

MANAGEMENT INNOVATION

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Abstract

We define management innovation as the invention and implementation of a management practice, process, structure or technique that is new to the state of the art and is intended to further organizational goals. Adopting an intra-organizational evolutionary perspective, we examine the roles of key change agents inside and outside the organization in driving and shaping four processes –motivation, invention, implementation, and theorization and labeling – that collectively define a model of how management innovation comes about.

INTRODUCTION

Over the past half-century, scholars around the world have produced a vast body of academic research and writing on innovation. While most of this research has focused on various aspects of technological innovation (e.g. Henderson & Clark, 1990; Utterback, 1994), the trend over the last fifteen years has been towards exploring other forms of innovation, such as process innovation (e.g. Pisano, 1996), service innovation (e.g. Gallouj & Weinstein, 1997) and strategic innovation (Hamel, 1998; Markides, 1997), with a view to understanding how they are managed, and how they contribute to long-term firm success.

The focus in this article is on a relatively under-researched form of innovation - management innovation - and specifically on the processes through which it occurs. We apply a relatively narrow definition of management innovation, specifically *the invention and implementation of a management practice, process, structure or technique that is new to the state of the art and is intended to further organizational goals*. While many of the landmarks of management innovation are familiar to every business scholar (for example, GE's development of the modern research lab and GM's invention of the M-form organization structure), the amount of detailed knowledge about how management innovation is actually implemented is limited.

In its broadest sense, management innovation has, of course, received considerable research attention over the years. As we discuss in the following section, there are four key perspectives in the literature – an institutional perspective that focuses on the socio-economic conditions in which new management ideas and practices take shape (e.g. Guillen, 1994), a fashion perspective that focuses on the dynamic interplay between users and providers of management ideas (e.g. Abrahamson, 1996), a cultural perspective that focuses on how an

organization reacts to the introduction of a new management practice (e.g. Zbaracki, 1998), and a rational perspective that focuses on how management innovations –and the individuals who drive them - deliver improvements in organizational effectiveness (e.g. Chandler, 1962) There is also a related body of literature concerned with the subsequent *diffusion* of management innovations across industries or countries (e.g. Guler, Guillen, & MacPherson, 2002). But useful as these bodies of literature are, they have surprisingly little to say about the generative mechanisms by which new management ideas are first created and put into practice. Or to state the point slightly differently, our understanding of the *processes* of management innovation is currently very limited, and is based largely on a few well-known examples such as Chandler’s (1962) documentation of the emergence of the M-Form structure. What is required – and what this article provides a first step towards – is a systematic and grounded process theory of how management innovation transpires.

The current article focuses on the specific actions individuals inside or outside the firm might undertake that lead to the emergence of a management innovation – or what we might call *management innovating*, as a way of capturing the potentially critical role of human agency in the process. We address two specific questions. First, *what is management innovation?* How can we define management innovation in a useful and rigorous way, that emphasizes its distinctiveness? Second, and building upon the first question, *what are the processes through which management innovation comes about?* What does the literature tell us about the typical sequence of actions followed by individuals inside and outside the organization that result in the creation of management innovation? And to what extent can we induce a general set of arguments about the causal mechanisms through which management innovation takes place? The article concludes with some thoughts about the future research agenda that might be pursued to further advance our understanding of management innovation.

WHAT IS MANAGEMENT INNOVATION?

Management innovation involves the introduction of novelty to an established organization and as such it represents a particular form of organizational change. In its broadest sense, then, management innovation can be defined *as a difference in the form, quality or state over time of the management activities in an organization, where the change is a novel or unprecedented departure from the past* (Hargrave & Van de Ven, 2006; Van de Ven & Poole, 1995: 512). On the basis of this high-level definition, we identified four distinct perspectives on management innovation in the literature as summarized in Table 1. These four should be seen as the dominant perspectives around which research has clustered in the past, rather than as theoretically comprehensive in terms of the domain that they cover. Our approach draws to some degree on insights from all four perspectives, but relates most closely to the rational perspective.

Insert Table 1 about here

Four Perspectives on Management Innovation

The institutional perspective takes a macro-level and comparative approach to make sense of the institutional and socio-economic conditions in which particular management innovations emerge. For example, Guillen (1994) examined the impact of seven sets of institutional factors on the introduction of new managerial ideologies and techniques across four countries; Cole (1985) focused on how the balance between labor market incentives which are mostly set by the state, the relative strength of industry associations, and the

predisposition of organized labor, influenced the introduction of small-group activities in different countries; and Kossek (1987) examined industry and firm-level influences on the emergence of human resource management innovations. Normative beliefs about what is progressive may drive management innovation but those beliefs are also subject to long Kondratieff waves of economic change in which new technologies occur and create performance gaps that then necessitate management innovation (Abrahamson, 1997; Barley & Kunda, 1992). The institutional perspective measures innovation in terms of the discourse around particular ideologies and also at the level of specific practices or techniques. It gives no direct consideration to the role of human agency in shaping the process; instead it focuses on the pre-conditions in which an innovation first emerges and then the factors that enable industries to adopt these innovations.

The fashion perspective focuses on how management innovations emerge through the dynamic interplay between the managers who use new management ideas and the “fashion setters” who put forward those ideas (Abrahamson, 1991; 1996). This perspective provides a wealth of insight into how management fashions take shape - including a detailed understanding of the typical attributes of managers who buy into these fashions (Gill & Whittle, 1993; Huczynski, 1993; Jackson, 1986) as well as the ways in which fashion-setters shape incipient demand for their ideas (Benders and van Veen, 2001; Clark, 2004; Kieser, 1997; Mazza & Alvarez, 2000). However, it has little to say about the true origins of management fashions, or why certain innovations become fashions while others do not. The fashion perspective spans the macro and micro levels of analysis, with a concern both for the industry that supplies new management ideas as well as the behavioral reasons why individual managers choose to buy into those ideas. Management fashions can exist as abstract ideas or rhetorics, or as specific practices or techniques.

The cultural perspective attempts to understand how management innovation shapes, and gets shaped by, the culture of the organization in which it is being implemented. It operates at the meso level of analysis by looking at how individual attitudes towards management innovation interact with the organization-level introduction of the innovation. One strand of this literature takes a critical perspective (Knights & McCabe, 2000; McCabe, 2002), while the other adopts an intra-organizational process perspective (Stjernberg & Philips, 1993; Zbaracki, 1998) but both share some common themes: a recognition that established organizations do not change easily; that management innovation has both rhetorical and technical components; and that the outcome of the introduction of a management innovation is rarely what was intended by the senior executives who introduced it. Unlike the two previous perspectives, the cultural perspective provides some insight into *how* management innovations are implemented, though primarily from the point of view of those who are being asked to participate in the process, rather than those who are driving it. The outcome of management innovation according to this perspective is typically a reinforcement of the status quo (McCabe, 2002). This perspective does not deny that changes can occur as a result of management innovation, but the forces at work in large organizations typically dampen its impact.

