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TIME TO INNOVATE MANAGEMENT?

Lessons from the Innovation Vanguard

ABSTRACT

Välikangas discusses how management of innovation needs a systemic change that moves it toward managing the infrastructure of resources available outside the organization. She showcases how innovation potential can be visualized and how valuable new resources can be identified and strategically managed. She concludes by presenting how organizations will look in the future.

SYSTEMIC CHANGE IN MANAGEMENT

Although big changes have taken place within the technology sphere throughout the past decades, organizational management has remained relatively unchanged. Moreover, a cursory look at employee satisfaction with management shows that dissatisfaction levels are high. Välikangas names just a few of the points that create such dissatisfaction. They are: inefficiency of performance management systems, disbelief in strategic planning, obsolete budgetary targets, poor capital allocation, and leadership shortfalls.

Digital technologies offer businesses and people unprecedented access to information. **The conundrum is that although big data is available at just a few keystrokes, there is more uncertainty about which direction businesses should take than ever before.** This uncertainty can be seen as one of the side effects of the fast-paced changes in the business landscape, changes that are themselves ushered by technological advancements. **Ideally, the pace of business management would not only match that of the digital developments, but also be several steps ahead**. This is the only way that businesses can try to keep up with the changes and successfully manage markets competitivity.

With all these issues, Välikangas debates whether managerial practices have reached their limit. She concludes that this is not the case. **What the management field needs is, rather, a systemic set of changes. This will help identify the outdated practices that are slowing down organizations**. From there, innovation can be employed to lead the field into a better direction, one that matches technological resources with customer needs. Thus, innovation management is the best fit for the changes that are needed with management. Innovation, by its very nature, is flexible and open — which is necessary to better use resources at a company's disposal. Likewise, innovation management can better harness digitalization and collaborative technologies.

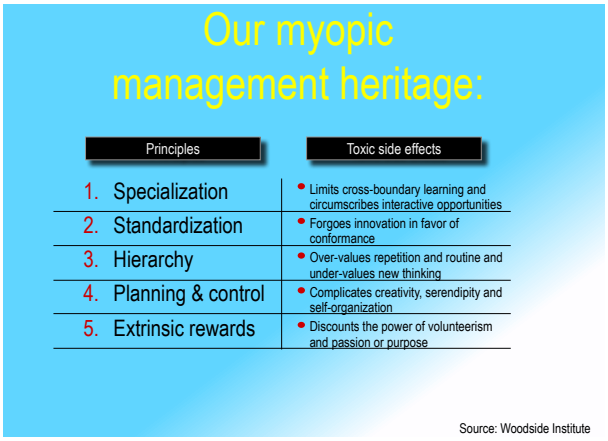
Slide 8: What Is the State of Management?

INNOVATING MANAGEMENT PRINCIPLES

Before innovation management can be implemented, an analysis of the field is needed to see what works well and what presents issues to the modern management in the process.

During the industrial revolution, when the foundational principles of management practices were developed, focus was concentrated on automating the work done by employees. Their work needed to be perfected so that surplus

actions were eliminated, and efficiency was maximized. Vàlikangas believes that **if robots existed during the industrial revolution, the field of management practices today would be different because it would focus more on machine-human co-creation.**



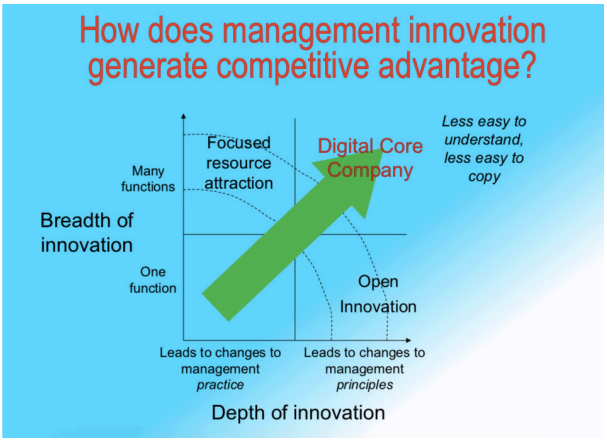
Slide 7: Our Myopic Management Heritage

This is not to say that existing management principles have not served the business world well, as they have created organizational cultures as we know them today. However, a closer look at the five main management principles shows that they contain drawbacks to innovation.

