

## MANAGEMENT INNOVATION: A KEY DRIVER FOR PROVIDING COMPETITIVE EDGE

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### ABSTRACT

In this paper importance of innovation for accelerating the growth of an organization is described. Briefly explained is the meaning of innovation and a five-step process that individual progress through as they make a decision to adopt an innovation. This research paper mainly focuses on the six common themes which emerged from the research that should serve as useful pointers for a company which would further direct its management innovation efforts more seriously.

**KEYWORDS:** Management, Innovation, Organization, Six Sigma, Process

### INTRODUCTION

Adopting an innovation requires a decision to be made, an action to be taken. Data must become information leading in the creation of knowledge. What happens in a community is mirrored in an individual.

The pioneering work of Beal and Bohem identified a five-step process that individuals progress through as they make a decision to adopt an innovation. Each of these steps requires a conversion of tacit or explicit information, as detailed in *Tacit and Explicit Information*.

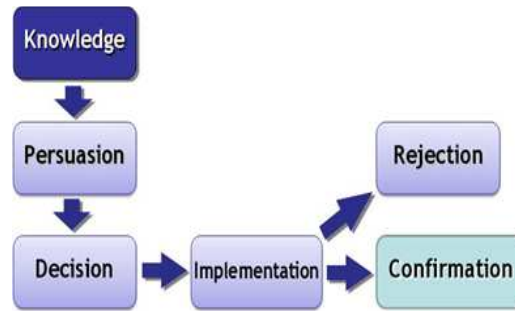
This information either comes through external influences from outside the community or through influential members of the community.

The adoption of an innovation can be separated into the following stages:

- **Knowledge (Awareness):** Learning about the existence and function of the innovation
- **Persuasion (Interest):** Becoming convinced of the value of the innovation
- **Decision (Evaluation):** Committing to the adoption of the innovation
- **Implementation (Trial):** Putting it to use
- **Confirmation (Adoption):** The ultimate acceptance (or rejection) of the innovation

In the *knowledge* stage “the individual is exposed to the innovation but lacks complete information about it”. At the *persuasion* stage “the individual becomes interested in the new idea and seeks additional information about it”. At the *decision* stage the “individual mentally applies the innovation to his present and anticipated future situation, and then decides whether or not to try it”.

During the *implementation* stage “the individual makes full use of the innovation”. At the *confirmation* stage “the individual decides to continue the full use of the innovation” or not. This process is visualized in the following figure (cf.):



**Figure 1**

## **ACCELERATING THE PROCESS OF MANAGEMENT INNOVATION**

What can managers do to improve their company’s capacity for management innovation? While research suggests that companies have traditionally pursued management innovation in an ad hoc manner, the process could be made more systematic. Six common themes emerged from the research that should serve as useful pointers for a company that would like to direct its management innovation efforts more seriously.

### **Become a Conscious Management Innovator**

Most companies set up some sort of innovation function to meet the need for product and service innovation, whether in the form of a physical R&D lab or the assignment of a clear mandate for that type of innovation to an individual in the organization. But how many businesses have similar levels of awareness and dedicated structures in place to foster management innovation? Selling the importance of management innovation to the organization is a crucial first step toward becoming a management innovator.

### **Create a Questioning, Problem-Solving Culture**

When employees are faced with an unusual problem or challenge in the company, what is their typical reaction? Do they look the other way? Do they resort to a standard solution that has already been endorsed by competitors? Or do they look deeper into the problem, see the problem in new ways and start to hypothesize about new ways of solving it? Only the latter path can lead the company toward management innovation, so encourage employees to examine the unexplored and avoid easy answers.

### **Seek Analogies and Exemplars from Different Environments**

If the problem a company faces is one of increasing its resilience, it could make sense to try to learn from highly resilient social systems, such as parliamentary democracies, cities or faith systems. If the problem is one of increasing the motivation of employees, then look at the Scouting movement, open source software or any number of other voluntary organizations. Exposing employees to many different types of environments and different countries of operation is also invaluable as a means of opening up their minds to new alternatives.

### **Build a Capacity for Low-Risk Experimentation**

In an organization, there should be sustained effort under way to encourage individuals and teams to come up with management innovations to tackle everyday problems with the existing bureaucracy and processes. But to make this initiative work, the company’s leaders should realize that they could not allow all the new ideas to go “live” in the entire organization. So they should opt for an experimental model, in which each innovation could be tested with a limited number of people and for a limited period of time. That will ensure that ideas get a chance to be implemented, without crippling the functioning of the whole organization.

### **Make Use of External Change Agents to Explore New Ideas**

While companies can and should manage the innovation process themselves, there is value in selectively making use of outsiders such as academics, consultants, media organizations and management gurus. They fulfill three primary roles: They represent a source of new ideas and analogies from different settings, they can act as a sounding board for making sense of a company's emerging innovations and they can help to validate what is accomplished.

### **Become a Serial Management Innovator**

The real success stories in management innovation are not the companies that have innovated once or twice. Instead, it is the companies with multiple successes — the serial management innovators. GE is a serial innovator, famous not just for management innovations such as Work-Out and Boundarylessness but also much older innovations such as strategic planning, executive development and the commercialization of R&D. Management innovation is ingrained in the GE culture as a key driver of the company's competitiveness. Toyota is also a serial management innovator. It has continuously added elements to its lean production system, such as just in time, target costing and parallel sourcing. Each of these elements strengthened the existing lean production system and reinforced Toyota's long-lasting competitive advantage.

## **CONCLUSIONS**

These six points are certainly not some kind of formula for management innovation. The process of developing radical new ways of working will always have some dose of luck and randomness to it. However, managers can certainly tilt the odds in their companies' favor by keeping these ideas in mind.

History shows that management innovation has been a key driver for competitive advantage for many companies. For companies that invest in a capacity for pursuing management innovation systematically, the potential returns can be rather substantial.

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