The rational perspective builds on the premise that management innovations are introduced by individuals with a view to make their organizations work more effectively. According to this perspective, an individual puts forward an innovative solution to address a specific problem that the organization is facing, and s/he then champions its implementation and adoption (Burgelman, 1983; Howell & Higgins, 1990). Some studies from this perspective have favored a case-study methodology (e.g. Chandler, 1962; Tichy & Sandstrom, 1974),

while others have used large sample quantitative approaches (Damanpour, 1987; Kimberly & Evanisko, 1981), but all studies span the micro-macro levels of analysis by focusing on the actions of key individuals within an organizational and environmental context. There is also a sub-theme within this perspective concerned with the links between management and technological innovation, which suggests that they may coevolve (Damanpour & Evan, 1984; Ettlie, 1988; Georgantzas & Shapiro, 1993).

An Operational Definition of Management Innovation

This review of the literature highlights the very different approaches researchers have used to make sense of the phenomenon of management innovation, and it helps us to focus on four key questions that arise as we seek to develop an operational definition.

First, what exactly is being innovated? There is little consistency in the terminology within or across the four perspectives, but we believe it is useful to separate out two levels of analysis. At the more abstract level there are *management ideas*, defined by Kramer (1975) as “fairly stable bodies of knowledge about what managers ought to do [...] a system of assumptions, accepted principles and rules of procedure”. Examples of management ideas are Scientific Management, Total Quality Management, and the Learning Organization. While not identical, this concept of a management idea is comparable to Guillen’s (1994) notion of an organizational ideology, and Abrahamson’s (1996), Barley and Kunda’s (1992), and Suddaby and Greenwood’s (2005) notion of management rhetoric¹. At the more operational level, we can identify *management practices, management processes, management techniques and organizational structures*² (Alänge, Jacobsson, & Jarnehammar, 1998; Guillen, 1994) as different facets of the rules and routines by which work gets done inside organizations (for the sake of readability we use the term management practices in the

remainder of the article to cover this full range of activities). In definitional terms, this article will focus on management innovation at the operational level, i.e. in terms of introduction of new practices, processes, structures or techniques, because this is the level at which observable changes take place in the way work is done and the management innovation process can be witnessed. But, as will become clear, there is an important interaction between the development of new management practices and new management ideas, so our theoretical arguments will give due consideration to both levels of analysis.

Second, what are the relevant phases in the process of innovation? In management innovation, just as with technology innovation, it is possible to separate out invention from implementation. For example, Discounted Cash Flow (DCF) was invented in the nineteenth century, but it was only taken up by AT&T in the early 1920s and in France in the 1950s (Pezet, 1997). But rather than focusing on one or the other, we suggest a comprehensive theoretical framework needs to consider *both* elements and to understand how they interact with one another.

Third, how *new* does an innovation have to be? There are two equally valid points of view in the literature. Abrahamson (1996) and Kimberly (1981) define an innovation as “new to the state of the art”, which essentially means without known precedent. But many other researchers implicitly see innovation as “new to the organization”, so that for example the initial introduction of a Total Quality Management (TQM) program to an organization might be categorized as a management innovation (e.g. McCabe, 2002; Zbaracki, 1998). Our interest in this article is in “new to the state of the art” innovations, for the primary reason that this is the area where existing knowledge is the most limited. But the boundary between the two definitions is blurred: if one considers a spectrum of approaches to the

implementation of management practices, on the left side an organization might buy an “off the shelf” practice from a consultancy, and on the right side it might come up with a completely novel innovation of its own. Our interest is on those innovations towards the right side of the spectrum where the level of adaptation to the specific context of the innovating organization is high, and where there is a considerable level of uncertainty regarding its outcome.

Fourth, what is the purpose of management innovation? The fashion and cultural perspectives both see management innovation as having little lasting impact on the organization, whereas the institutional and rational perspectives view management innovation as generating positive outcomes for the innovating firm and/or for society as a whole. As suggested earlier, our focus is aligned most directly with the rational perspective, in that we view management innovation as *intending* to further the organization’s goals, which may include both traditional aspects of performance (e.g. financial goals) as well as softer aspects (e.g. employee satisfaction). This is appropriate because it helps to explain why firms are prepared to engage in the costly and somewhat risky process of management innovation in the first place. This approach serves to underline the important point that not all management innovations are ultimately successful. For example, Volvo experimented for many years with cellular manufacturing, with the intention of delivering significant benefits, but the innovation was ultimately discontinued (Berggren, 1992). Moreover, it should also be noted that goals are rarely entirely exogenous to the organization; indeed the process of innovating can result in the introduction of new practices or programs that ultimately change the organization’s goals (Selznick, 1957).

In sum, we define management innovation³ as *the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals* (see table 2 for a list of examples). And while it is not a necessary component of our definition, it is worth reinforcing that our perspective on management innovation gives conscious attention to the individuals who drive the process. Indeed, one of the themes of this article is the need to increase the emphasis on human agency in management innovation, while not losing sight of the contextual dynamics that are the focus of the institutional and fashion perspectives. As McCabe (2002: 509) put it, “what is required is an understanding of innovation as part of a far more complex social process: interrelated to the way in which individuals interpret, act, and ascribe meaning to the world”.

Insert Table 2 about here

Management Innovation versus Related Constructs

Having established an operational definition of management innovation, we still need to make a *prima facie* case that a theoretical discussion of the process of management innovation -in its own right- is necessary.

We propose three key factors that make management innovation distinctive. First, the introduction of something “new to the state of the art” creates considerable ambiguity and uncertainty for the individuals in an organization. Ambiguity arises because of a lack of understanding of the intended value of the innovation; uncertainty arises because of a fear that the innovation will have negative consequences for the individual and/or the organization. If an organizational change is proposed that has already been successfully

implemented elsewhere (for example, the installation of a new IT system), its proponents can allay the concerns of individuals by referring back to those prior successes, but if the change is new to the state of the art then the task of reducing ambiguity and uncertainty is much harder.

Second, there are important differences in the nature of the outputs of management innovation and technological innovation that affect how the respective processes unfold. Management innovations are typically tacit in nature and “difficult if not impossible to protect by patent” (Teece, 1980: 464); they are also relatively “difficult to observe, define and to identify system borders for” (Alange et al, 1998: 8). Taken together, these attributes allow a higher level of subjective interpretation on the part of the potential user than is common with technological innovations, which in turn increases the importance of the social and political processes followed by the proponents of the innovation.

Third, very few organizations have well-established and specialized expertise in the area of management innovation. A typical large organization might employ tens or hundreds of scientists with technological innovation skills, but few if any with proven management innovation skills (the closest are Organization Development consultants, who seek systemic ways of improving the overall effectiveness and health of the organization). This lack of expertise both heightens the uncertainty of management innovation for people across the organization, and also increases the need for external support.

