

Innovating your management model:

Developing new and better ways of working

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And the MLab

1. The failure of management
2. The need for innovation in management
3. What does the future of management *really* look like?

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1. The Failure of Management



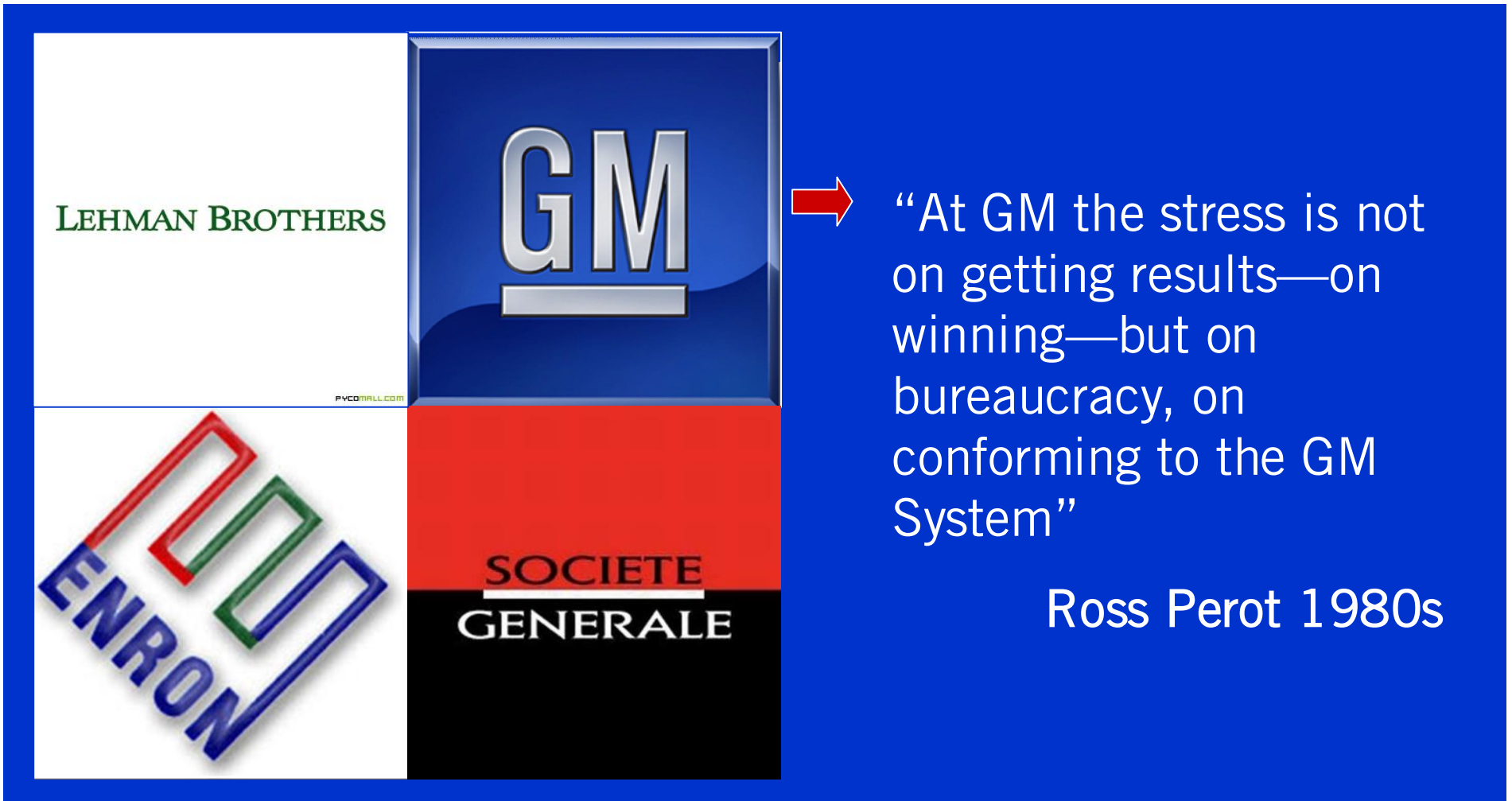
The image features a 2x2 grid of logos for major financial institutions. The top-left cell contains the GM logo (silver letters on a blue background). The top-right cell contains the Lehman Brothers logo (green text on a white background). The bottom-left cell contains the Enron logo (red, green, and blue stylized letters on a white background). The bottom-right cell contains the Societe Generale logo (white text on a red and black background). A red arrow points from the top-right cell towards the text on the right.

Shockingly poor risk-management decisions

Perverse incentive systems, “eat what you kill”

Firm as a vehicle for perpetuating the raw vices of capitalism

1. The Failure of Management



LEHMAN BROTHERS

GM

ENRON

SOCIETE
GENERALE

“At GM the stress is not on getting results—on winning—but on bureaucracy, on conforming to the GM System”

Ross Perot 1980s

Where did the investment banks go wrong?

The Market System

Individuals
work as
free agents

Vs.

The Firm

Individual work
together towards
common goals

What is Management?

