

MANAGEMENT INNOVATION

Rethinking the Principles of Management



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Executive conference

Rethinking the principles of Management

10th March 2009

Diplomat Hotel , Prague

What is Management innovation

Management innovation is about

- Management innovation is a company's ability to effect fundamental changes in its own internal way of working. It is a largely unexplored source of competitive advantage
- Rethinking and reinventing the management principles of the company so they reflect the specific context of the company seen in relation to the potential resource the company poses.

There is nothing new in Management innovation Itself

What is new is:

- To focus on how to become a serial / conscious Management Innovator
- The direction of our innovations

Management innovations in the automobile industry



Ford
Assembly line /
Mass production



General Motors
Divisionalization



Toyota
Kaizen "Lean" production /
Just in Time etc.

What is Management Innovation ?



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- Too many best practice Junkies
- Too many management fads
- Too many ADD ONS

- To few original Management innovations

Some important points

- Management is not natural science
- Companies are social constructions
- Business models and management styles are reflections of problems and challenges at a specific point in time
- Success factors change over time.
- The task is to understand how to optimize our resources seen in relation to the market

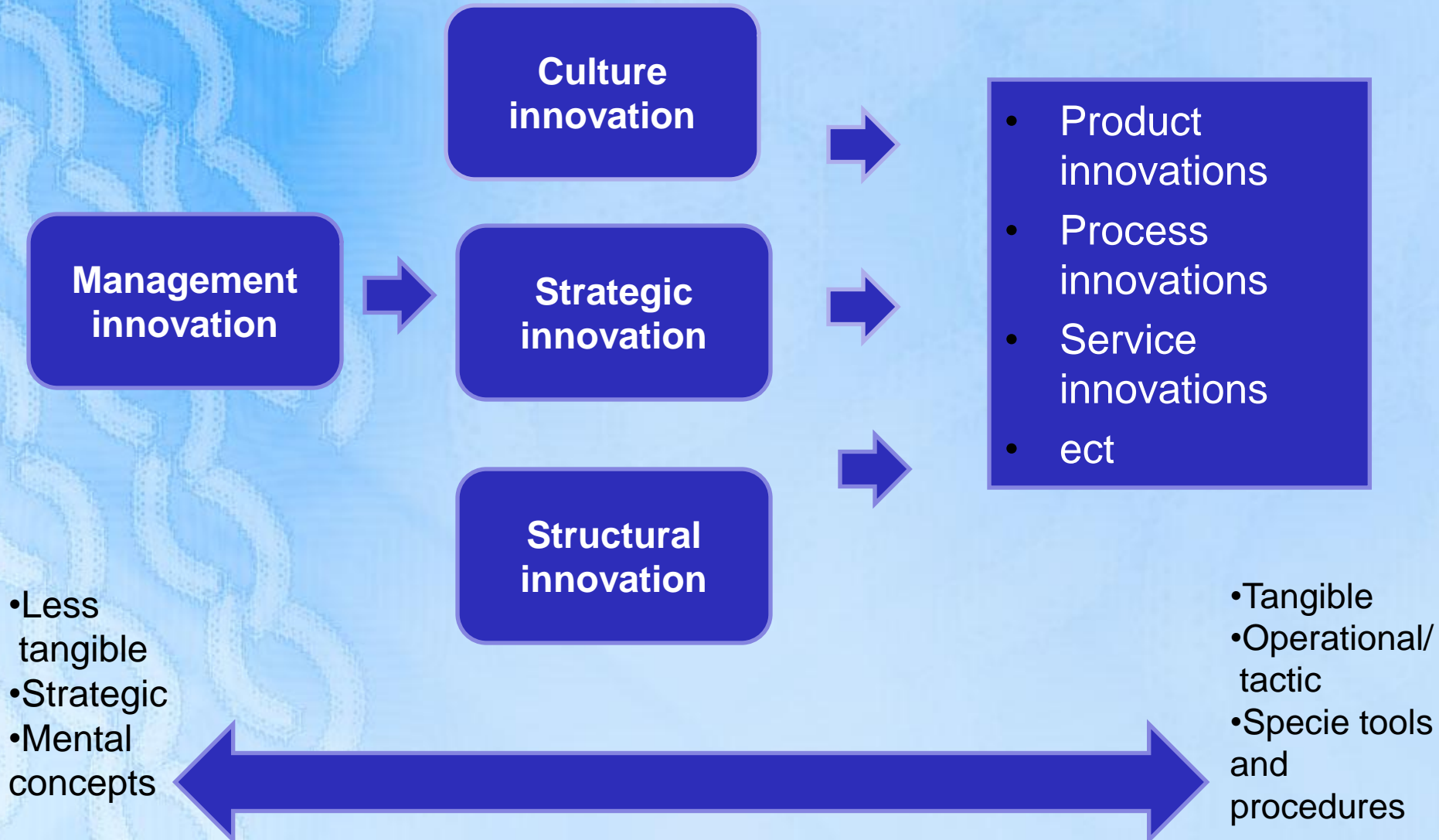
Why management innovation is important

A changing environment (context)