Taken together, these attributes suggest that the management innovation process can potentially require fundamental changes in the routines or DNA of the organization⁴ (Argyris and Schon, 1978) that make it very difficult to undertake in an effective manner, and

significantly harder than the generic process of organizational change (where the change is just new to the organization, rather than the state of the art), or the process of technological innovation (where the innovation is relatively more tangible and less system-dependent). These factors, in turn, highlight the need for management innovators to seek out distinctive approaches to building the legitimacy of the new practice to make it acceptable to the various constituencies in the organization (Ashforth & Gibbs, 1990; Greenwood, Hinings & Suddaby, 2002; Suchman, 1995). One such approach is likely to be *a greater degree of emphasis on independent validation from external sources to establish the legitimacy of the new practice* than would be the case for a generic organizational change activity (where previous successful changes can be referred to) or a technological innovation (which is more likely to have objective benefits and/or a technical standard to which it subscribes). Such external sources can be useful providers of both moral and cognitive legitimacy in the absence of hard evidence that management innovation will be valuable, and allow the innovators to “manipulate the environmental structure by creating new audiences and new legitimating beliefs” (Suchman, 1995: 587). A second approach is likely to be for the *innovators to focus their efforts on organizations (or specific units within organizations) with prior experience in management innovation*, on the basis that these units understand the challenge faced by the management innovators and are therefore likely to be more tolerant of the uncertainty and ambiguity it brings (Kossek, 1989). In legitimacy-seeking terms, this can be seen as a strategy to “select among multiple environments in pursuit of an audience that will support current practices” (Suchman, 1995: 587).

It is also useful to consider briefly the difference between a management innovation and a management fashion - a “relatively transitory collective belief that a management technique [or idea] leads to rational management progress” (Abrahamson, 1996: 257). For the most

part, management innovations can be thought of as potential management fashions: some, such as Six Sigma or the Balanced Scorecard, *become* management fashions when they get taken up by a significant number of management fashion users; others either die out or remain in use in a relatively small number of firms. But it is also possible for management fashions that are expressed in highly abstract terms to spur management innovations. For example, the “knowledge management” fashion of the early 1990s led individuals and organizations to put in place specific practices, such as communities of practice, that were management innovations in their own right. We return to the relationship between management innovation and management fashion in the discussion.

THE PROCESSES OF MANAGEMENT INNOVATION

The second part of this article addresses the question: what are the processes through which management innovations come about? Building on our conception of what makes management innovation unique, we develop a framework that highlights the four interlinked phases of the process and the roles played by two key sets of stakeholders. This framework is then fleshed out using theoretical arguments and examples from the management literature.

The framework, illustrated in figure 1, has two dimensions. The horizontal dimension consists of four phases of the innovation process: *Motivation* is concerned with the facilitating factors and precipitating circumstances that lead individuals to consider developing their own management innovation; *Invention* is an initial act of experimentation, out of which a new hypothetical management practice emerges; *Implementation* is the technical process of establishing the value of the new management innovation *in vivo* (i.e. in a real setting); and *Theorization and Labeling* is a social process whereby individuals inside

and outside the organization make sense of and validate the management innovation to build its legitimacy.

This four-phase process builds on the intra-firm evolutionary perspective advanced by Burgelman (1991) and Zbaracki (1998), whereby changes perceived in the environment (motivation) lead to variations in management practices (invention), some of which are then subject to internal selection (implementation) and retention (theorization and labeling). We expect the process to be shaped in large part by the conscious and deliberate actions of key individuals, but we also recognize there is a role for unintended actions by individuals and random changes inside the organization in affecting the process of management innovation.

We expect two groups of individuals to shape the process. One is labeled *internal change agents*. These individuals are the employees of the innovating company who are proactive in creating interest in, experimenting with, and validating the management innovation in question. (Howell and Higgins, 1990; DiMaggio, 1988). The other key group of individuals is labeled *external change agents*. These individuals, similar to Guillen's (1994) management intellectuals and Abrahamson & Fairchild's (2001) idea entrepreneurs, are independent consultants, academics, and gurus who are proactive in creating interest in, influencing the development of, and legitimizing the effectiveness and retention of new management practices (DiMaggio, 1991). As suggested earlier, we expect external change agents to play a major role in management innovation because they provide legitimacy and expertise in many different phases of the process - they can give credibility to the original idea that sparks off the experiment inside the company, they can act as sounding boards or action researchers alongside the internal team during the implementation phase, and they can play a role in

theorizing about and labeling the innovation (Chandler, 1962; Kaplan, 1998; Pezet, 1997; Stjernberg & Philips, 1993; Yorks & Whitsett, 1985).

A key feature of this framework is that it does *not* assume a simple left-to-right sequence of activities. As Zbaracki (1998: 612) observes, the processes of innovation will typically be complex, recursive, and occurring “in nested and repeated cycles of variation, selection and retention”. We address this point by focusing our attention on how individuals iterate between the adjacent cells in the framework by identifying nine core activities⁵. For example, the activity “problem-driven search” involves internal change agents iterating back and forth between motivation and invention, while the activity “agenda setting” involves interaction between internal and external change agents (cf. Burgelman, 1983; 1991).

Insert Figure 1 about here

Figure 1 identifies the nine core activities (indicated by the double-arrows and text spanning the boxes) and the nature of the innovation or its constituent parts (indicated by the numbered text within each box). Figure 1 also indicates the important role of context in shaping management innovation. Organizational context is the administrative and social mechanisms that management can manipulate to shape the behaviours of actors in the organization (Bower, 1970; Burgelman, 1983), and will have a direct impact (positive or negative) on the ability of internal change agents to pursue the core activities associated with management innovation. Environmental context is the broad set of stimuli, exogenous to the focal organization, that shapes the management discourse (Guillen, 1994) and thereby influences the priorities and efforts of external change agents as they engage with organizations. While these two aspects

of context potentially influence all activities associated with management innovation, we discuss them in detail only in those places where their role is critical.

Motivation phase

The motivation phase refers to the preconditions and facilitating factors that lead individuals in a company to be motivated to experiment with a new management innovation. It addresses the question: under what conditions, or in what circumstances, do executives deem existing management practices to be inadequate to their needs? The answer to this question is far from straightforward, because it is necessary not only to identify the conditions under which executives search for new management innovations, but also to specify the circumstances in which they choose *not* to adopt one of the existing solutions that can be obtained in pre-fabricated form from the so-called “management fashion setting community” (Abrahamson, 1996). For management innovation to occur, in other words, the market for management fashions has to fail.

Internal change agents. Consider first those on the “demand” side of the market. Established theory suggests that the demand for new management practices is driven by a perceived shortfall between the organization’s current and potential performance (Barley & Kunda, 1992; Cyert & March, 1963; Guillen, 1994)⁶. A perceived shortfall can be caused by a problem that undermines current performance but also by opportunities that may exist and the anticipation of environmental changes (Cyert & March, 1963; Ocasio, 1997). In some instances individual managers in an organization may attribute this shortfall simply to a failure to execute under existing arrangements, but in others they may identify a specific problem or opportunity vis-à-vis their existing management practices. They engage in a problem-driven search process that begins with existing and proximate contacts, and once a

satisfactory solution has been found, the search is terminated and the solution is implemented. In cases where the individuals choose to look outside their own organization for a solution they are confronted with a management fashion-setting community, which both shapes the belief systems of users as to what is rational, and peddles its particular solutions to users' problems or perceived opportunities. Constrained by both the pressure to conform to the norms of rationality of the organization's institutional field, and by the costs of evaluating multiple competing offers, managers will often choose to adopt the solution which appears to be the most progressive and legitimate (Abrahamson, 1996). This, of course, is the process through which management fashions spread.

