

# MANAGEMENT INNOVATION

MM – 101

## GENERAL OBJECTIVES OF THE SUBJECT

At the end of the course, Individuals will examine the principles of Creativity & Innovation apply them within the companies need critically reflect Management Innovation behavior within companies *and* their impact on the development of this course.

## 2. MANAGEMENT INNOVATION

- 2.1 Define Management Innovation
- 2.2 An Operational Definition of Management Innovation
- 2.3 The Processes of Management Innovation
- 2.4 Discussion and Avenues for Future Research
- 2.5 Management Fashion
- 2.6 Management Firm Performance

### 2.1 Define Management Innovation

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 intraorganizational 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.

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 toward 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 underresearched form of innovation—management innovation—and particularly 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 (e.g., GE’s development of the modern research lab

# MANAGEMENT INNOVATION

MM – 101

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:

- 1) An institutional perspective that focuses on the socioeconomic conditions in which new management ideas and practices take shape (e.g., Guille´n, 1994);
- 2) A fashion perspective that focuses on the dynamic interplay between users and providers of management ideas (e.g., Abrahamson, 1996);
- 3) A cultural perspective that focuses on how an organization reacts to the introduction of a new management practice (e.g., Zbaracki, 1998); and
- 4) 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, Guille´n, & 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. To state the point slightly differently, our understanding of the *processes* of management structure. What is required—and what we provide a first step toward in this article—is a systematic and grounded process theory of how management innovation transpires.

We focus on the specific actions individuals inside or outside the firm might undertake that lead to the emergence of a management innovation—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 on 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

# MANAGEMENT INNOVATION

MM – 101

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 in 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*. 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.

**Four Perspectives on Management Innovation** - Proponents of the institutional perspective take a macro-level and comparative approach to make sense of the institutional and socioeconomic conditions in which particular management innovations emerge. For example, Guille´n (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 that 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 preconditions in which an innovation first emerges and then the factors that enable industries to adopt such innovations.

TABLE 1  
Key Features of Four Perspectives on Management Innovation

# MANAGEMENT INNOVATION

MM – 101

Features	Institutional Perspective	Fashion Perspective	Cultural Perspective	Rational Perspective
Representative papers	Barley & Kunda (1992), Bendix (1956), Cole (1985), Guille'n (1994), Kossek (1987), Strang & Kim (2005), Weitz & Shenhav (2000)	Abrahamson (1992, 1996), Abrahamson & Fairchild (1999), Clark (2004), Huczynski (1993), Kieser (1997), Mazza & Alvarez (2000), Staw & Epstein (2000)	Gill & Whittle (1992), Knights & McCabe (2000), Knights & Murray (1994), McCabe (2002), Stjernberg & Philips (1993), Zbaracki (1998)	Ala'nge, Jacobsson, & Jarnehammar (1998), Chandler (1962), Damanpour (1987), Kaplan (1998), Kimberley & Evanisko (1982), 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 the 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 the 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 toward 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 in way of working and perpetuation of existing power relations	Progressive changes in management practice toward more effective ways of working; success not guaranteed

The fashion perspective focuses on how management innovations emerge through the

# MANAGEMENT INNOVATION

MM – 101

dynamic interplay between the managers who use new management ideas and the “fashion setters” who put forward those ideas (Abrahamson, 1992, 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, 2003; Jackson, 1986), as well as the ways in which fashion setters shape incipient demand for their ideas (Benders & van Veen, 2002; 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 and for 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. Proponents of the cultural perspective attempt 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 toward 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 intraorganizational 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 the goal of making 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 he or she 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), whereas others have used large-sample quantitative approaches (Damanpour, 1987; Kimberly & Evanisko, 1982), but all studies span the micromacro levels of analysis by focusing on the actions of key individuals

# MANAGEMENT INNOVATION

MM – 101

within an organizational and environmental context. There is also a subtheme within this perspective concerned with the links between management and technological innovation, which suggests that they may coevolve (Damanpour & Evan, 2984; Ettlie, 2988; Georgantzas & Shapiro, 2993).

## 2.2 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 three 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 are *management ideas*, defined by Kramer as “**fairly stable bodies of knowledge about what managers ought to do. . . . a system of assumptions, accepted principles and rules of procedure**” (1975:). Examples of management ideas are scientific management, total quality management (TQM), and the learning organization. While not identical, this concept of a management idea is comparable to Guille´n’s (1994) notion of an organizational ideology, along with Barley and Kunda’s (1992), Abrahamson’s (1996), and Suddaby and Greenwood’s (2005) notions of management rhetoric.