- **Specialization** creates difficulty in connecting cross-disciplinary collaboration.
- **Standardization** is the opposite of variation, in other words of innovation.
- **Hierarchy** blocks newcomers from disseminating their new ideas into the company. Listening to these new employees should be encouraged, not impeded, as there is just a short window of time before they are assimilated within the organization's *'way of thinking'.*
- **Planning and control** prevent open management. This basically means that curiosity, creative thinking, and going against the norm become inadequate traits.
- **Extrinsic rewards** (salary) are necessary but without intrinsic rewards (autonomy, a sense of community), satisfaction within the workplace is diminished.

Management practices need to start distancing themselves from these principles. Vàlikangas proposes that one way this can be done is by **employing serendipity within the organizational thinking. This brings much needed curiosity and playfulness to organizations.** This is not necessarily an easy task, as organizational cultures are often not all too open to newness. The general thinking is that, until proven valuable, time and resources should not be allocated to new opportunities, be it alternative solutions, small internal startups, or disruptive ideas. The problem with the resistance to newness in organizations is that it prevents company growth and it creates uniformity. This last point does not help companies create competitive advantage. Thus, it can be concluded that the potentially largest negative impact on organizations is not the application of new ideas but the culture of resistance to them.

Vàlikangas has created a model through which to calculate an organization's innovation management potential. The two main points are the breadth of innovation, whether it only covers one function or is it organization-wide, and the depth of innovation, whether it is surface level or systemic. **The more depth and breadth of innovation that resides in an organization, the more complex, unique, and forward moving it is. This also leads to a company having a digital core.**



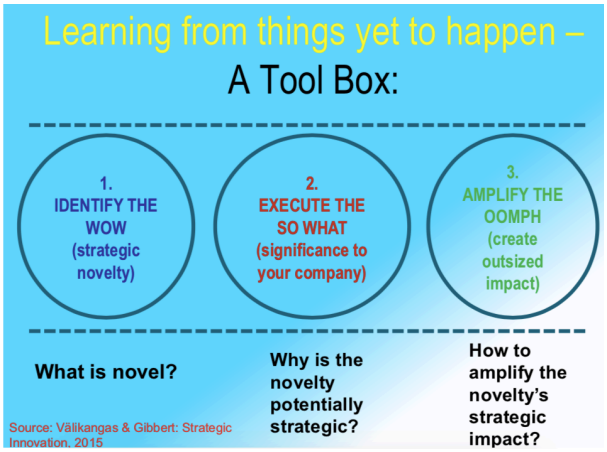
Slide 15: How Does Management Innovation Generate Competitive Advantage?

It is valuable for a company to have a digital core as this will help it strategically manage its resources. Vàlikangas refers to IBM's digital device democracy report in which the company introduced the concept of liquification of the physical world into the digital world. Put succinctly, the concept does not mean that digital overtakes the physical. That would be possible only in a Matrix reality. However, **through liquification, the physical world acquires an extra digital layer full of analytics. Organizations need to have a digital core (infrastructure) in place to enable liquification. This is how it will obtain analytics. From there is can harness this intelligent data** and use it to make the necessary changes to manage its resources more effectively and strategically.

IDENTIFYING AND MAXIMIZING RESOURCES

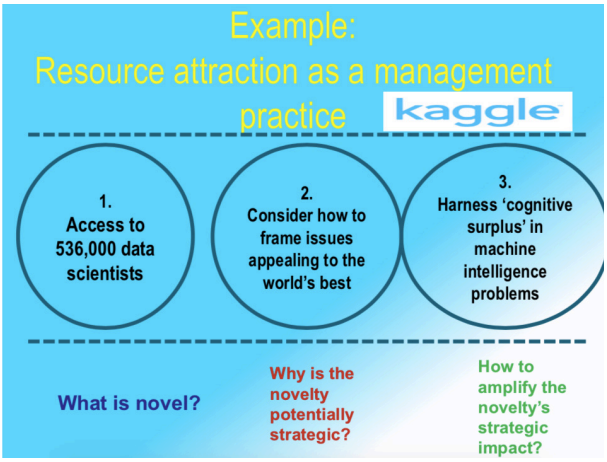
It is easy to say that you are open to new ideas. However, how do organization select the right

ideas that will lead it to success? Välikangas proposes a three-part model which she named: WOW-SO WHAT-OOMPH. She uses Kaggle, a digital platform that holds a community of 536,000 highly trained data scientists, in exemplifying her model. The scientists compete to solve the challenges posted on the platform by various companies and organizations.