Sometimes, however, managers will choose to experiment with developing their own novel solutions to address their performance shortfall. In the language of institutional theory, such an act can potentially "appear irrational and retrogressive" (Abrahamson, 1996: 263), but there are several conditions under which it may transpire – when the pressure to try something new overcomes the pressure to conform to externally-arbitrated management norms. We suggest two such sets of conditions. The first is where internal change agents are able, through an agenda-setting activity, to frame the problem or opportunity such that internal stakeholders view it as genuinely new, or as something that can not be resolved by buying an existing solution from the fashion setting community. Consider, for example, the Danish hearing-aid manufacturer Oticon. Its CEO at the time, Lars Kolind, was able to convince his employees and board of directors that Oticon faced a significant threat to its viability from large competitors such as Philips and Siemens, and this was sufficient for him to push through a radical innovation that he labeled the "spaghetti organization" (Foss, 2003; Lovas & Ghoshal, 2000).

The second broad condition is when the organization context is supportive of new thinking, and thereby enhances the degrees of freedom for internal change agents to pursue their novel ideas. The notion of a supportive organization context has been conceived in two broad ways in the literature, both of which are potentially relevant here. One set of arguments focuses on the role of management in creating an informal context that encourages individuals to take initiative (Ghoshal and Bartlett, 1994). For example, the more exposure managers have had to different industries and organizations, the more receptive they are likely to be to ideas for new practices (e.g. Oldham and Cummings, 1996). The other set of arguments is more concerned with the formal processes of the organization, and the extent to which they institutionalize the pursuit of new or better ways of working. For example, we might expect the rigor of the decision-making process in the organization to have a positive influence on internal change agent motivation because by clarifying the pros and cons of an idea the uncertainty and ambiguity associated with it are reduced.

In sum, internal change agents evaluate a problem or opportunity through an *agenda-setting* dialogue with external change agents that helps to establish its novelty, and with reference back to the supportiveness of the current organization context. To the extent that the problem or opportunity can be framed as novel, and the context is supportive, the preconditions for management innovation exist.

External change agents. The role of external change agents in motivating management innovation is no less tricky, because they can also be participants in the market for management fashions. However, selling standard solutions and frameworks is not all that external change agents do: one can identify a spectrum of management knowledge with new ideologies and ideas at the more abstract end and new practices and techniques at the more

practical end. Those external change agents who focus at the more abstract end of the spectrum are more likely to provide a fertile environment for management innovation because of the “interpretive viability” of their ideas, i.e. the extent to which they can be adapted to multiple agendas (Benders & van Veen, 2001; Clark, 2004).

External change agents can interact both directly and indirectly with internal change agents in agenda setting⁷. They generate their influential points of view by linking their interpretation of changes in the environmental context with agenda-setting conversations about the practical issues facing executives. They are also influenced by prior cases of management innovation they have been involved with: in Figure 1 this feedback loop is indicated by the three horizontal processes (*idea contextualizing*, *idea refining*, and *reflective theorizing*) that we discuss in greater detail below.

Invention Phase

Invention refers to either random or planned variations in management practices, some of which subsequently get selected and retained by the organization (Burgelman, 1991; Campbell, 1965). It is the phase in which a hypothetical new practice is first tried out in an experimental way. Figure 1 suggests three ways in which internal change agents might come up with a hypothetical new practice: *problem-driven search*, *trial and error*, and *idea linking* with external change agents. While each of these sub-processes has value in its own right, our expectation is that invention is more likely when they are applied in combination, just as new technologies typically arise through novel combinations of existing ideas and practices (Hargadon, 2003: 65; Kogut & Zander, 1992; Schumpeter, 1947).

Problem-driven search is a conscious and often planned activity in which individuals seek to create a new practice in response to a specified problem or opportunity (Cyert and March, 1963). Chandler’s (1962) description of Alfred Sloan’s introduction of the M-Form structure

suggests a process of this type: Sloan's proposed changes in 1920 were a direct response to the complexity that had been created by bringing together five independent businesses. As Sloan himself noted "I wrote the "Organizational Study" for General Motors as a possible solution for the specific problems created by the expansion of the corporation after World War I" (Sloan, 1963: 32).

Idea linking is likely to be a more serendipitous activity, in that it requires a creative spark to emerge from the interactions between internal and external change agents. For example, the concept of Activity Based Costing was developed by Robert Kaplan, a business school professor, through conversations with executives at Scovill Corporation and John Deere & Co. about new cost measurement approaches they were experimenting with (Kaplan, 1998: 98). Kaplan had been developing his own ideas about ways of overcoming the failure of existing cost measurement systems (idea contextualizing), and the Scovill and Deere executives had been experimenting inside their own organizations (trial and error). But the birth of Activity Based Costing *per se.* came when Kaplan and the corporate executives began to interact.

Finally, *trial-and-error* occurs when the feedback about a new idea comes from trying it out in practice, rather than from how well it solves an existing problem or how well it fits with the ideas of an external change agent. We can expect trial-and-error to be an important part of any effective management innovation (when undertaken in combination with other activities), but it is also possible for trial-and-error to be an unintended or *ad hoc* starting point for the whole process. New practices can emerge through serendipitous events of this type, and they can also occur when an existing practice is adapted to fit different circumstances (Czarniawska & Sevón, 2005; Mamman, 2002; Sturdy, 2004).

The role of external change agents in the invention phase mirrors that of internal change agents. In other words, their ability to come up with new theoretical ideas for management practices is a function of three often-linked activities. *Contextualizing ideas* involves speculating on new ideas that potentially address problems and opportunities in the business environment. *Idea refining* involves thinking through and revisiting these ideas with reference to the external change agent's prior experience in other settings. And *idea linking* involves reconciling the external change agent's deep theoretical knowledge with the context-specific ideas of internal change agents. For example activity-based costing emerged through a combination of dissatisfaction with existing accounting methods and Kaplan's perspectives on the changing pressures on manufacturing companies, but it then required an explicit link to Scovill and Deere for the concept to be put into practice (Kaplan, 1998).

Implementation Phase

The implementation phase consists of all the activity on the "technical" side of the innovation after the initial experiment up to the point where the new management innovation is first fully operational. Like Zbaracki (1998) we distinguish between the technical elements of the work and the rhetorical elements that are concerned with theorizing and labeling the innovation (discussed in the next section). Our description of this phase involves making sense of the actions of internal and external change agents in implementing the new practice, as well as understanding the ways existing employees react to it and influence its implementation (Lewin, 1951).

Internal change agents. Figure 1 indicates two primary activities that internal change agents engage in as they attempt to implement a new practice. One is *trial and error*, in

which progress is achieved by monitoring and making adjustments against the original concept. For example, to develop Procter & Gamble's "Connect and Develop" innovation process, its originator, Larry Huston, observed that he ran "six years of experiments" before he had a proven methodology for tapping into external sources of technology (Birkinshaw, Crainer and Mol, 2006). The other activity is reflective experimentation, in which internal change agents evaluate progress against their broader body of experience. For example, Stjernberg and Philips (1993: 1199) made the following observation about how such individuals can be most effective: "As the [innovation] attempt proceeds, he [the internal change agent] needs to be able to learn from the consequences of his own actions and to alter these actions accordingly. He will be more capable of seeing and learning how to manage the change and the learning dilemmas if he has a well-developed capacity for reflection."