- Shorter product life cycles
- Industry borders are becoming blurred
- Transparent markets,
- hypercompetitive markets,
- Pressure from low cost areas,
- Internationalization and multi nationals,
- Liberalization of free trade
- Skilled workforce, New employee expatiations (generation Y)

The Czech Republic intend to move away from being just a low cost production area

To understand innovation



Well proven Management Principles

Most companies build on business models and management models from early in the past century,

Division of Labor

Hierarchy of Control

Planning of
Outcomes

Motivation by Money

Division of Labor

=

Efficient
production

Replication

Management
orthodoxies

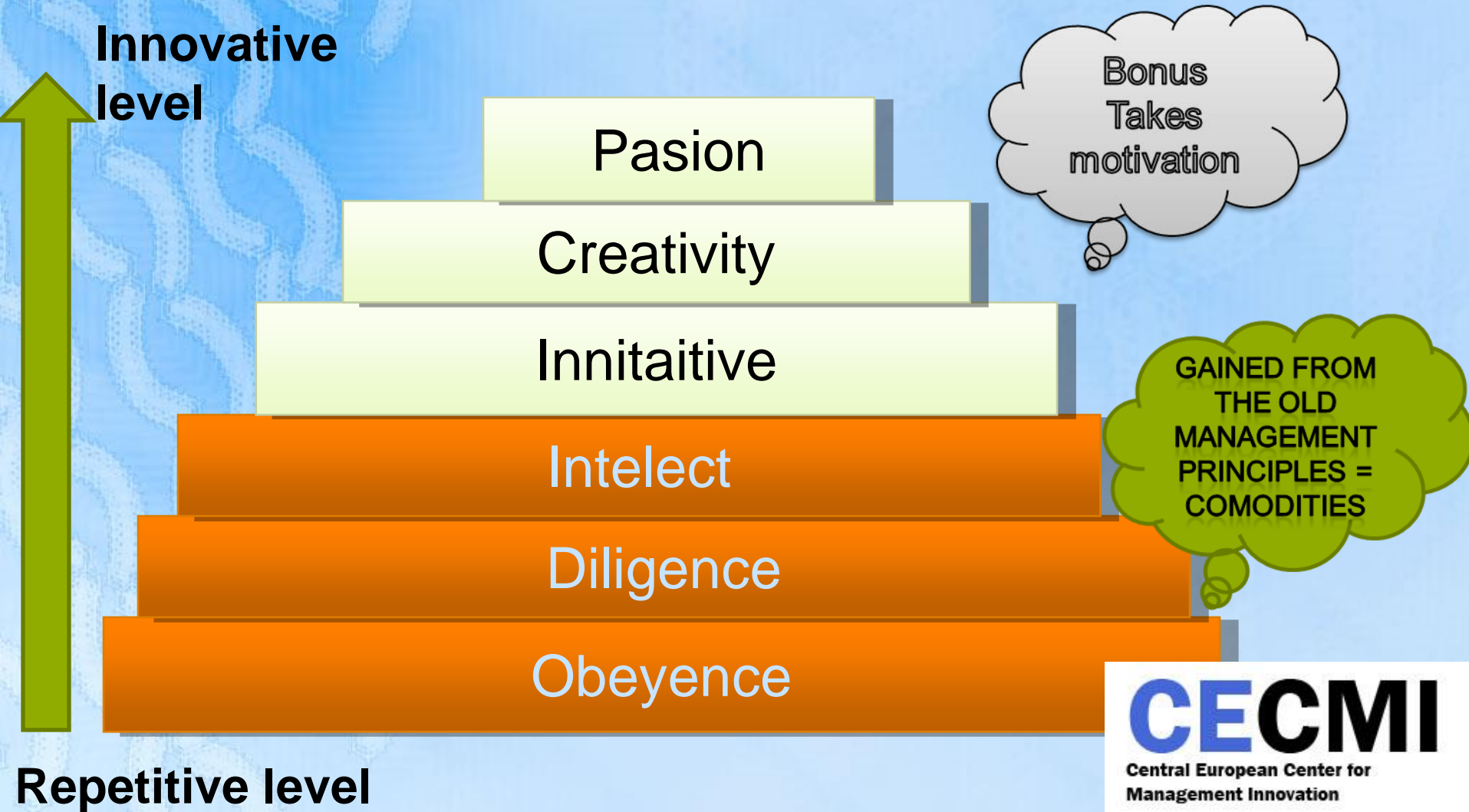
The focus of Management innovations today

