

Title

Balancing unintended consequences of organisational innovations on the employment relationship.

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Objective

The word innovation usually carries with it undertones of positive outcomes. Little research has looked at unintended or undesirable consequences of innovation (Gripenberg et al., 2012), as if anything that is innovative were automatically successful, positive, high performing, etc.

Some researchers have been calling for contrasting this single-sided view of innovation (Sveiby et al., 2012). In this paper, we follow that line of investigation and try to offer a more holistic account of innovation and its consequences. Particularly, we look at how the unintended and undesirable consequences of organisational innovations change the employment relationship and how this change is managed. By using Simon's theory of the employment relationship (1951), we investigate how organisational innovations modify the zone of acceptance, that is the set of tasks over which employees accept employers' right to manage. We argue that building awareness on the implications of innovations on the employee-organisation relationship is a need in order to develop successful and sustainable innovation policies at the firm level. Our analysis relies on the qualitative in-depth study of a large Spanish consultancy firm known for its implementation of organisational innovations.

Background

Management implements organizational innovations with the purpose of shaping new behaviour looking to increase productivity, cooperation, commitment, etc. (Barnard, 1937). Political rhetoric and academic research often rely on deterministic postulates, to assume that innovations have systematic unarguable positive consequences. Yet, the impact of innovations on work is multifaceted and conditional on a large number of variables, understandings (Avgerou et al., 2004) and attitudes (Ciborra, 2004). Recent work has challenged the existing paradigm on innovation, looking beyond the positive connotation of the term to explore its unintended and undesirable consequences on individuals, organisations and society (Sveiby et al., 2012).

At the individual level, Cañibano et al. (2012) indicate that organisational innovations can lead to work intensification and decreased well-being. Aligned with previous research (Green, 2004; Harris, 2003; Bayo-Moriones et al., 2008), these authors find that new working practices require more intense effort because they sometimes increase work pace and multitasking, they may distort the boundaries of work, and they require constant learning and adaptation. All of these transformations entail changes in the work

performed by employees in terms of content, length and location, modifying the terms of the employment relationship.

Organisational innovations and the zone of acceptance

According to Simon (1951), an employment relationship exists whenever an employee accepts the authority of his/her employer in shaping his/her behaviour in return for the employer's agreement to pay the employee a stated wage. This relationship is built on the basis of the combination of the contributions employers expect from employees and the inducements they offer to employees (Tsui et al., 1997).

Contributions are not clearly specified; no employment contract can stipulate the exact list of tasks to be carried out or the amount of effort to be exerted (Edwards, 1986; Guest, 1998). The detailed terms of the contract cannot be spelt because of the complexity of the work process and the unpredictability of certain key variables (Hodgson, 1999: 170).

Hence, for employees, entering an employment relationship involves accepting an authority relation with their organisation. This does not mean that employees give managers carte blanche to direct their work: they agree to be managed within certain limits, labelled "*area of acceptance*" (Simon, 1951) or "*zone of indifference*" (Barnard, 1937). Williamson (1975) suggests that the inherent adaptability of agreements based on the "authority relation", reduces the need for employment contracts to be renegotiated regularly as compared with other forms of contracts. Since contributions are not clearly specified, they may easily change over time.

However, for the employment relationship to be sustainable, a certain balance is required. Contributions relating to the duties and responsibilities managers assign to employees, but also to the prioritization of tasks or the variation in working time and location (Marsden, 2007; 1263) cannot increase beyond the "*area of acceptance*". The boundaries of this area will depend on the characteristics and the quantity of incentives the organisation offers to its employees (Simon, 1957).

A changing zone of acceptance?

Since organisational innovations have unintended and undesirable consequences and modify the employees' expected contributions, such innovations must entail a renegotiation of the zone of acceptance. How such renegotiation takes place is the main interest of this paper. Marsden (2007; 1275) highlights that "while the theme of contract renegotiation has been dealt with quite extensively within the economics literature (...)

its primary focus has been on pay rather than on management of the zone of acceptance". In his study he explores the role of employee voice by means of performance management in reshaping the boundaries of the area of acceptance. Building on this idea, we explore how the unintended consequences of organisational innovations modify the boundaries and conditions of the employment relationship.

