

PRINCIPLES AND PRACTICES
for
THE INNOVATION OF MANAGEMENT

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Introduction

Charles Dickens said: “*Nothing changes as fast as change*”. Since, a host of technologies have converged and merged, globalization has advanced the business environment, and the Internet has emancipated ordinary people. All this has contributed to increase the scope, the size, and the speed of all sorts of changes. It has also put <innovation> in the smacking center of the attention of the business-leaders and of their customers because ...

*“innovations drive change in the markets,
and change in the markets drive innovations”.*

Under the impulse or collective creativity, of competition, and of customers, the art and the science of management have progressed. It has changed on a broad front benefiting from new technologies that made things faster and cheaper as well as from the unprecedented scaling of the circulation of knowledge and of the interactions of people.

And so, management has changed a lot, but, if we look closer, we find that management has changed mainly “where the rubber hits the road”, i.e. in the operations. The business-leaders have focused on the pressing needs of the business at hand, so as to produce the expected short-term results. But for the most part, the leadership has not changed the core of the management-system where we still find some of the deeply rooted tenets of management that have been legated by the gurus of the Industrial Revolution such as Taylor, Weber, and Fayol.

At that time, the boss had to discipline unskilled hands, and what counted were tangible resources like land, machines, and money. The Internet Age has changed all that. It has emancipated ordinary people, and what really counts now are the intellectual assets or intangible resources. So, why is it them that many business-leaders are still following some of the teaching of taylorism? Why is it that the <traditional organizations> continue to disconnect the planners and the doers, to sustain a costly and viscous bloated bureaucracy, to uphold organizational silos, and to implement an array of controls that discourage initiatives? Why does their management-reporting and rewarding system insidiously neglect the most important driver of performances, namely the intangible resources?

Well, as we all know, old habits die hard. Traditional management has been in place for such as long time, and this assuredly makes it even harder to uproot. Anyway, the innovation of management is a heavy and risky task, and the top management may not the will or it may not see the way to tackle such a project.

However, as mentioned earlier, change in the market drives innovations. Traditional organizations face a serious challenge from organizations that are born intuitively innovative or from enterprises that have successfully transformed themselves into innovative enterprises. Moreover, successful innovations drive change in the market place, and traditional organizations are not endowed with an innovative gene and lag behind. Let me, albeit very briefly explain what happens.

The management of innovation-projects normally covers progressively the **p**roducts, the **p**rocesses, the relations with the principal **p**artners upstream and downstream, the **p**ower of the strategic resources, and the business **p**olicy as well as the different levels and functions that take responsibility for each of these 5 <**p**>. The traditional organizations generally limit their innovations on the first two <**p**>. Their sparse and sporadic innovations do not afford a sustainable competitive advantage. Yet, the traditional organizations strain to raise the innovation-capabilities for the following reasons. They do not integrate innovation in their

strategy, they stymie innovation with obsolete systems of management and structures of the organization, and their organizational fragmentation impedes an effective circulation of the knowledge.

In order to transform a traditional organization in an innovative networking enterprise, and to outperform including with innovations, the leadership must review and as appropriate innovate the organization starting at the core of the management-system where we find the corporate guidelines that shape the thinking, the behaviors, and the actions, namely the Strategy fundamentals, the Style of the leadership, the Systems of management, the Structures of the organization, and the Shared critical competencies. I have written on that subject in the second edition of "The Innovative Enterprise", and in "At the Core of the Management-system". I show my site willysusland.com all my publications on the management of innovation and on the innovation of management, and interested readers are invited to post their comments where they have seen this paper.

Taking into account the above, the leadership may decide to launch a suitable program of change-management. In this paper, I would like to share hereafter a few ideas on the principles and the practices that the leadership should keep in mind when designing their program of the innovation of management.

The Principles of the Innovation of Management

"Without principles the practices are blind"

Let me start by laying down the following 3 principles of the <Innovation of Management>.

- Innovation is made by people, with people, for people. The innovation results from the way people think, the way they behave, and the way they act.
- People's thinking, behaviors, and actions needs to be driven by a coherent and cohesive set of mind-maps and of methods. To this effect, let me recall *Albert Einstein's* word of wisdom: "*No problem can be solved from the same consciousness that created it*". Thusly, the <Innovation of Management> may require the leadership to innovate their organization's mind-map of management.

Prof. J. S. Black illustrates the notion of the mind-maps with the following example. ⁽²⁾ Take the map of the world as published in Europe and you will see Europe placed nicely at the center; China is in the east and the U.S. in the west. Take the map of the world published in China or in the U.S. and you will see that the center of the map has shifted respectively to put China or the U.S. in the center. So, Black points out that the two ideograms that form the word "China" mean respectively "middle" and "kingdom", and obviously the Middle Kingdom was placed in the center of their map of the world.

Now look at the current map of the management, what do we find in the center? "Shareholder value", "customer comes first", "six sigma", "innovation", "sustainability", "short term financial performances" et cetera and so on. Of course, good management should encompass everything, but by putting a different notion at the center of our mind-map, we shift the thinking, the behaviors, and the actions of the people.

Some management gurus focus on managing efficiencies systematically. Some put the emphasis on stimulating the desired behaviors. But, the systemic approach is seldom taught. ⁽³⁾ And yet, our business environment has become increasingly complex, and we need a systemic view in order to understand how the various sub-systems work, and – most importantly – how they work together. The system and its sub-systems must be stimulating to overcome the resilient and insidious powers of inertia and routine. Last but not least, the organization needs continuity amidst change; it needs to combine efficiencies with creativity.

Since my days lecturing and consulting on Total Quality Management and on strategic management, I always try to combine the Systemic, the Stimulating, and the Systematic approaches, and hereafter I will show how I apply my axiom to the principles and practices of <Innovation of Management>.