.Key success factors of today

- Flexibility
- Motivated employees
- Market responsiveness
- Innovation

The traditional manage principles are less significant in importance and is an obstacle to above mentioned factors

The today the source of SCA, is the human capacities



How human resources are wasted

- Only 20 % of the workforce sees them selves as engaged in their work ****
- In Toyota which has a radical different management philosophy, the employed in Japan only, submitted 700.000 ideas for product and process improvement, and 90 % were so qualified that they led to projects.*
- Subaru is top score when it comes to ideas. Subaru a year ago received 108 ideas per employee and saved over \$ 5,000 per employee.***

Think of your company, how many ideas does your employees submit?

Do you use the human capacity efficient ?

*Michael J. Mol & Julian Birkinshaw - London Business School , **40 Years, 20 Million Ideas: The Toyota Suggestion System by [Yuzo Yasuda](#)

***Ideas Are Free, Alan G. Robinson, professor University of Massachusetts

**** Towers Perrin and Gallup 2007

Fundamental Management principles to get access to the human capital

	Before Old business models	Now New business models
View the employees as	As object	As Subject
Focus for management	How to make employees serve corporate goals	<ul style="list-style-type: none">•How to motivate employees to create and serve corporate goals•How to serve needs and goals of employees
Managers role	Authoritarian of Patriarch	Democrat

What can we do to improve our company's capacity for management innovation?

- **Become a conscious management innovator**
- **Create a questioning, problem-solving culture**
- **Seek out analogies and exemplars from different environments**
- **Build a capacity for low-risk experimentation**
- **Become a serial management innovator**
- **Start with an incremental approach with small steps -**

Obstacles for becoming Management innovator

- You need to think of management
- You need to think your self
- You need to create structures
- You need to dedicate time
- you need avoid Trajectories and Management Myopia!
- You need to work with the business culture

What culture is and is not

Three facts to have in mind before changing the culture

Structures do not automatically shape cultures, the structure is only facilitator for the culture.

Corporate culture does exist in a context and is part of the everyday culture of the people working there and the entire cultural background they bring with them from the past.

Culture is uncontrollable. The culture is shaped by everybody through everything there is said and done but also through what is not said and not done Thus culture is shaped in everyday life and not in the C.E.O. offices

Czech Business culture according to Hofstede

Country	Power Distance	Uncertainty avoidance	Long term orientation
EU 15	40	70	-
Czech Republic	57	74	13
Denmark	18	23	-
Finland	33	59	-
Ireland	27	35	-
Sweden	31	29	33
USA	40	46	29

Source: Geert Hofstede BV /
www.geert-hofstede.com 2007

Does management innovation fit all kind of companies

The Management innovation Mindset is Always Radical

	Radical Strategy Components: Strategy- Structure -Culture	Incremental Strategy MI as ad-on Components may vary
Part of the organization	<p>MI</p> <p>Decentralized Units</p> <p>HP</p>	<p>AD-ON Like</p> <p>Self managing groups in the production</p>
The entire Organization	<p>MI</p> <p>Generic Management innovation</p> <p>Oticon Google</p>	<p>AD-ON Like</p> <p>The balanced Scorecard</p>

The diagram illustrates 'Potential progress paths' with arrows indicating relationships between the Radical and Incremental Strategy columns. In the 'Part of the organization' row, a blue arrow points from the 'Self managing groups in the production' box to the 'Decentralized Units' box. In the 'The entire Organization' row, a blue arrow points from 'The balanced Scorecard' to 'Generic Management innovation', and another blue arrow points from 'The balanced Scorecard' to the 'MI' box. Additionally, a blue arrow points from the 'MI' box in the 'The entire Organization' row to the 'MI' box in the 'Part of the organization' row.

What can we do to improve our company's capacity for management innovation?

- Do you feel that the ideas of Management innovation could have impact on your organization
- Innovation viewed in the light of cross cultural business environments in The Czech Republic
- Does Management Innovation fit all kinds of companies?
- How can we transform the MI concept into something operational ?