“Getting work done through others”

“Bringing people together to accomplish desired goals”

How “management” got corrupted

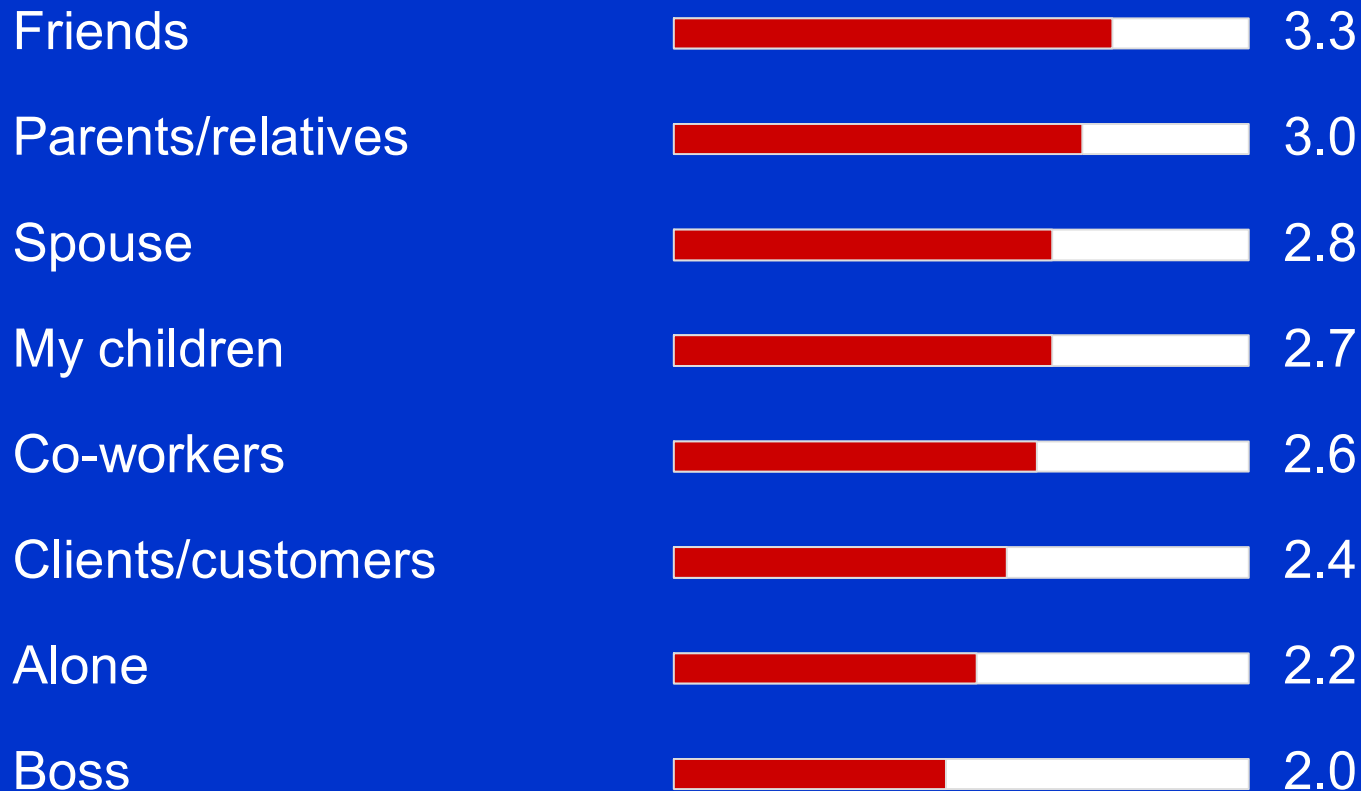
- ...by the rise of the Industrial Corporation
- ...and by the rhetoric of “Leadership”



What the gurus have said

	A manager...	A leader...
John Kotter	<ul style="list-style-type: none"> · copes with complexity · plans and budgets · organizes and staffs · controls and problem-solves 	<ul style="list-style-type: none"> · copes with change · sets a direction · aligns people · motivates people
Warren Bennis	<ul style="list-style-type: none"> · promotes efficiency · is a good soldier · imitates · accepts the status quo · does things right 	<ul style="list-style-type: none"> · promotes effectiveness · is his or her own person · originates · challenges · does the right things

Who are you happiest with?