When looking at unintended and undesirable consequences, we must challenge the established role and nature of the actors involved. We carry out our study from relativist assumptions (Latour, 2005): that the actors themselves and their own dealings, are negotiated. This supposes a certain amount of instability (Tsoukas et al. 2002). Just like Bateson's acrobat on the wire who maintains her stability by adapting to the continuous destabilising conditions as she walks along the rope (1979), so must an organisation. Ignoring, or worse, discarding the latent instability existing in organisations could have important negative consequences, which could very well remain invisible, causing further undesirable effects.

Methodology

These issues are explored in the case of the Spanish branch of a large multinational consulting organization, with more than 10,000 employees. Spanish subsidiaries of international firms have become strategic test beds for implementing innovative organizational practices (Wächter et al., 2006; 55) and have proved key to changing the management of the employment relationship in Spain (Rodriguez-Ruiz and Martinez-Lucio, 2010; 135). This case analysis should provide valuable conceptual understanding on how organisational innovations affect the employment relationship's zone of acceptance. The data have been collected by means of 50 semi-structured interviews with employees at all levels of the organisations.

Preliminary findings

We find the organisation manages the negative individual consequences of innovation by offering different types of inducements that reshape their employees' zone of acceptance in two seemingly complementary manners: informal or implicit and formal or explicit.

Informal and implicit negotiations happen between employees and their direct line managers. These are unwritten, *ad hoc*, ongoing arrangements that provide individualized inducements to employees. These inducements take three different forms:

1. Time related inducements: employees are informally given free time in exchange for their contributions.
2. Control related inducements: employees are given more discretion to organize their work and make a flexible use of their working time.
3. Prestige related inducements: employees' work is praised within the team. Additional contributions are informally acknowledged and acclaimed. Employees feel to have a high status in their teams.

In line with Guest (2005) our findings suggest that individualised, implicit, informal arrangements are gaining importance because they allow a flexible and rapid adaptation of the zone of acceptance.

However, on occasion, informal arrangements are insufficient to sustain the employment relationship. Employees that perceive an unbalanced relationship over time and do not believe their increased contributions are properly rewarded are likely to quit. Our interviews show that when this situation comes, high performing employees are offered a formal renegotiation of their contracts. In line with the reasoning of economic literature (i.e. Malcomson, 1997; Teulings and Hartog, 1998) the focus of this renegotiation is mainly pay and other related inducements (such as promotions or benefits). As opposed to the informal negotiation this agreement is legally bound by a renovated labour contract.

Although the content of implicit negotiations is not generally known to the organisation, the human resource management team has made an important effort to identify tacit inducements that can be turned into explicit offers. As a result, former informal arrangements (for example telework) are slowly being implemented as new official inducements, giving rise to additional organisational innovations.

Conclusion

This paper takes previous work that explored the negative individual consequences of innovation (Cañibano et al. 2012) as a starting point to analyse how such consequences are managed. To that end, it draws on Simon's (1951) theory of employment relations in general and in particular, on the concept of the "zone of acceptance". We argue that organizational innovations result in increased contributions demanded from employees. For employees to accept this change, the zone of acceptance needs to be renegotiated. We find that this negotiation takes place implicitly and informally between employees and their direct line managers or formally resulting in a new explicit contract. This individualized negotiation of the zone of acceptance helps to manage the unintended consequences of innovation and even to generate new innovations. We argue that being

aware of the consequences of organisational innovations on the employment relationship is a necessary step for innovative policies at the firm level to be fruitful in the long term.

By ignoring the unintended consequences of organisational innovations, we discard understanding the complex adaptations that often run in the background. These adaptations, far from being only negative, could well be a key part of the apparent smooth conduction of management. Without this adaptation, this allowing of drift (Ciborra, 2002), then management control could either be unsustainable, or detrimental. The adaptations to new conditions by individuals in time is necessary for them to make sense of the new conditions effected in the firm, re-evaluating the sustainability of their position in relation to other actors.

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