Organization context also plays an important role in facilitating or inhibiting the implementation of new ideas. Zbaracki (1998) observes that the reaction of employees to implementing new management practices is generally negative: they are likely to be intimidated by innovations, particularly if they have a significant technical component, and they are mostly ignorant of their potential benefits. But the cultural perspective on management innovation suggests employees reactions will also vary according to their personal circumstances and the immediate work environment in which they are placed (Knights and McCabe, 2000). The implementation process is therefore likely to involve careful maneuvering by internal change agents as they focus their efforts towards those parts of the organization that are more amenable to change. As the literature on technological innovation describes, such tactics include pursuing corridors of indifference through the organization, building coalitions of senior executives to support their ideas, framing innovation as an opportunity not a threat, accessing resources beyond the individual's control, and maintaining a generally tenacious and persistent attitude (Howell & Sheab, 2001;

Rothwell, Freeman, Horsley, Jervis, Robertson, & Townsend, 1974; Wrapp, 1967; Schon, 1963).

Taken as a whole, the literature suggests that implementation transpires through a dialectical process (Van de Ven & Poole, 1995). Internal change agents try out the proposed new practice, and they evaluate its progress against the original idea (*trial and error*), its conceptual validity (*reflective experimentation*), and the reactions of other employees (i.e. the organization context). Some aspects of the new practice may prove to be unworkable, and the reaction of employees may in some cases be directly opposed to what is being pursued. But after several iterations, an outcome will often emerge that is a synthesis of the opposing forces (Knights & McCabe, 2000; Zbaracki, 1998). In other cases, the internal resistance generated by various aspects of the organization context may be sufficiently strong that the experimental new practice does not get taken forward at all.

External change agents. The role played by external change agents in the implementation phase is less clear-cut than in other phases. External change agents lack the deep contextual knowledge of the focal organization, or the accountability for results, that most internal change agents face, so they rarely play an active role in actually implementing new ideas *in vivo*. However, we suggest they potentially play a critical indirect role in making management innovation happen.

The essence of the external change agent's role is to create a thought experiment (analogous to an *in vitro* experiment performed by a biologist before a new molecule is tried out *in vivo* in a live body). External change agents draw from their prior experience (*reflective theorizing*) and deep knowledge of the domain in question to sharpen their new idea (*idea*

refining), and on the basis of the insights gained they attempt to influence and direct the implementation efforts of the internal change agents (*idea testing*). There is some evidence of what this set of activities looks like in practice. For example, Stjernberg and Philips (1993) highlight the roles external change agents play as facilitators and sounding boards, and Kaplan (1998: 106) provides a thoughtful account of his own experiences in this area:

“During this process of intimate engagement with implementation, the action researcher [i.e. the external change agent] not only advances the theory underlying the concept, but also becomes a skilled practitioner [...] Such skill also enables the action researcher to distinguish between theory limitations vs. poor implementations when companies experience difficulties applying the innovation.”

These activities can, as Kaplan suggests, be thought of as a form of action research – where the aim is to “build theories within the practice context itself, and test them there through intervention experiments” (Argyris and Schon, 1991: 86). In terms of our framing, the external change agent therefore plays a dual role, oscillating back and forth between his/her thought experiment about what might make sense in the world of management ideas, and the *in vivo* implementation of what actually works in the world of practice. This dual role potentially offers great insights to both worlds. Unfortunately, though, the evidence suggests interventions of this type are on the decline. While action research has an illustrious past (Emery and Trist, 1963; Lewin, 1946), it has lost ground in recent decades to more passive forms of research, a point we return to in the discussion.

Theorization and Labeling Phase

In the fourth phase, the new practice is retained or institutionalized within the organization. While an effective implementation, as described above, is clearly a necessary part of the process, the intangible and system-dependent nature of management innovation means that the results of the implementation are likely to be highly unclear for several years (Teece, 1980). We therefore expect there will be an important rhetorical component associated with a successful management innovation. Key change agents will seek to make the case with constituencies inside and outside the organization that the new practice is legitimate – even though this new practice represents (by definition) a departure from the tried-and-tested offerings of the fashion-setting community (Abrahamson, 1996; Suchman, 1995).

We view this phase as consisting of two interlinked elements: *theorization* and *labeling*. Theorization is defined as increasing “the zone of acceptance by creating perceptions of similarity among adopters and by providing rationales for the practices to be adopted” (Greenwood, Suddaby, & Hinings, 2002; Strang & Meyer, 1993; Suddaby & Greenwood, 2005; Tolbert & Zucker, 1996). In the context of the current article, theorization is therefore about first building a logical rationale for the link between an organization’s opportunities and the innovative solution that is being put in place and, second, expressing that logic in terms that resonate with key constituencies inside or outside the organization. *Labeling* refers to the selection of a name for the management innovation in question that reflects its theorization and the production of an associated description. Labels have been shown to have a significant effect on the acceptability of management practices to various constituencies (Eccles & Nohria, 1992; Kieser, 1997).

Internal change agents. The primary role of internal change agents in this phase is to build legitimacy for the innovation among employees of the organization⁸. To defuse the

widespread skepticism towards management innovation that employees often exhibit (Knights and McCabe, 2000), internal change agents will often theorize about the value of the new practice and label it in such a way that employees see its potential value, and also see it as consistent with the prevailing norms of the organization. It is useful to apply Suchman's (1995) three basic forms of legitimacy to help clarify the approaches used here. Pragmatic legitimacy (appealing to employees' self-interested calculations) is pursued by showing early evidence of the innovation's value, and by allaying employees' concerns, but such evidence is likely to be hard to come by in the early stages of implementation. Moral legitimacy (a positive normative evaluation through consistency with the organization's value system) is pursued by playing up how the innovation builds on previous changes the company has been through, and/or that the organization has a tradition of trying out new ideas. Finally, cognitive legitimacy (the development of plausible explanations for the innovation that mesh with larger belief systems and the experienced reality of the audience's daily life) is pursued by showing that management innovation is a necessary solution to a specific and novel challenge facing the organization (Tolbert & Zucker, 1986).

This form of internally-focused theorization and labeling is best performed by internal change agents because they have the existing credibility with employees (Stjernberg & Philips, 1993). This is achieved through a combination of *reflective experimenting* (whereby the new practice is interpreted in the light of the internal change agents' broader body of experience) and *theory-linking* with external change agents (by talking to them directly, by reading their books, or by listening to them speak).

External change agents. The role of external change agents in the theorization and labeling phase is two-fold. First, they have an important role to play in building cognitive

legitimacy inside the organization, because their status as independent experts means they are brought in, for example as speakers at company events, to verify both the significance of the challenge the organization is facing and the validity of the proposed innovation as a response to that challenge. This form of input is referred to in figure 1 as *theory linking*.