(Rating is on a 1-5 scale)

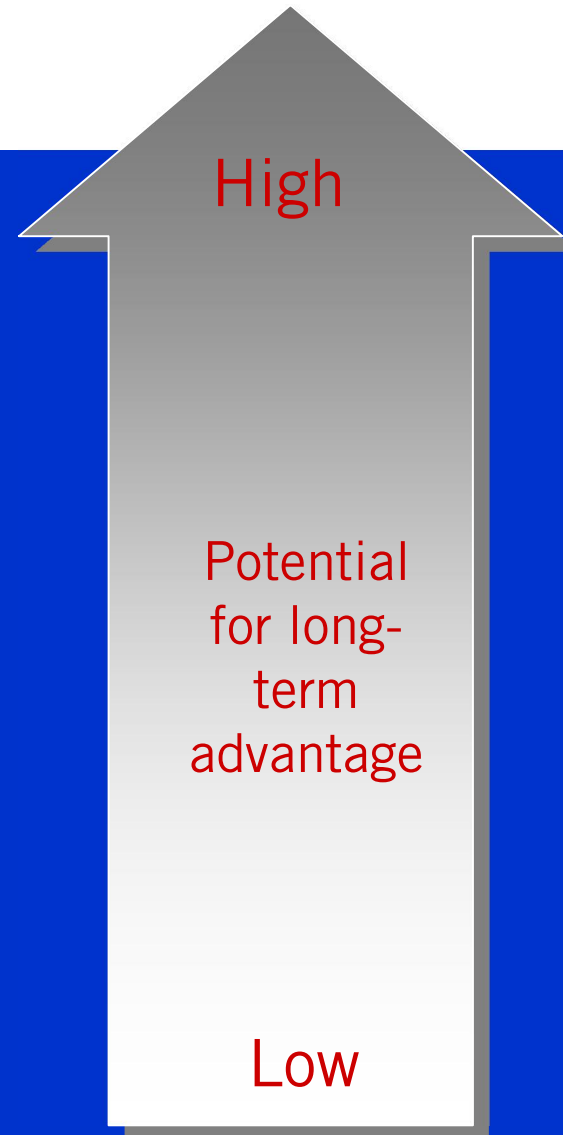
The reinvention of management?

- We need to recapture the “spirit” of management
 - Good executives are leaders *and* managers
 - Management is not just how work gets done in large, industrial-age companies
- We need to become more innovative about management
 - Are there new or alternative principles that we can apply to the challenge of “getting work done through others?”