At the more operational level we **can identify *management practices, management processes, management techniques, and organizational structures*** 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* throughout the remainder of the article to cover this full range of activities). In definitional terms this lesson focuses on management innovation at the operational level—*that is, in terms of the generation and implementation 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, how *new* does an innovation have to be? There are two equally valid points of view in the literature. Abrahamson (1996) and Kimberly (1982) 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 TQM program to an organization might be categorized as a management innovation (e.g., McCabe, 2002; Zbaracki, 1998).

# MANAGEMENT INNOVATION

MM – 101

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 toward 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.

Third, what is the purpose of management innovation? Proponents of both the fashion and cultural perspectives see management innovation as having little lasting impact on the organization, whereas those of 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) and 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 innovation as *the generation 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 puts 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” (2002:).

# MANAGEMENT INNOVATION

MM – 101

**TABLE 2 Examples of Management Innovation**

<b>Example</b>	<b>How It Fits the Definition of Management Innovation</b>
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 investment and budgeting decisions by 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, 1992)	A new process for managing tasks inside a production unit aimed at improving employee satisfaction and production output
NASA new organization (e.g., Carroll, Gormley, Bilardo, Burton, & Woodman, 2006)	A new structure and practice for teams to perform complex modeling and analysis without colocation
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 making more informed decisions
Quality of work life (e.g., Yorks & Whitsett, 1985)	A new set of practices and processes around the job design of employees with the goal of improving their happiness at work

## **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, there are important differences in the nature of the outputs of management innovation and technological innovation that affect how the respective processes



# MANAGEMENT INNOVATION

MM – 101

unfold. Management innovations are typically tacit in nature and “difficult if not impossible to protect by patent” (Teece, 2980); they are also relatively “difficult to observe, define and to identify system borders for” (Ala“nge et al., 1998:). 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.

- ❖ Second, 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 increases the need for external support.
- ❖ Third, the introduction of something new to the state of the art creates ambiguity and uncertainty for the individuals in an organization.

Ambiguity arises because of a lack of understanding of the intended value of the innovation, and 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 (e.g., 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. Of course, all types of innovation generate uncertainty and ambiguity, but their impact in the case of management innovation is likely to be more far-reaching because of the rest of the attributes identified above.

Taken together, these attributes suggest that the management innovation process can potentially require fundamental changes in the routines or DNA of the organization (Argyris & Scho“n, 2978) 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;

# MANAGEMENT INNOVATION

MM – 101

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 can allow the innovators to “manipulate the environmental structure by creating new audiences and new legitimating beliefs” (Suchman, 1995).

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 organizations/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).

It is also useful to briefly consider 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). For the most part, management innovations can be thought of as potential management fashions: some, such as Six Sigma and 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.

## **2.3 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.

# MANAGEMENT INNOVATION

MM – 101

The framework, illustrated in Figure 2, has two dimensions. The horizontal dimension consists of four phases of the innovation process:

- 1) **Motivation** is concerned with the facilitating factors and precipitating circumstances that lead individuals to consider developing their own management innovation;
- 2) **Invention** is an initial act of experimentation out of which a new hypothetical management practice emerges;
- 3) **Implementation** is the technical process of establishing the value of the new management innovation in vivo (i.e., in a real setting); and
- 4) **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 intrafirm evolutionary perspective advanced by Burgelman (1992) 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. As per the vertical dimension in Figure 2, we expect two groups of individuals to shape the process:

- 1) **internal change agents**, who are the employees of the innovating company proactive in creating interest in, experimenting with, and validating the management innovation in question (DiMaggio, 1988; Howell & Higgins, 1990), and
- 2) **external change agents**, who, similar to Guille'n's (1994) management intellectuals and Abrahamson and Fairchild's (2002) idea entrepreneurs, are independent consultants, academics, and gurus proactive in creating interest in, influencing the development of, and legitimizing the effectiveness and retention of new management practices (DiMaggio, 1992). 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

# MANAGEMENT INNOVATION

MM – 101

innovation (Chandler, 1962; Kaplan, 2008; 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 observes, the processes of innovation typically will be complex, recursive, and occurring “in nested and repeated cycles of variation, selection and retention” (1998). We address this point by focusing our attention on how individuals iterate between the adjacent cells in the framework, identifying ten core activities. For example, the activity “problem-driven search” involves internal change agents’ iterating back and forth between motivation and invention, whereas the activity “agenda setting” involves interaction between internal and external change agents (cf. Burgelman, 1983, 1992).