Slide 13: The Three-Part Model for Smart Idea Investment

The first step within Välikangas's model, **WOW, refers to identifying the strategic novelty that resources can bring to an organization**. In the case of Kaggle, this is its size. An advice to more easily identify the wow factor is to pay attention to the emotions the resource elicits. Many times, what makes something memorable is not its complexity, but peoples' emotions to it. **SO WHAT indicates the strategic significance the product has for a company**. The value for Kaggle is that its community of data scientists can be used to solve organizational problems. Of course, the community needs to be enticed into doing this, but this is still a wonderful opportunity for an organization to have some of its toughest problems solved. Finally, **the OOMPH refers to amplifying the effect of the resource.** For Kaggle, this indicates keeping the connection alive with this community and letting them help in further developing the organization's strategic business methods.



Slide 14: Smart Idea Investment in Practice

FUTURE ORGANIZATIONS

With customer access to digital technologies, the liquification of the physical world, and the shifting of organizations toward open innovation, what will future organizations look like? Välikangas believes **organizations will become more alike to a bundle of resources, like a school of fish or a flock of birds. The *'schools'* or *'flocks'* will go, in different groupings, where a customer need is emerging. They will also be highly self-organizing, as they will tap into the data intelligence provided**.

This can sound abstract, but one needs look no further than at popular MMORPGs (massively multiplayer online role-playing games), such as Fortnite or World of Warcraft, to understand that this is already taking place around the world. Fortnite leads the way in collaborative scale, with 47 million players. The questions for organizations to solve are these: **how do they successfully tap into this technology and use it to enhance cooperation between people all over the world; and how do they benefit from the unprecedented scale of this collaboration?** With these questions answered, a big step will be made in changing how management innovation is done. Undoubtably, these changes will be of a serendipitous nature as they will be closely linked to large-scale collaborative communities.

Q&A

How will digitalization of labor affect the accessibility of jobs in the future?

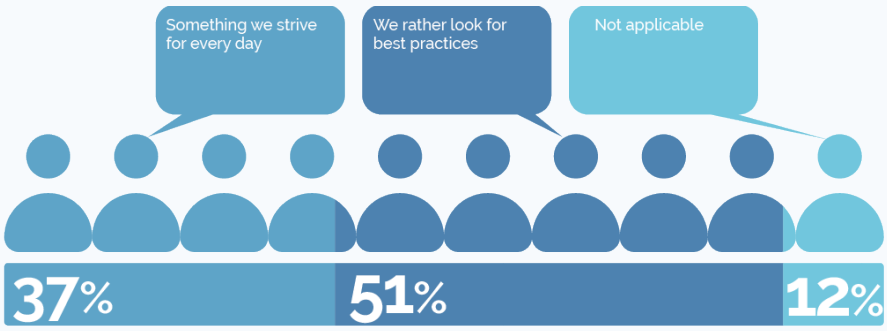
There are growing concerns regarding the issue of how technology affects employability. Välikangas, however, considers that to enable productive outcomes, an open mind is necessary. Routine work tasks will be automated which means that employees need to apply creative thinking to how they can distance themselves from monotonous tasks. This is very much connected to smart planning — ensuring that the same work is not done twice by machines and people.

Computers will not be tasked with just doing manual labor, so how will people and machines work together at a more complex level?

Välikangas says that the best way to maximize the computer-human interactivity is by viewing them as collaborators in business endeavors. If you compare machines and people, then you observe that both are good at what the other one is lacking. People have a harder time to come up with probabilities, combinations, or variables. They can do it, but not as well or as fast as computers who can produce thousands or millions. People are better at the type of non-linear, creative thinking that computers cannot do. Therefore, computers need to become our partners in future endeavors because co-creation leads to faster innovation.

LIVE POLL

Is management innovation in your company ...



[76 respondents]

KEY TAKEAWAYS by Innovation Roundtable®

- Systemic changes are needed within management innovation. These changes must shift the focus away from the principles of the industrial revolution, towards ones that are based on creative thinking, playfulness, openness, and serendipitous possibilities
- An organization's innovation management potential can be best conceptualized by observing its depth and breadth of innovation practices. Higher levels of depth and breadth lead to a company having a digital core, which is essential for fast and competitive innovation to take place
- In the future, organizations will look more like bundles of resources grouped together in different ways depending on different customer needs. These groupings will also use data intelligence to manage themselves largely independently