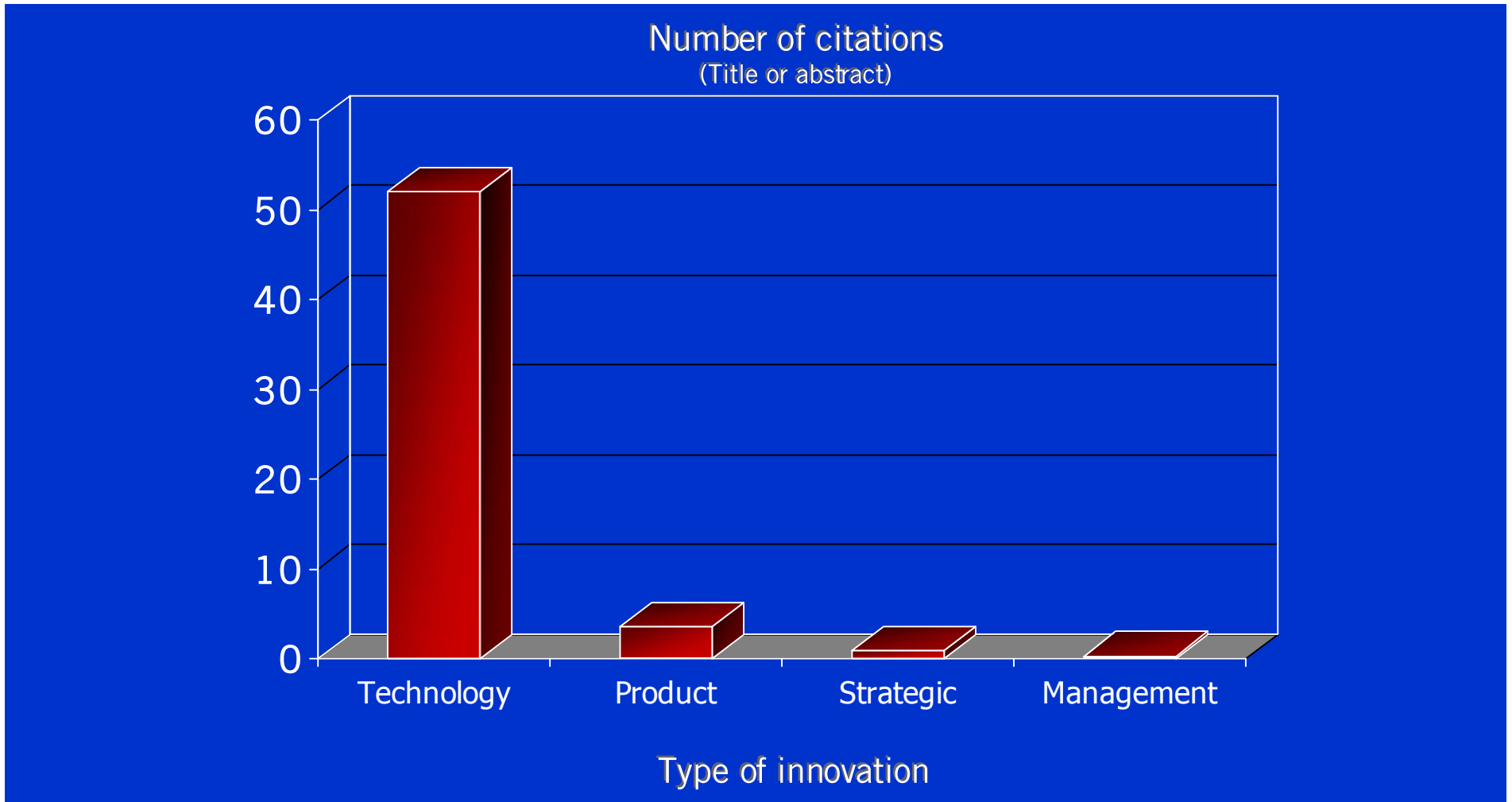
2. Management Innovation



- *Management* innovation
- *Industry architecture* innovation
- *Business model* innovation
- *Product* innovation
- *Operational* innovation



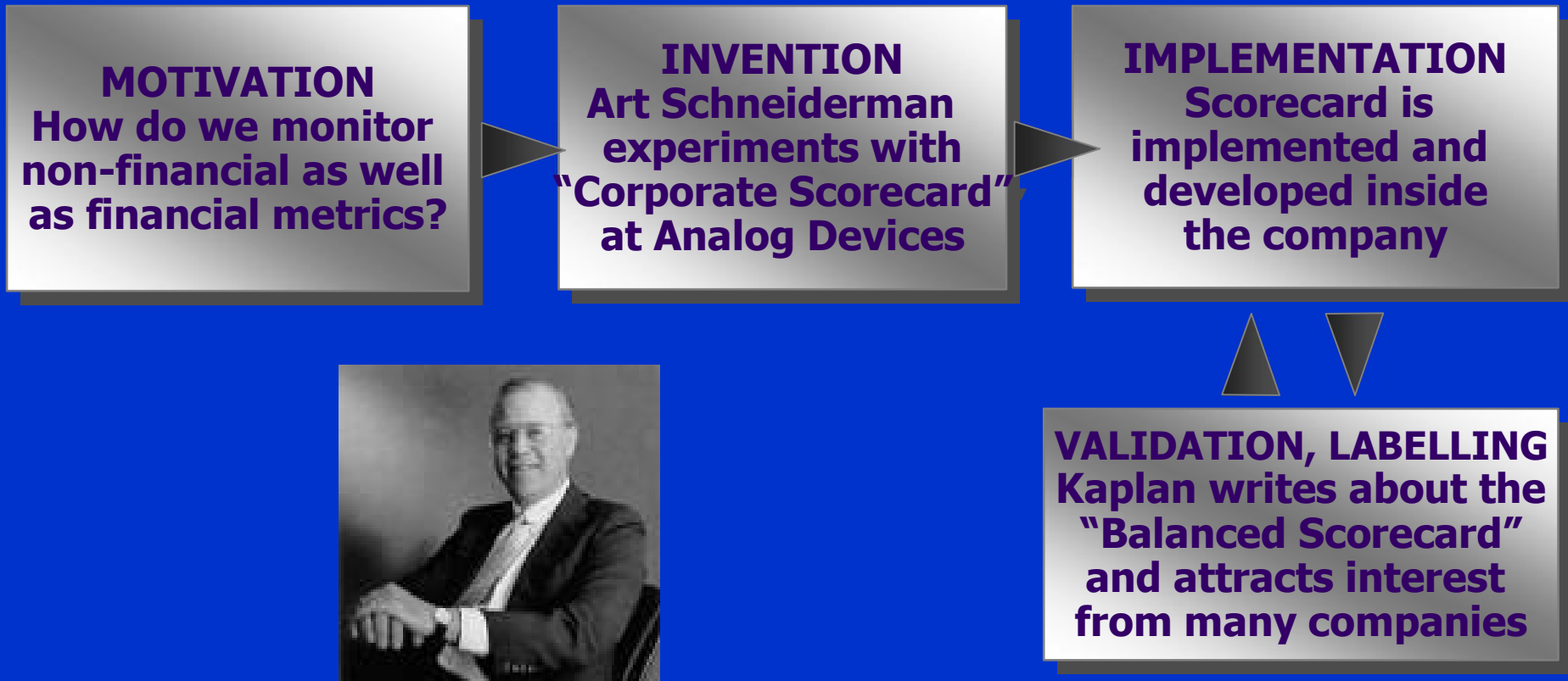
But surprisingly little research on *management* innovation



How does management innovation happen?