External change agents also play a major role in building legitimacy for the innovation beyond the boundaries of the organization. This is often deemed by the organization to be a worthwhile activity because most employees have some level of awareness of how their organization is viewed by external constituencies (through customers and outside partners, friends, or the media), so their opinion of the innovation is shaped to some degree by what external constituencies say about it. Influential media such as newspapers and magazines have been shown in other contexts to play an important role in legitimating the actions of individual executives and organizations (Deephouse, 2000; McQuail, 1985; Mazza & Alvarez, 2000; Pollock & Rindova, 2003), and we would expect them to play an important role here as an indirect communication channel through which employees' attitudes towards the innovation are shaped.

The externally-focused theorization and labeling process involves a different set of challenges to the internally-focused process. The external constituency is typically management intellectuals such as senior leaders in other organizations, journalists, consultants, and academics (Guillen, 1994). These individuals operate at a more abstract level than employees (i.e. they are likely to focus on management ideas rather than practices); they are more positively disposed to management innovation than employees (because they run no personal risk of failure); and they have a less detailed understanding of the innovation than employees. As a result of these differences, the approaches used to build legitimacy for the

innovation to external audiences are likely to be somewhat different. Pragmatic legitimacy can only be achieved vis-à-vis external constituencies by demonstrating that the innovation is yielding valuable outputs. Procter and Gamble claimed, for example, that they increased the percentage of new products arising from external ideas to 40% as a result of their “Connect & Develop” innovation process (Huston & Sakkab, 2006). However, such evidence is relatively hard to put together in the early stages of a management innovation for reasons we have discussed.

Moral legitimacy is pursued by seeking a positive normative evaluation of the innovation among managerial intellectuals, which may involve showing how the innovation is procedurally consistent with existing management practice (for example Six Sigma was positioned as a successor to TQM; Harry & Schroeder, 2000), or it may involve demonstrating the credentials of the organization as a proven high-performer with a track record of innovation. Cognitive legitimacy, in contrast, is typically pursued by framing the innovation as a logical solution to one of the generic challenges or problems that all large organizations face. In Kieser’s (1997: 57) words: “The implementation of the new principles is presented as unavoidable [by management gurus], because the old principles are bound to fail in the face of the menacing dangers”. This approach is similar to the pursuit of cognitive legitimacy with employees, except that here the arguments will be expressed in more abstract or generic terms.

External change agents typically develop their knowledge of a particular innovation through prolonged interactions with internal change agents (through *idea linking*, *idea testing* and *theory linking* activities) and through their own *reflective theorizing*. External change agents have the skills for contextualizing the innovation in terms of contemporary business

challenges, as well as the necessary contacts with media organizations. It should be observed that internal change agents can also help to build legitimacy for management innovation with external constituencies by writing articles or books and speaking at conferences. While they may lack the theorization skills and personal networks of external change agents, they have greater credibility through their personal championing of the process, which may help to establish the moral legitimacy of the innovation.

DISCUSSION AND AVENUES FOR FUTURE RESEARCH

This article argues that management innovation is an important phenomenon in the field of management, and that the generative mechanisms through which it occurs (i.e. management innovation processes) are theoretically interesting in their own right, and also relatively poorly understood. We develop a framework which highlights the important roles of internal *and* external change agents in the process, and the ways these two sets of actors interact with one another. Our framework suggests a number of important insights, and it opens up some interesting angles for further research.

Sequencing of Management Innovation Activities

First, we argued that the process of management innovation does not always proceed as a linear sequence of activities from motivation through to theorization and labeling. Our framework focused on the “activities” such as trial-and-error that take place between the adjacent cells in table 1, as a means of highlighting that innovation is an iterative process. But an important next step in making sense of the overall process of management innovation would be to examine the actual sequencing and phasing of activities over time. While some innovations may follow a linear sequence of activities from left to right, others do not: for

example, Procter & Gamble's Connect and Develop programme was developed as a concept by its champion, Larry Huston, long before its CEO articulated the need for it (Birkinshaw, Crainer and Mol, 2006). Likewise, while we would expect most management innovations to be initiated primarily by internal change agents, it is possible to identify others, such as T-Groups (Benne, 1964; Blake, 1995), where many of the core activities were driven by external change agents. We know, in other words, that the process of management innovation sometimes unfolds in iterative and non-linear ways, but there is little existing evidence to help us map out and make sense of the sequences that actually occur in practice. The historical record is not particularly helpful in this regard, because writers will typically impose their own structure on a process in order to make sense of it. Future research in this area will therefore need to be done on contemporary cases, and where possible they should be followed in real time to avoid problems of retrospective sense-making bias.

Roles of Internal and External Change Agents

Another core element of our framework is the distinction between internal and external change agents. As a matter of definition, internal change agents are employees of the focal organization while external change agents are not, which in turn implies that internal change agents will typically have superior knowledge and networks inside the organization and greater accountability for delivering results than their external counterparts. However, it is important for future research to consider this distinction more carefully, as it may not always be clear-cut in practice. Consultants, for example, are sometimes seconded to their client companies during a change process, and ethnographic researchers will often become employees in the organizations they are studying for significant periods of time. In both cases, these external actors actually become internal actors on a temporary basis. Moreover, there is evidence that some individuals are able to switch back-and-forth between internal and

external change agent roles during a single project (i.e. as Action Researchers), while others oscillate between the two roles over the course of their careers (Davenport and Prusak, 2003).

One avenue for further research, then, is to take a closer look at the key change agents involved in management innovation, and the extent to which they are able to take on hybrid internal/external roles. A second line of inquiry might be to consider the extent to which internal and external change agents are acting in harmony. This article assumed that both parties have a more-or-less common objective, namely to implement a successful management innovation. However, future research might want to relax this assumption, and consider the extent to which the two parties are truly aligned. For example, in attempting to build legitimacy for a management innovation among internal *and* external constituencies, internal change agents may downplay the scale of change required to their colleagues (perhaps by emphasizing consistency with prior norms or a low level of risk) to make change more palatable, while external change agents may exaggerate the scale of the proposed innovation (perhaps by positioning it as the antidote to dramatic changes in the industry) as a way of generating interest among external audiences. These differences in positioning can potentially have deleterious consequences for the individuals involved, as well as for the long-term success of the innovation.

A third avenue for future research that also builds on the internal vs. external distinction is to examine the locus of management innovation. Our framework assumes that it is possible and meaningful to identify the organization in which a new management practice is first implemented. While this approach is valid vis-à-vis the existing cases we mentioned, there may be cases where it is less valid in the future. Increasingly, economic activity transpires through non-firm networks, such as open-source software communities, so we can expect

innovative ways of organizing to emerge that enable non-firm coordination of this type. It is also possible, though less likely, that more management innovations will emerge *in vitro* in the future, perhaps through the efforts of academics rather than the trial and error of practicing managers, in which case the locus of innovation, again, would not be the organization. Future studies should therefore give careful attention to the unit of analysis at which management innovation is studied, as there are several possible models that could be followed.

Management Innovation and Management Fashion

We argued that the management innovation process is triggered when the market for fashion fails, i.e. when an organization pursues its own novel practice rather than one suggested by the fashion-setting community. However, this argument obscures the important point that, in many ways, the management fashion *process* has important similarities to the management innovation process: both involve significant roles for internal change agents (Abrahamson, 1996, calls them “users” of management fashions) and external change agents (“suppliers” of management fashions), and complex interactions between the two. And both can be framed in evolutionary language - in terms of the introduction of something new to the organization that subsequently gets selected and retained, or not.

