H. E. B Embraces Organizational Change and Innovation

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Abstract

There are many online providers of food products, H-E-B being a Texas based company went ahead and threw their hats into the game of online ordering and food delivery, in this paper I will explain HEB's willingness at organizational capacity that directly correlates to innovation in their company.

Keywords: H-E-B, Amazon, Wholefoods, Delivery

H. E. B's Embraces Organizational Change and Innovation

H[1]-There is a relationship between organizational capacity for change and innovative culture. I will go into detail as to why H-E-B has a great capacity for organizational change that affects the innovation in their company. H-E-B is a local Texas grocery store that was founded in Kerrville, Texas in 1905 by Florence Butt which was named C.C. Butt Grocery Store. In 1919 Florence's youngest son took the mantle of the business, then renaming the store after himself Howard E. Butt. Soon after in 1971 Howard passed the business on to his youngest son Charles who is the current CEO of the business. During this time Charles has singlehandedly grown H-E-B's annual sales which in 1971 were at $250 million to $13 billion in 2006. That is a huge leap for thirty-five years. The company has earned numerous awards like in 2011 they were named Forbe's number 12 list of largest privately held companies H-E-B had held the title of largest privately-owned company in Texas up until 2013 when Dell went private. H-E-B's headquarters is located in Downtown San Antonio and operates over 300 stores in over 150 communities in Texas alone. H-E-B has a few core values, the main one is "Because People Matter", "We're in the people business. We just happen to sell groceries.". From there they go on to "Service, at H-E-B, we believe grocery shopping is more than an errand. That's why it's our pledge to always go above and beyond. Here, we think like the customer, not about the customer.", "Heart, people matter, here, we people are at the heart of every decision made and everything we do – no store cares more.", "Drive, competition drives us, but collaboration defines us. A shared spirit drives us to work together and build a company that doesn't just meet the Customer's needs, it exceeds them.", "Innovation, we're continuously searching for ways to serve our Partners, Customers, and Communities better and make their lives easier. Here we are relentlessly dissatisfied with the present.", and lastly "Commitment, here, we don't need an audience to act with integrity. Because we believe you don't need permission to

do the right thing.". Out of these the main one's we'll be focusing on is Drive and Innovation. These are the key things that this paper is about and will be the driving force for my Artifact. H-E-B has not been shy at displaying their urge for innovation or lack of drive when it comes to being on the cutting edge of grocery stores. Just this year H-E-B has plans to build a 81, 000 square-foot tech office in Austin, Tx. solely dedicated on the focusing towards innovation. In a press release that H-E-B put out this year they stated that "This state-of-the-art space will be a hub for creativity and innovation as we continue to develop the ultimate digital experience for our customers," said Jag Bath, H-E-B Chief Digital Officer and Favor CEO and President. "Bringing H-E-B and Favor closer together will allow us to promote collaboration between our two companies as we strengthen our commitment to building out H-E-B's omnichannel services.". H-E-B has come far from it's early stages of just serving the neighborhood in Kerrville. Now H-E-B offers a wide array of different services. From Curbside & Home Delivery, Ship to Home, Order Ahead: Cakes & Party Trays, to a phone app. H-E-B has shown its willingness to adapt to an online environment and staying viable in this mostly online economy. It hasn't been long since Amazon bought out Wholefoods, an online and in person grocery store, to help their online sales of marketable goods. By dabbing into this market Amazon created a target on their back when it came to H-E-B. As H-E-B saw this happen, they began to realize that their local game wasn't enough and decided to move online, shipping nationwide. Now you can order anything from H-E-B and get it shipped to any state inside of the U.S. My sister currently lives in Northern Kentucky and regularly has chorizo and tortillas shipped over there just to keep her sense of taste good. H-E-B has shown to be a worthy competitor to online retailers and other local grocery chains. I chose H-E-B on account of their flexibility to adapt to their market and customer needs. Over the years they have shown great promise at being a viable competitor. The ability to change and adapt to a changing environment

or market is key for any organization's survivability. They need strong competent leaders who can help guide them through the growing pains of the evolution they're company goes through. Our world is changing and if a company doesn't seek to change with it than they would be setting themselves up for failure.