Example: The Balanced Scorecard



Observations from my research on the process of management innovation

- Innovation can occur on two levels
 - New management practices, ways of working
 - New rhetoric, new ways of describing the work
- Most management innovation is incremental, often using new language to describe old ideas
- Radical management innovations are rarely sustained, and rarely get diffused

3. What does the future of management *really* look like?

Flat

Decentralised

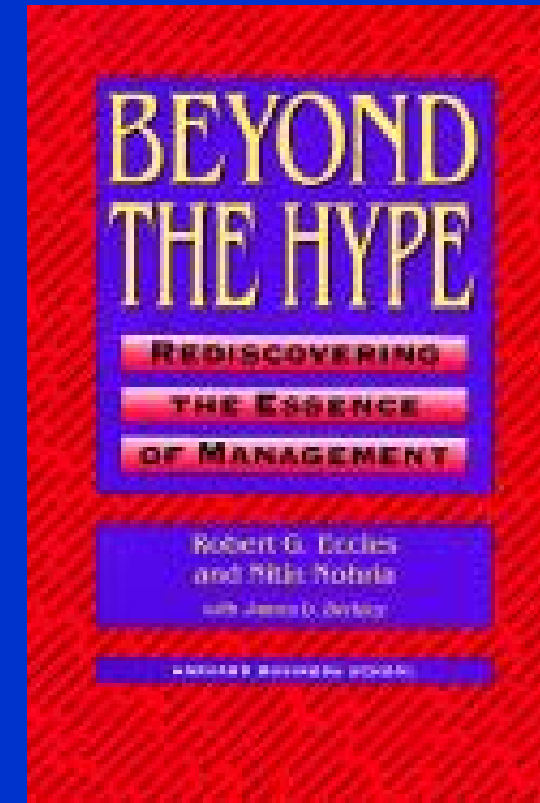
Empowered

Self-organised

Values-driven

Virtual

Engaged



Why has there been so *little* management innovation over the last half-century?

- Many aspects of our current model of management are effective and necessary
- We are “stuck” with an inferior model:
 - It suits those in positions of power
 - Most of us cannot envision an alternative
 - Innovation in management is perceived as risky
- We have lacked (up to now) the impetus or the enabling technologies to make significant changes

A possible way forward: Management as a conscious set of choices among known alternatives

Business Model

Choices firms make about:

- Sources of revenue
- Cost structure
- What to make / buy
- How to make a profit

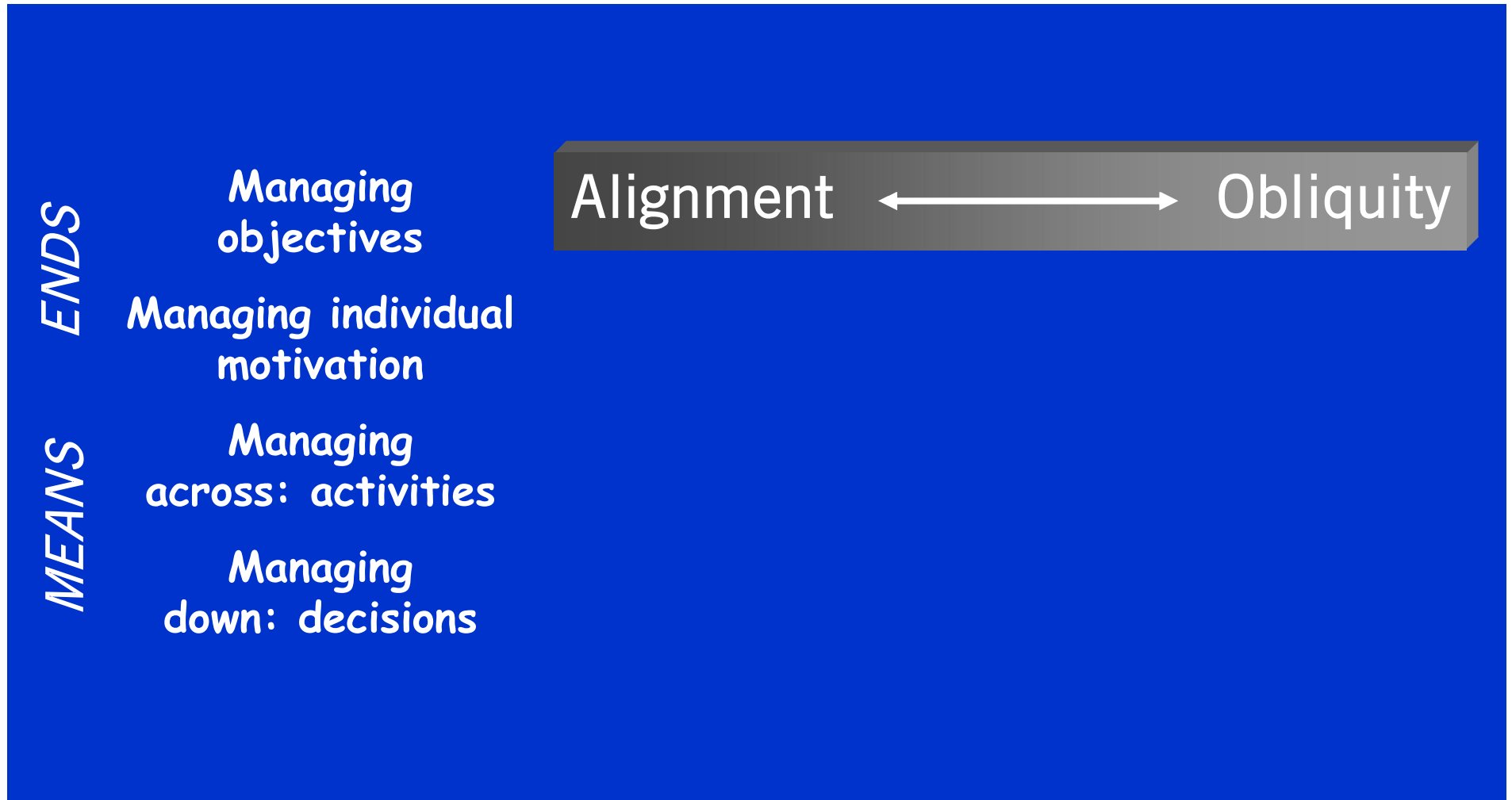


Management Model

Choices firms make about:

