

Social Innovators save the day!

Why managers shouldn't be embarrassed at parties anymore

"So you study business administration? Don't we have enough managers as it is?" A doctor saves lives, engineers develop new things, but aren't managers those people who create bureaucratic rules, boss others around and hardly contribute to the bottom line? "True", you answer. "..., but I am to be a Managerial Innovator, a Social Innovator!" Here is what Social innovators do which is why they are important.



The position of the Netherlands in the Global Competitiveness Index of the World Economic Forum has been disappointing for years. The Netherlands have disappeared from the Top-10 of competitive Nations. Cabinet Balkenende II concluded that this economic downfall is caused by a persisting lack of innovation capability in the Dutch economy, the "Dutch Disease". A nationwide debate followed with as main questions; How to make the Dutch economy more innovative?

SPREADSHEET MANAGEMENT

The Dutch economy is not considered to be a dynamic and competitive knowledge-based economy (see recent Global Competitiveness Reports, the Dutch Knowledge Economy Monitor 2003, and IMD reports) for several reasons:

- Business: Dutch firms have been focusing on restructuring, cost reductions and short-term performance (*efficiency focus and herd behavior*), while largely ignoring long-term performance and innovation (*passion for innovation*);
- Politics: Dutch Politicians have been too much concerned with short-term government expenditures and government deficits instead of investing in activities aimed at long-term growth like education and research (*efficiency and bureaucracy focus*);
- Universities: Research at Universities did not fuel our knowledge-economy because it was too much isolated from real business needs (*ivory tower focus*).

No wonder "management" as such does not get a positive recognition. The conservative management style of the past years has been a major innovation killer.

MANAGEMENT MATTERS MOST

This is a shame since management has a high impact on the innovativeness of a firm. The Erasmus Competitiveness and Innovation Monitor (2005) shows that only 25% of the innovation success within Dutch organisations can be attributed to R&D investments or technological innovations, while the other 75% is created through dynamic management and innovative forms of organizing, the so called Social Innovations.

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Examples of these "Social Innovations", can be found at companies like Virgin, Dell, IKEA, Xerox and Southwest Airlines. Richard Branson's superior entrepreneurship is based on being able to understand and predict future changes in markets and technologies which he uses to pro-actively create new opportunities to serve current and future customers. Dell's vision of direct delivery without intermediaries in the PC-market led to a new and successful business-model. Also Xerox vision of a paperless office and Southwest Airlines notion of efficiency have had major consequences on the data- and airlines industry.

Innovative organisations have a 27% higher Return on Investment than non innovative companies. The Erasmus Competitiveness and Innovation Monitor (2005) has also shown that the turnover growth (+19%), profit growth (+10%), growth of market share (+13%) and customer satisfaction (+6%) of innovative companies is on a significantly higher level. It therefore pays off to be an innovator and as a manager you play a crucial role in this.

Center for Social Innovation (CSI)

Social Innovation is an important issue for revitalising the Dutch economy. The Innovation Platform have asked ERIM together with TNO and AIAS to come up with a proposal for a Centre for Social Innovation. Also, the social partners (employee and employers associations) participate in this initiative.

THE CENTRE FOR SOCIAL INNOVATION

WILL HELP COMPANIES TO:

- Create managerial capabilities and different management roles to improve knowledge absorption.
- Develop flexible organisations to nurture self organisation and create passion for both innovation and efficiency.
- Encourage and facilitate people to work smarter so they can utilize and develop their talents.
- Create alliances with knowledge institutes.

FURTHERMORE:

- It will create and improve knowledge networks between producers, customers, suppliers and knowledge institutes to speed-up the co-creation process.
- It will diffuse the best and next practises of social innovation through networks.
- It will help government agencies to enable strategic regulations with a focus on innovation and productivity.
- It will encourage knowledge providers to focus not only on providing technological knowledge, but also on managerial and organisational knowledge.

WHAT DO SOCIAL INNOVATORS DO?

Social Innovators look for new ways to get things done. They create novel principles for organizing that challenge current management orthodoxy. The more unconventional the principle underlying a management innovation, the longer it will take competitors to respond. They systemically encompass a range of processes and methods and create an ongoing program of invention, where progress compounds over time (Hamel, 2006).

Social Innovators build *managerial capabilities* (broad knowledge-base, absorptive capacity, managerial experimentation, higher-order learning) and *various management roles* (hierarchy, teaming, shared norms) to increase the assimilation of external knowledge and its utilization for innovation.

A visionary management team is of crucial importance for innovation-success, but management cannot change the capabilities of an or-

ganization on their own. They have to develop *novel organizing principles* to create the circumstances for ambition and enthusiasm among employees by utilizing more self-organization and decentralized cross-functional teams.

Furthermore, companies need to have synchronized high levels of exploration and exploitation. One of the most difficult tasks of management nowadays, but those companies that do manage to pull this off have superior financial results.

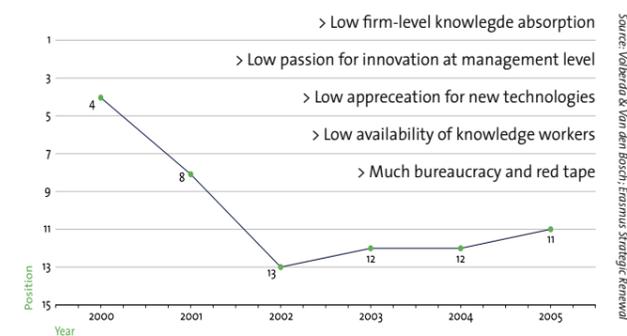
Another important discovery of the Erasmus Concurrentie & Innovatie Monitor 2006 was that innovative companies know their strengths and weaknesses very well and find partners who complement them so they can co-create with their customers and suppliers.

So, next time when an engineer criticizes Business Administration, remember that managerial and organizational innovations

Examples of Management Innovations

- Dupont developed capital-budgeting techniques such as "Return on Investments" in 1903.
- Procter and Gamble formalized an approach now know as "brand management".
- Linux is an example of "open source development" and DSM and Philips use more "open innovation" techniques.
- Toyota started using the intellect of first-line employees to solve problems and to innovate.
- GE created a leadership development system to consistently create great leaders.
- General Motors developed the divisionalized organization structure.

RESULTS GLOBAL COMPETITIVENESS REPORT: THE DUTCH INNOVATION DISEASE



account for 75% of the innovation success of a company. But do not forget that this only works when there is also at least the other 25% of R&D is involved.

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