A useful direction for future research, then, will be to look more closely at how the processes of management innovation and management fashion interact. It may be possible, for example, to identify ways in which external change agents such as consultants influence the emergence of management innovation, either by suppressing the level of novelty in the focal organization’s chosen solution (e.g. by pushing their own off-the-shelf solutions, regardless of the user’s agenda) or by enhancing it (e.g. by encouraging users to develop their own

agendas, and by putting forward ideas with “interpretive viability”,). Another approach might be to examine the conditions under which a management innovation get picked up by the fashion-setting community and turned into a management fashion. At an abstract level, such practices are likely to have highly “progressive” and contemporary labels (Abrahamson, 1996), and are likely to exhibit high levels of external change agent involvement, but there is room for a much greater level of clarity on what these conditions look like in detail.

Management Innovation and Firm Performance

While our focus in this article was primarily on process issues, questions about why individuals engage in management innovation, and the extent to which it helps organizations to fulfill their goals are equally important. It seems likely, for example, that certain management innovations will offer more potential for competitive advantage than others depending on the extent to which they are valuable, rare, and hard to imitate (Barney, 1991) but this argument remains open to empirical testing. The consequences of management innovation are complex because so many different stakeholders are potentially affected. It is necessary to separate out at least three different sets of consequences – the impact of management innovation on various performance metrics inside the innovating firm; the impact on the performance and legitimacy of subsequent adopters of the innovation; and the benefits of management innovation to society as a whole, in terms of improvements of such things as productivity or quality of work life. As noted earlier, there has been some research on the second of these (e.g. Staw & Epstein, 2000) but the first and third remain largely unexplored. Future research might therefore examine why certain types of management innovation take longer to yield dividends than others, whether some management innovations spur waves of related innovation, and how often, and under what circumstances, management innovating creates firm-specific competitive advantage.

The Role of Academia in Management Innovation

Finally, this article offers some initial thoughts on the role academics can play in the process of management innovation. Like Abramson and Fairchild (2001), we are concerned that academics may be losing out to other members of the “fashion setting community” such as consultants and gurus, in terms of their ability to influence practice. Our framework suggests some possible ways forward. One is for academics to become more creative in the development of new ideas and thought experiments that organizations might put into practice. Another is to become more engaged in the activity we call “idea testing” whereby the academic engages closely with the focal organization, and brings his or her insight to bear on the particular problem the organization is grappling with. This concept of engaged scholarship (Van de Ven and Johnson, 2006) has a long history but its legitimacy as a valid form of scholarship has faltered in recent decades. Another alternative might be a ‘management innovation laboratory’ where researchers and practitioners would come together to develop new practices in partnership. These suggestions require further exploration, both in terms of the nature of the interventions they would require and in the outcomes they would achieve. They also challenge many of the traditional orthodoxies of the profession, in that they are likely to involve new methodologies that are unproven and hard to implement. But we believe they are worth pursuing. A more active role for management scholars in the process of management innovation would be of value to innovating organizations, and it would allow them to reclaim their previously influential role as creators of both new and useful management knowledge.

ENDNOTES

¹ Guillen (1994: 4) states that organizational ideologies “can serve as cognitive tools that managers use to sort out the complexities of reality, frame the relevant issues, and choose among alternative paths of action”.

Abrahamson (1996: 259) defines rhetoric as “spoken or written discourse that justifies the use of a set of techniques for managing organizations or their employees”.

² By bracketing these elements together we end up with a broad phenomenon. But the distinctions between practice, process, structure and techniques are not clean, either conceptually or empirically, so it would be difficult to define management innovation in a way that excluded one or other of them. Moreover, our analysis suggests that there are important similarities *across* the different forms of management innovation, especially with regard to how they are generated. We therefore find it useful to bracket together management innovations across these areas, “as if they constitute a homogeneous entity” (Alänge et al., 1998: 7).

³ It should be noted that there are several related terms in use - managerial innovation (Kimberly & Evanisko 1981), administrative innovation (Damanpour & Evan, 1984), organizational innovation (Alänge et al., 1998; Damanpour & Evan, 1984; Kimberly & Evanisko, 1981) and management innovation (Abrahamson, 1991; Kossek, 1987; Stata, 1989). Organizational innovation is sometimes used to imply any type of innovation generated by organizations, including new products. Administrative innovation typically refers to a narrow range of innovations around organizational structure and human resource policies, and does not include innovations in for instance marketing or operations management. We therefore prefer the term management innovation.

⁴ We are indebted to an anonymous reviewer for suggesting this point.

⁵ It is quite possible to propose activities that span non-adjacent boxes, e.g. between boxes 1 and 5. Our analysis, however, suggests that such activities are probably rare, so in the interests of keeping the framework relatively simple we focus on the nine core activities.

⁶ We acknowledge that the notion of a perceived shortfall implies some cognitive process through which environmental changes are converted into action. In other words, some individuals will be able to interpret changes while others may not. These cognitive processes, however, are not our central concern here and hence we simply assume they take place.

⁷ An example of direct interaction is the UK-based *Beyond Budgeting Round Table* (Hope and Fraser, 2003) whose founders worked actively with many organizations to help them make sense of the limitations of their traditional budgeting systems. An example of indirect influence is Tom Peter’s 1997 book, *Thriving on Chaos*,

which was the inspiration for an innovative organization structure at Wellington, a Canadian insurance company (Birkinshaw & Mol, 2006).

⁸ There is also potentially a role for internal change agents in building legitimacy for external stakeholders, though external change agents typically do this rather more effectively. We discuss this possibility in the following section.

