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The Why, What, and How of Management Innovation

Key ideas from the [Harvard Business Review](#) article By Gary Hamel

The Idea in Brief

Breakthroughs in your company's management processes--such as creation of intellectual property, brand building, talent development--deliver potent competitive advantages. By perfecting the industrial research laboratory, for example, General Electric won more patents than any other U.S. company. And by revolutionizing brand management, Procter & Gamble created a product portfolio that scores \$1 billion in sales annually.

Yet most companies focus their innovation efforts on developing new offerings or achieving operational efficiencies--gains competitors quickly copy. To stay ahead of rivals, you must become a **serial management innovator**, systematically seeking breakthroughs in how your company executes crucial managerial processes.

The keys to serial management innovation? Tackle a big problem--as General Motors did by inventing the divisional structure to bring order to its sprawling family of companies. Search for radical management principles--as Visa's founders did when they envisioned self-organization--and created the first non-stock, for-profit membership enterprise. Challenge conventional management beliefs, which Toyota did by deciding that frontline employees--not top executives--make the best process innovators.

You can't afford to let rivals beat you to the next great management breakthrough. By becoming a serial management innovator, you cross new performance thresholds--and sustain your competitive edge.

The Idea in Practice

To become a serial management innovator:

Commit to a Big Problem

The bigger the problem you're facing, the bigger the innovation opportunity. To identify meaty problems, ask:

What tough trade-offs do we never get right? For example, does obsessive pursuit of short-term earnings undermine our willingness to invest in new ideas? Is our organization growing less agile while pursuing size and scale advantages? What other "either/or's" can we turn into "and's"?

What is our organization bad at? For instance, do we have trouble changing before we're forced to? Unleashing first-line employees' imaginations? Creating an inspiring work environment? Ensuring that bureaucracy doesn't smother innovation? Imagine a "can't do" that you can turn into a "can do."

What challenges will the future hold for us? For example, what are the ramifications of escalating consumer power? Near-instant commoditization of products? Ultra low-cost rivals?

Challenge Your Management Orthodoxies

Conventional wisdom often obstructs innovation. Ask your colleagues what they believe about a critical management issue. Identify beliefs held in common. Then ask if these beliefs inhibit your ability to tackle the big problem you've identified. If so, consider alternative assumptions that could open the door to fresh insights.

In your firm, common beliefs about change might include "change must start at the top." But this belief may be toxic to your organization. Why? It makes employees assume that they can't influence the company's business model or strategy. Thus they withhold their full engagement and passion--essential ingredients for continual organizational renewal. A more helpful alternative belief? "Change must start everywhere in our organization."

Exploit the Power of Analogy

Identify decidedly unconventional organizations, and look for the practices they apply that might help you solve your problem.

If you seek ideas for funding ordinary employees' glimmer-in-the-eye projects, study Bangladesh's Grameen Bank. It makes micro-loans to poor people with no collateral requirement and little paperwork. Borrowers--which by 2004 numbered more than 4 million--use the funds to start small businesses that benefit themselves and their communities. Ask: How can we make it equally easy for *our employees* to get capital to fund an idea?

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Further Reading

Articles

[Deep Change: How Operational Innovation Can Transform Your Company](#)

Harvard Business Review OnPoint

April 2004

by Michael Hammer

As you reinvent key managerial processes, also make operational innovations that support those reinvented processes. For example, Wal-Mart's cross-docking distribution system and Dell's build-to-order model have been central to these companies' huge success in executing their strategies. Operational innovations defy conventional assumptions about how work should be done. Zero in on assumptions that interfere with achieving your strategic goal--then get rid of them. A hospital, for instance, began responding to physician referrals more quickly when it challenged the assumption that beds had to be assigned *before* patients could be accepted. Now it assigns beds *after* accepting patients--while the individuals are en route.

Building an Innovation Factory

Harvard Business Review OnPoint

May--June 2000

by Andrew Hargadon and Robert I. Sutton

The authors describe a systematic method for innovating that you can apply on many fronts--including managerial processes. The keys? Capture good ideas by investigating multiple industries for proven management processes and learning how and why they work. Keep those ideas alive in your company by encouraging people to discuss them widely. Design your organization's physical layout to get people talking constantly about their work and about how they might perform it better. And quickly translate promising ideas into new or reinvented managerial processes that you can test and improve.

Decoding the DNA of the Toyota Production System

Harvard Business Review OnPoint

September--October 1999

by Steven J. Spear and H. Kent Bowen

The Toyota Production System (TPS) is a legendary example of breakthrough management innovation that has led to sustained competitive advantage. Using TPS, people throughout Toyota continually improve the processes required to carry out their work. They generate rules specifying how every activity should be performed. When they spot deviations from the specifications, they respond immediately with real-time experiments to either remove obstacles to following the specs or change the specs to improve work quality. Result? A disciplined yet flexible and creative community of scientists who continually push Toyota closer to its zero-defects, just-in-time, no-waste ideal.

About the Author

Gary Hamel is a visiting professor at London Business School and a founder of Strategos, an international consulting company based in Chicago. He is also the director of the Woodside Institute, a nonprofit research foundation based in Woodside, California.

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