- Defining objectives
- Motivating effort
- Coordinating activities
- Allocating resources

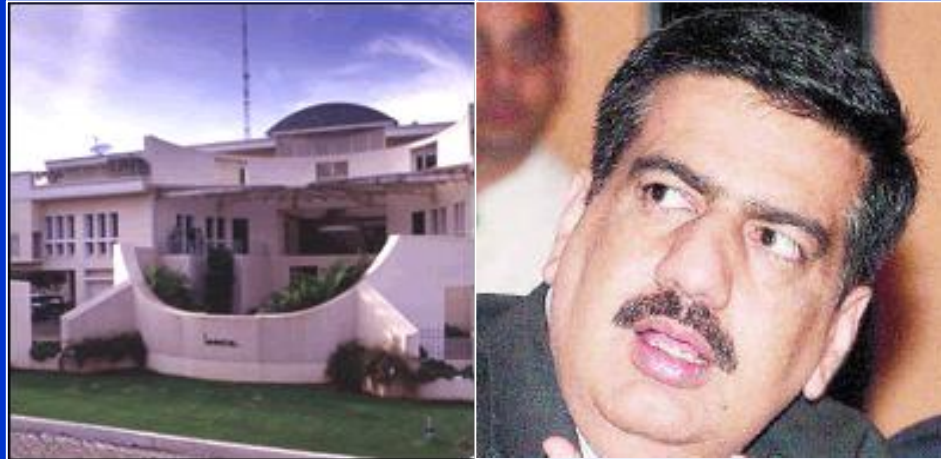
A framework for rethinking management



Alignment: Is this really how organisations work?



A more oblique path to success...



“Employees First, Customers Second”

Vineet Nayar, President HCL Technologies

Two very different views on long-run goals

ExxonMobil

“We must continuously achieve superior financial and operating results while simultaneously adhering to high ethical standards.”



“To create a better everyday life for the many people.”

Obliquity pays off

3M

General Electric

Hewlett Packard

IBM

Johnson & Johnson

Marriott

Merck

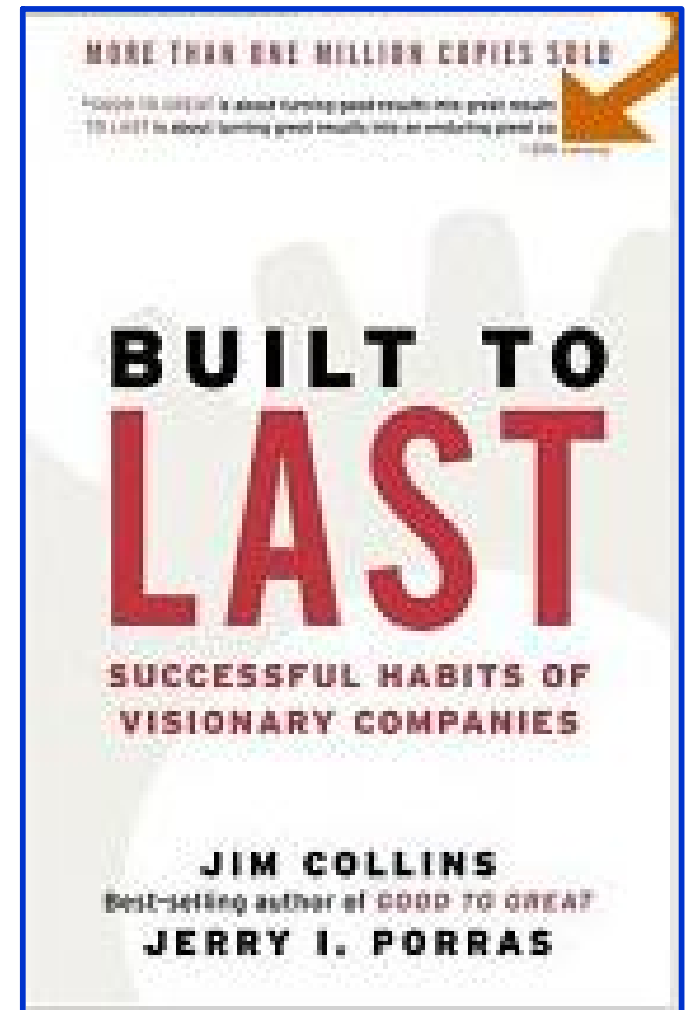
Nordstrom

Procter & Gamble

Sony

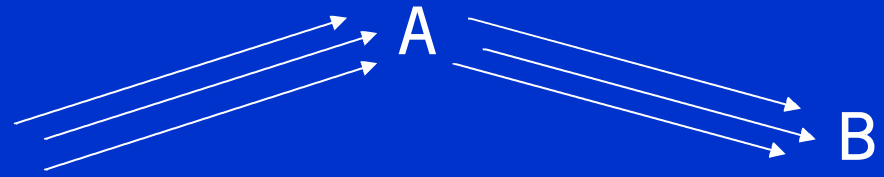
Walt Disney etc.