Literature Review

The impact of organizational capacity for change within transition economies

In the article written by Judge, W. Q., Naoumova, I., & Douglas, T. (2009) an organization's capability to acclimate and transform is severely tested during formal disturbances in transition economies. Transition economies are generally centrally-planned 'command' economies that right now are going through a lot of institutional fluctuations all over the economy through out the economy so that a more decentralized, 'market' economy can emerge, and the country can become more globally competitive. When the economy begins to fluctuate an organization needs to be able to create organizational capabilities to get through. To be able to get through rough patches companies or organizations need to hoan their dynamic capabilities, which are the capabilities of employees to adapt to their surroundings weather they are bad or good and the ability to pursue opportunities that are presented to them by an organization's environment. Dynamic capabilities consist of a set of specific and identifiable processes that, although idiosyncratic to firms in their details and path dependent in their emergence, allow the organization to generate new, value-creating strategies (Eisenhardt and Martin 2000), (Douglas Judge, & Naoumova 2009). There have been many studies done that prove that dynamic capabilities are directly tied to organizational adaptation and innovation found by Zahra and George 2002. A big focus though isn't just on the capabilities of employees for change but their attitudes towards change

and how the Organizational Capacity for Change reflects on them also shows what kind of leaders they have, and attitude is everything.

Prescriptions for Developing Change Capacity

In the Journal for Change Management written by Christine B. Meyer & Inger G. Stensaker, they talk about how an organization can develop the capacity for change. In the journal they take a doctor's point of view and speak on the prescriptions needed for developing the capacity for change. The authors idea of prescriptions for developing change are based on framing, participating, packing and sequencing, routinizing, and recruiting. These seem to the Meyer and Stensaker's magic formula to develop a capacity for change. Some of the prescriptions presented are accepted in many fields as ways of increasing the probability of implementation success and from that they can assume that the prescriptions can help develop an organization's capabilities for change. Let's break them down, Framing is about the how changes are communicated and overall the reasons behind said change. When you have a planned change process in play employees tend to infer the changes in different ways as they're trying to work out the connotation behind the prearranged strategic plan for change. Some tools that managers have to help frame the changes can be symbols, metaphors, and crises, these helps create a common understanding for the reasons behind the changes. With participation being our second one is what the employees can bring to the table, what can they help do to move change along. Sometimes you can even allow some participation in the decision-making process that way employees can feel like they've been able to contribute to facilitating the change. Participation can go both ways negative and positive, the negative aspect is the time consumed that's being consumed. Pacing and sequencing has a musical sense to it, in dealing with tempo and timing of proposed change. Sequencing is laying out the timing for the proposed change in an orderly form to where it can be

looked at and deciphered with minimal effort. Pacing is the speed at which you space out the sequences to where things will get changed. Routinizing is where you establish routines, things that are done on a daily basis, for the organization so they can have a sense of institutionalized structure and process where multiple change processes can be applied. By conducting a few studies Mintzbert (1978) found that some organizations do develop a wide array of different routines that help them handle major change these are: recognition, diagnosis, search, design, screen, evaluate, and authorize. Although these can sound very enticing, they were found that they only relate to when a team is dealing with strategic issue diagnosing and decision making rather than long term implementation. The best way to make a routine last is by adjusting the one's that are already implemented to where the team isn't startled by new things and can easily adjust to the small changes over time with the routines they already know. The last prescription is recruiting, which is more of a reassurance that change will continue and not become a problem. By hiring new personnel that are already aware of change and are comfortable with it you can create a better environment that's change friendly and isn't rebellious towards it. By implementing these prescriptions, you can create the ability for change in any organization.

Organizational Capacity for Change – Precursor to strategic ambidexterity?

When reading the journal by Judge, W. Q., & Blocker, C. P. (2008), I began to realize that there's more to OCC than just what we've been lead to believe. It isn't enough to just change and move on to the next issue, to be a successful company or organization you need to be able to exploit new possibilities that are presented to you while you're in the middle of change. The main thing that you can get if you exploit new possibilities from change is that it can help you gain a strategic competitive advantage and superior performance compared to those companies that have a narrow focus train of thought only pushing to the end change but not looking at

new markets or even expand your product base to with new possibilities found in trying to find new routes for change. The overarching idea of Organizational Capacity for Change is when you take old ideas and use them to tackle new threats and avenues that open up to create new capabilities in your field. The ability to take two ideas that are at odds with each other and still be able to maintain a functioning mind is key to being able to navigate an Organizational Capacity for Change. This helps you develop new ideas, bring forth different avenues that you hadn't thought of before that might turn out to be your highest profitable area.

