide on the best hiring choices to remain top of their game?

To address this, my research at the National University of Singapore Business School examined almost four decades of data from the biotechnology industry, a knowledge-intensive industry with comprehensive records of innovation activity, to determine the impact hiring has on three areas of organisational change:

- Disrupting routine activity, or changing ingrained habits;
- Introducing new knowledge to the firm; and
- Kick-starting openness to learning among existing team members.

Another important area I investigated was whether a

company's "memory", acquired from past experience, helps improve performance or hampers the ability to innovate.

My findings showed that hiring new people disrupts routines among existing teams and, therefore, lowers their resistance to change. This is because incorporating new hires means companies need to reallocate and rethink routine activities that, over time, have stifled learning.

It is particularly true in older and more inert companies that are usually slow to adapt.

While introducing new hires can increase innovation by bringing fresh ideas, staff must be open to these ideas and prepared to change. In older companies, this is often not the case.

In fact, in older companies, the knowledge gap between new hires and existing employees can frequently cause team conflict, reducing their motivation to learn and change.

It is not unusual for existing employees to form powerful

alliances to make sure the company continues to focus on its area of expertise.

This leads to the third core finding from my research: Hiring experienced people helps facilitate corporate learning, as more experienced outsiders are more skilled in promoting new ideas and getting existing team members onboard.

Hiring experienced people is especially important in older companies, as these firms are typically more resistant to change and need help to build a productive learning environment.

Overall, I found that in older companies, hiring results in an 86 per cent increase in core change to their knowledge and capabilities, compared with a 36 per cent increase in younger companies.

However, the opportunity for companies to evolve is limited if they don't use their memory of past experiences, such as previous events, intellectual property and relationships with people.

Companies can use this "memory

muscle" to drive faster innovation and higher performance, but only if they are open to all possibilities.

That said, retaining all information accumulated by companies has little value. In fact, a lot of memory is wasteful and can make companies overly conservative by retracing their steps instead of exploring new, more risky ideas.

To make good use of their memory, companies must have an efficient process of capturing and learning from critical experiences and applying this knowledge, while being open-minded to new opportunities.

This matters too – perhaps especially so – if those experiences are negative. Mistakes and failures are important learning tools.

A company's performance depends on its ability to learn through hiring and use its memory to adapt, capture and innovate opportunities in the future.

As the need to hire experienced individuals to drive corporate learning increases, so does the

need for more efficient ways to recruit, manage and integrate these people into the company.

Companies need to consider new platforms and strategies that upend traditional models and transform how employees can thrive in a learning environment.

By making learning a central driver of the company's workplace culture and a key driver of employee engagement, companies can make it part of their value proposition to attract talented employees who can help accelerate innovation and growth.

As the pace of change increases, business leaders must move decisively to address these trends to gain an advantage over competitors and adapt to the disruptive change sweeping global markets.

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