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TABLE 1

Key Features of Four Perspectives on Management Innovation

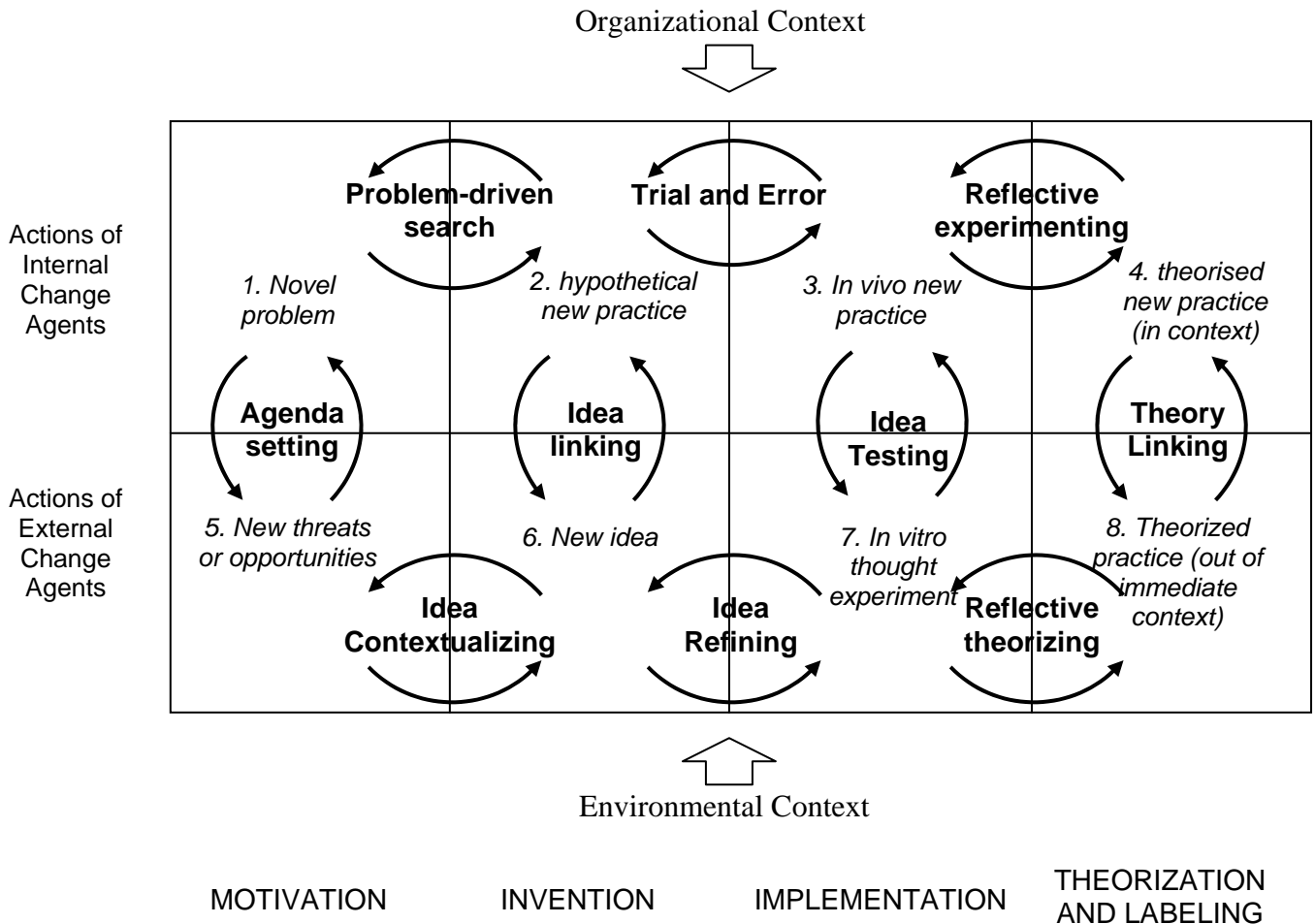
	Institutional perspective	Fashion perspective	Cultural perspective	Rational perspective
Representative papers	Bendix, 1956; Guillen, 1994; Cole, 1985; Kossek, 1987; Strang & Kim, 2005; Barley & Kunda, 1992; Weitz & Shenhav, 2000	Abrahamson, 1991; 1996; Huczynski, 1993; Kieser, 1997; Mazza & Alvarez, 2000; Clark, 2004; 1991; Abrahamson & Fairchild, 1999; Staw & Epstein, 2000	McCabe, 2002; Gill & Whittle, 1992; Knights & Murray, 1994; Knights & McCabe, 2000; Stjernberg & Philips, 1993; Zbaracki, 1998	Alänge, Jacobsson & Jarnehammer, 1998; Chandler, 1962; Damanpour, 1987; Kaplan, 1998; Kimberley & Evanisko, 1981; Tichy & Sandstrom, 1974; Yorks & Whitsett, 1985
Core question	What institutional conditions give rise to the emergence and diffusion of management innovations?	How do aspects of the supply of and demand for new management ideas affect their propagation?	How do management innovations shape, and get shaped by, cultural conditions inside an organization?	What is the role of managers in inventing and implementing new management practices?
Key factors influencing innovation process	Institutional conditions and attitudes of major groups of influencers	Suppliers of new ideas and the legitimacy of their proposals	Culture of the organization in which the innovation is introduced	Actions of key individuals driving the process inside or outside the organization
Role of human agency in driving the process	Rarely discussed	Rarely discussed	Agents are important but constrained by power relations and traditions	Agents initiate and drive process within an organizational context
Level of analysis	Firm plus industry / country	Firm plus market for new ideas	Firm plus individual	Individual plus firm
Process of change and outcome of innovation	Progressive changes in management ideology and/or practice, sometimes towards more effective ways of working	Cyclical process of hype then disillusionment; no evidence that innovation leads to long-term benefits	Socially-constructed change process; usually very little change to way of working and perpetuation of existing power relations	Progressive changes in management practice towards more effective ways of working; success not guaranteed

TABLE 2
Examples of Management Innovation

Example	How it fits the definition of management innovation
Modern research lab (e.g. Hargadon, 2003)	A new structure to manage the technological innovation process; intended to improve technological and product innovations.
Divisional (M-)form (e.g. Chandler, 1962)	A new organizational structure for dealing with complex, multiple product and multiple market firms.
Toyota Production System (e.g. Ohno, 1988)	A new set of practices and processes aimed at improving production efficiency and reducing waste.
Total quality management (e.g. Zbaracki, 1998)	A new set of practices and processes aimed at reducing quality defects and improving customer satisfaction.
Discounted cash flow (e.g. Pezet, 1997)	A new technique intended to improve the investment and budgeting decisions, through adding a temporal dimension.
Spaghetti organization (e.g. Foss, 2003)	A new organizational structure with the objective of increasing employee initiatives and overcoming problems of hierarchy.
Cellular manufacturing (e.g. Berggren, 1994)	A new process for managing tasks inside a production unit aimed at improving employee satisfaction and production output.
NASA new organization (e.g. Carroll et al, 2006)	A new structure and practice for teams to perform complex modeling and analysis without co-location.
Activity-based costing (e.g. Kaplan, 1998)	A new practice and technique for assigning costs aimed at providing more realistic cost assessments.
Modern assembly line (e.g. Hounshell, 1984)	A new set of practices and processes with the goal of improving production efficiency and lowering costs.
Balanced scorecard (e.g. Kaplan, 1998)	A new technique and practice for integrating various types of information with the aim of taking more informed decisions.
Quality of work life (e.g. Yorks and Whitsett, 1985)	A new set of practices and processes around the job design of employees with the goal of improving their happiness at work.

FIGURE 1

Management Innovation Process Framework



Key questions raised by each activity:

- Problem-driven search: How can I solve this problem? What can I invent that addresses the performance gap that has been identified?
- Trial and error: What happens if I try this? What is the practical impact on the current organization?
- Reflective experimenting: Why did this happen? How can I explain the consequences of my action?
- Agenda setting: What problems should this company be addressing? What are the big issues that it needs to worry about?

- Idea linking: How does this theoretical idea (for a new practice) link with what the organization has been experimenting with?
- Idea testing: How does our thought-experiment about what might work inform the practical implementation of the idea? (and vice versa)
- Theory linking: How can we make sense (in a broader context) of the new practices that have been implemented in this organization?
- Idea contextualizing: Does this idea address a real-world problem faced by organizations?
- Idea refining: How would this idea really work in practice?
- Reflective theorizing. How does this thought experiment fit with my prior experience in other settings?