- Thus, at the center of the map of the <Innovation of Management> there is a different construct, one that combines the systemic, stimulating, and systematic approaches. Hereafter, the model of the innovative enterprise that I present in the third part of my book. On page 210 of my book, I show the 3 approaches that I advocate, how they are applied, and the desired outcome that supports the innovative networking enterprise.⁽⁴⁾
 - *The systemic approach* helps to innovate the way people think. It is applied on the web of the 5 strategic resources, which constitute all the wealth of the enterprise. All efforts of the enterprise must converge on adding value to the strategic resources. I revert to this subject in the next section of this paper.
 - *The stimulating approach* helps to innovate the way people behave. To this effect, I advocate the collaborative mode of management, which is driven by the strategic and organizational deployment process, and that is implemented by self-managed teams that work and network on the basis of project-by-project.

The self-managed teams identify better with their project than with their business-unit. Moreover, they are motivated by taking full responsibility for their project. Of course, the self-managed teams get the right support from their networks, from the staff functions, and from their hierarchy.

This approach was inspired by *Jean Claude Biver*, one of the outstanding personalities of Swiss watchmaking. His exceptional career started with the revival of Blancpain, and old but practically extinct brand of luxury watches. Contrary to industry practice, Biver entrusted his watchmakers to make the watch from A to Z, and to sign their name on the watches they made. This was highly motivating, and the watchmakers produced the masterpieces that drove the success of the company.

- The systematic, simple, and swift approach uses an original method that I have developed, the <Model of the Two Rings>, that combines the strategic and the organizational deployments and a metrics that estimates the returns on all the strategic resources invested. The <Model of the Two Rings> identifies the projects, assigns them to the self-managed teams, and the organizational set up that I advocate for the innovative networking enterprise provides the teams with all the necessary support. I revert to this subject in the next section of this paper.

Let me chain on by laying down the following 3 practices of the <Innovation of Management>.

The Practices of the Innovation of Management

Without practices the principles are empty

I propose the following mind-map of the workings of the management, which features the interactions of the strategic resources and of the management processes.

- The enterprise owns and deploys *5 strategic resources*, namely (in my definition) the Corporate Capital, the Talent Capital, the Market Capital, the Life and Time Cycles, and the Financial Capital. Firstly, only one out of five strategic resources, namely the Financial Capital, consists essentially of tangible assets, while the other four consist essentially of intangible assets. Here you have a first shift of the center of

the management-map! The intangibles are the fundamental success factors of enterprises that operate in a dynamic and innovative business environment. ⁽⁴⁾

We all know that *the devil lies in the detail* and that we cannot manage with generalities alone. So, in my model each of the 5 strategic resources shows 5 resource-components. This enables the business-leaders and the life-forces of the organization to manage well each of the resource-components as well as their interactions.

- The management uses *management processes* in order to plan and to implement the deployment of the strategic resources. At the foundation of the construct of the practices and procedures of the enterprise, I use the *<Model of the Two Rings>*, which integrates the following 3 management processes. ⁽⁵⁾
 - The collaborative strategic planning (my model is based on the Hoshin Planning) has several functions. *First of all*, it manages the strategic deployment. This way it provides a comprehensive picture of the whole planning cycle. *Secondly*, it involves the life-forces of the organization, and thusly it starts top/down and bottom/up the collaborative mode of management. *Thirdly*, it establishes and it prioritizes the different types of projects. The projects are assigned and the operations management is done on the basis of project-by-project.
 - The organizational deployment gets the teams to establish networks inside and as appropriate also outside the enterprise in order to assemble the resources needed to achieve the objectives of the assigned project. The self-managed teams agree and align with their partners the roles, responsibilities, resources, reviews-evaluations-reward.
 - The *<Returns on Total Resources>* is an original performance evaluation system that I have developed in order to duly take into account the returns on the investment of the 5 strategic resources. I propose two methods in order to implement this system, which also takes into account the fact that management is carried out project-by-project and delegated to self-managed teams. The performance evaluation system is applied at the first level by the self-managed teams, by the networks at the second level, and by the hierarchy the third and final level. Obviously, the collaborative mode of management must be applied to the planning, to the implementation of the plans, to the checking i.e. to the performance evaluation system, and to the improvements + innovations.

Conclusions

The former Arthur Andersen Consulting emphasized: *“Companies cannot perform unless they perform together”*. The management cannot perform together unless the business-leaders and the life-forces of the organization see themselves going in the same direction and at the same speed on the same management-map.

Increasingly, the organizations have to innovate on certain aspects of their management. Increasingly to sustain success they have to innovate on the whole management rather than discretely on parts of it. To that effect, the leadership may have to innovate the way people think, the way they behave, and the way they act. Some managers merely focus on the way people act and maybe on some evident behaviors. But, ultimately people's actions and behaviors are based on people's thinking.

The more the management wants to delegate power to people, the more it wants to decentralize so as to be closer to the action, the more the management needs people to be autonomous and self-managing. Thusly, it becomes more important to align the thinking – behaving - acting of the life-forces with the strategy, the style, the systems, and the structures

of the organization. To this effect, I propose in my writing the mind-maps and methods that I have outlined in this paper.

The <Innovation of Management> get the self-managed teams to network and to innovate in the frame of a collaborative mode of management that is driven by strategy and powered by a reviews-evaluations-rewards system that recognizes the enablers as well as the results of the individuals, the teams, and their networks. The weight of the management is widely distributed, and it frees the senior management from micro-managing so that it can steer and support the life-forces of the organization, and keep the organization ahead. I propose a program of management innovation to facilitate the transformation of a traditional organization in an innovative networking enterprise.

Bibliography

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