Organizational innovation and innovativeness

In the journal by Hassan Darvish and Elaheh Alhouei Nazari (2013), they talk as to how innovation can be seen as an adaption of ideas or a behavior that is new, this is a very crucial tool for an organization because it ensures their ability to be competitive in changing environments they encounter. It seems that innovation is the only way for an organization to manipulate change in their favor to help create new opportunities and succeed. It has been debated that those employees who have fun and really enjoy their work are likely to be more innovative and come up with better ideas than those who aren't happy with their work. By understanding the impact, you have on your customers you can gauge where and how your product will impact them and then move to do the necessary adjustments to satisfy their needs. There's no "I" in innovate, wait there is, just kidding, innovation cannot be a one-person task. This needs to be distributed with different individuals who can all feed their ideas and put them together to create great ideas. Different teams need to be part of this innovation task force, bringing different aspects from the company all to one table can greatly increase your likelihood for success. Lastly there needs to be a great communication stream between all departments internally and externally, if there isn't an avenue set up to where everyone can communicate their ideas effectively than there wouldn't

be any room for innovation. Innovativeness means a strong sense in being proactive in finding new opportunities and also exploiting current strengths and is thought of to be essential to innovative effort that will help meet the customer's expectations. Innovativeness is categorized as an organizational culture where employees are encouraged to be innovative and think outside the box, and the company or organization's willingness to accept the pursue of new product development. Innovativeness is thought of as very importantly because of its ability to bend and adjust to rocky markets and allows for a wider and stronger innovation effort to help with the harsh environmental changes. In different literature innovations are thought of as a product vs. process or radical vs incremental and also technical vs. administrative. All these battles that a company finds its self-going through are all won through a company's ability to change and open their minds to the greater things that innovation can bring.

Innovative Culture

While reading the journal written by Hans Marius Norbom and Patricia Denise Lopez (2016) innovative environments seem to not be successful when the organization is run by a very tightly wound, single minded person. The leader running an environment that seeks to be innovative needs to be driven by the people surrounding him that are very knowledgeable in their areas and can offer a great amount of insight into the organization. The leader that runs the team needs to be prepared to have a great supportive role and voice their positiveness towards the team. With innovation and experimentation comes failure, and a team needs to be ready to deal with this. By having a leader who's ready to help pick up the pieces and keep moving forward this won't make your team crumble but be the glue that bonds them to find the great ideas that'll boost the company or organization forward.

Influence of Innovative Organizational Culture on Marketing Strategy

In the journal written by Ana Maria Machado Toaldo, Simone Regina Didonet and Fernando Bins Luce ( ) state that the innovative culture directly affects developing marketing strategies. The organizational environment that values ideas and innovative actions results in a marketing process that can help push marketing for products even better than anything else can. The journal shows how it's key to develop a procedure of actions to articulate and implement marketing strategies. When the innovation takes place the team that's involved also creates new ways on how to market the ideas or products to customers. This brings them closer to be a treasure trove of ideas to where they can bring in customers. Having a great flow of innovative ideas along with a smart marketing team can help organizational performance in the overall market.

Findings

In reading all the literature I've tied to my hypothesis of how organizational capacity for change is directly correlated to an innovative culture I see more and more that I was right. In applying these aspects to H-E-B, I can see how strong they are at innovation and understanding their market. H-E-B has a strong sense of organizational change and effective leaders that allows them to change and evolve into one of the toughest local grocery stores Texas has to offer.

Conclusion

I think H-E-B has a strong will to survive, and a bright future. Being a company that was founded over 100 years ago they've proven to be able to embrace organizational change and adapt to their evolving market. When customers began to look at Amazon for their online grocery chain, H-E-B went and created their own online department to be able to compete with the Billion Dollar company that is Amazon. I believe that all my research not only proved to me that H-E-B is Texas strong and is willing to invest time and money to innovation. I think when I'm in a leading position I'll be able to mimic H-E-B's thought process in keeping an open mind and being willing to change.

Embracing innovation is one of their strong suites and they do so well at it. I will continue to be a loyal H-E-B customer all while singing their praise at the company's effectiveness to evolve and change in the crazy online world we've grown to be.

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