**FIGURE 2 Management Innovation Process Framework**

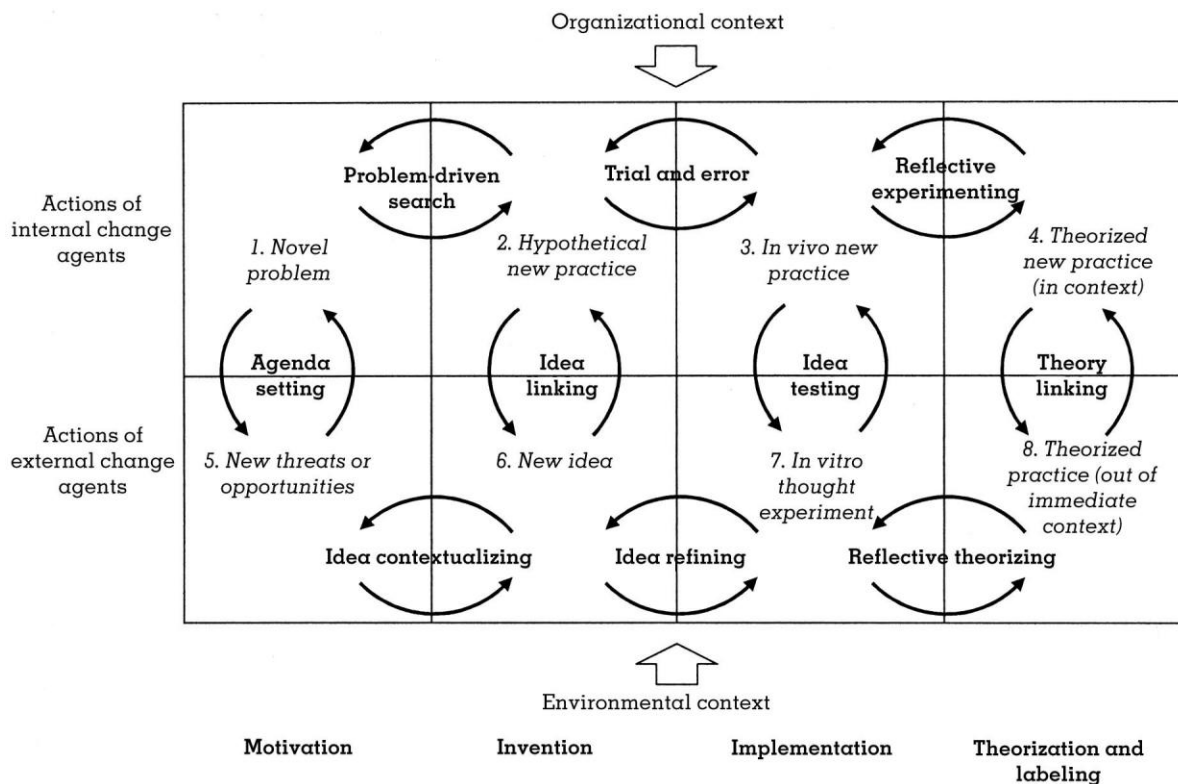


Figure 2 identifies the ten core activities (indicated by the double arrows and text spanning the boxes) and the nature of the innovation or its constituent parts (indicated by the numbered text within each box). Figure 2 also indicates the important role of

# MANAGEMENT INNOVATION

MM – 101

context in shaping management innovation. Organizational context is the administrative and social mechanisms that management can manipulate to shape the behaviors of actors in the organization 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 (Guille´n, 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.

## 2.4 Discussion & Avenues For Future Research

Here we have argued 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 have developed a framework highlighting 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** - We first observed that the process of management innovation does not always proceed as a linear sequence of activities from motivation through to theorization and labeling. For example, an organization that suffers from too much “smart talk” (Pfeffer & Sutton, 2000) may have several initiatives that are well progressed in terms of motivation and theorization and labeling, but with no commensurate investment in invention and implementation. In such a case the appropriate managerial intervention might be to focus attention on implementation as a means of establishing which initiatives are worth pursuing, whereas other organizational settings might require different interventions.

**The Role 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 whereas 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, since it may not always be clear-cut in practice.

# MANAGEMENT INNOVATION

MM – 101

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 & 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. Here we have 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 the 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 versus 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-a-vis* the existing cases we mentioned, there may be cases where it is less valid in the future. Increasingly, economic activity transpires through nonfirm networks, such as open-source software communities, so we can expect innovative ways of organizing to emerge that enable nonfirm coordination of this type. It is also possible, although 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, since there are several possible models that could be followed.

# MANAGEMENT INNOVATION

MM – 101

## 2.5 Management Fashion

We have argued that the management innovation process is triggered when the market for fashion fails—that is, 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), as well as 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 gets 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.

## 2.6 Management 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 management innovation 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, 1992), 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:

- 1) The impact of management innovation on various performance metrics inside the innovating firm;

# MANAGEMENT INNOVATION

MM – 101

- 2) The impact on the performance and legitimacy of subsequent adopters of the innovation; and
- 3) 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 innovation creates firm-specific competitive advantage.