*Pursuit of a
higher-order
vision results
in greater
long-term
profitability*

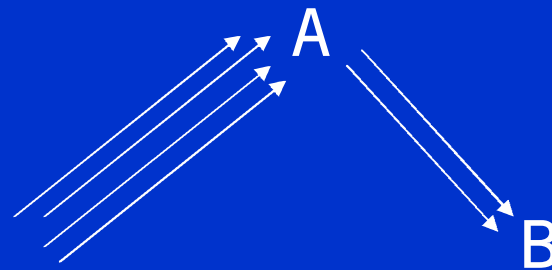


Different types of oblique goals

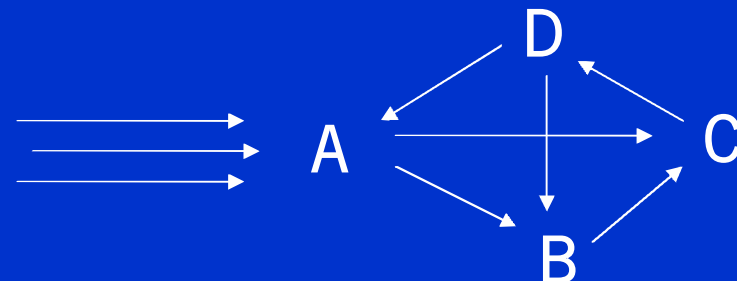
- Indirect Goals



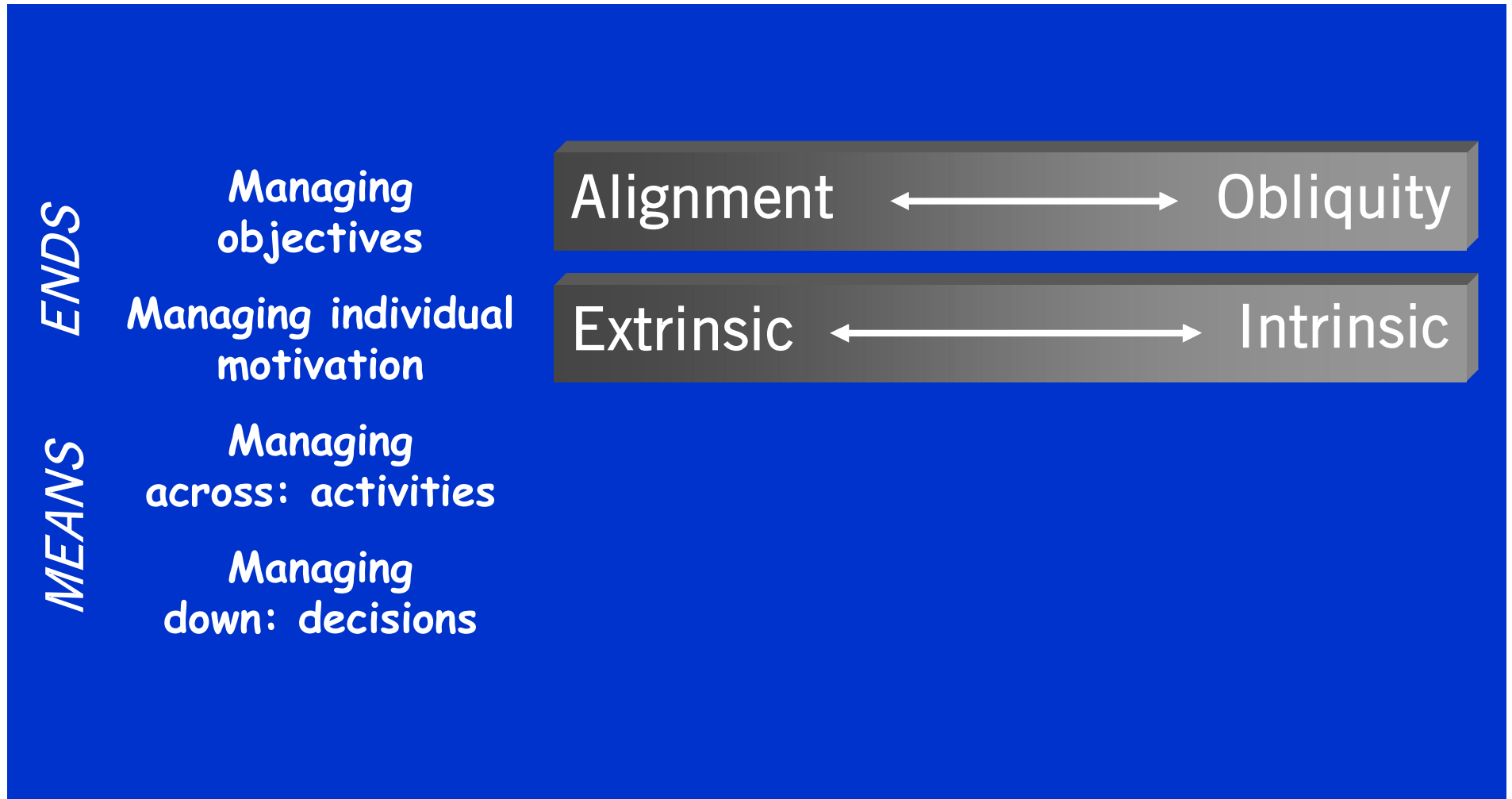
- Orthogonal Goals



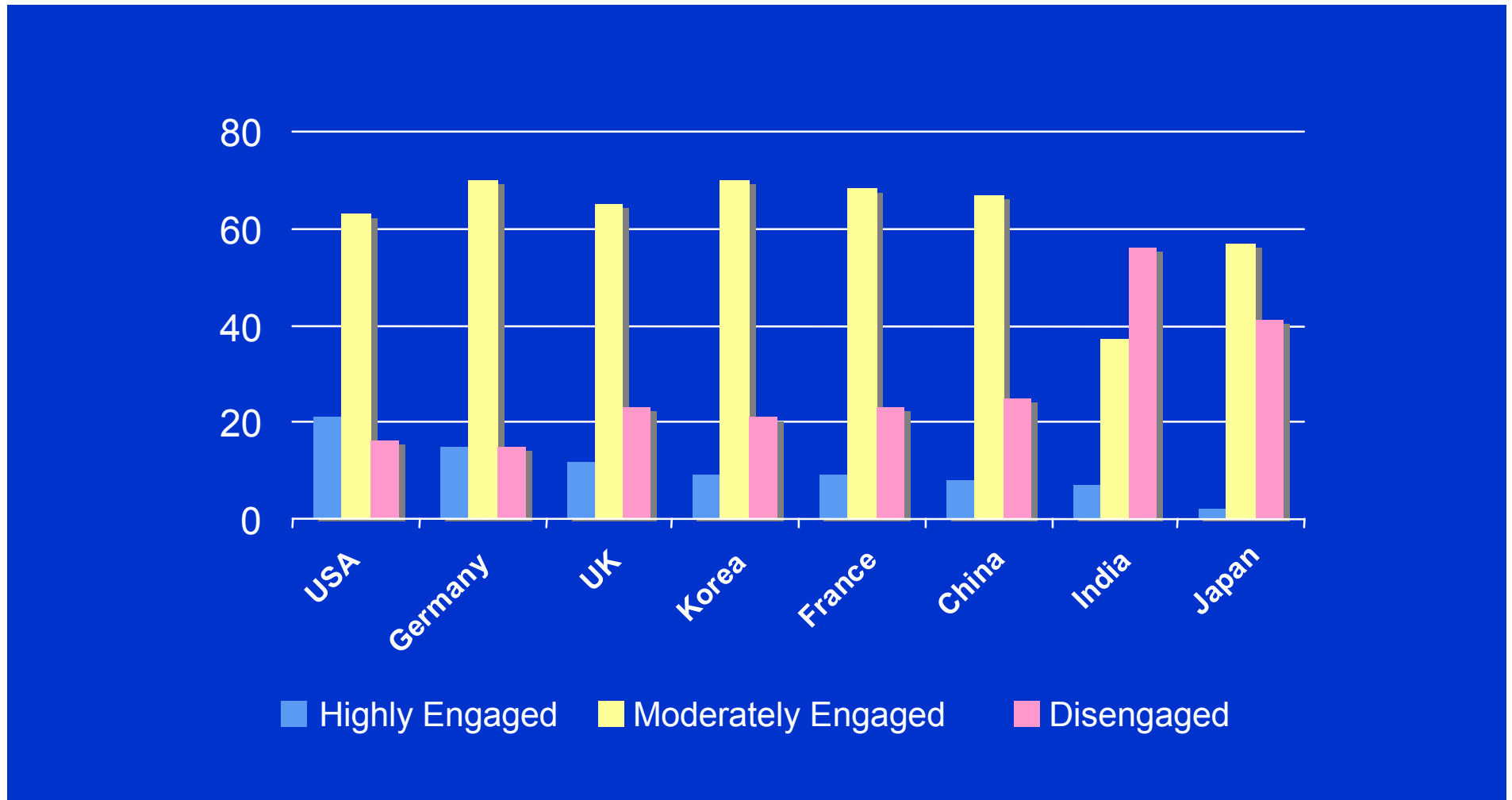
- “Leap of Faith” Goals



A framework for rethinking management



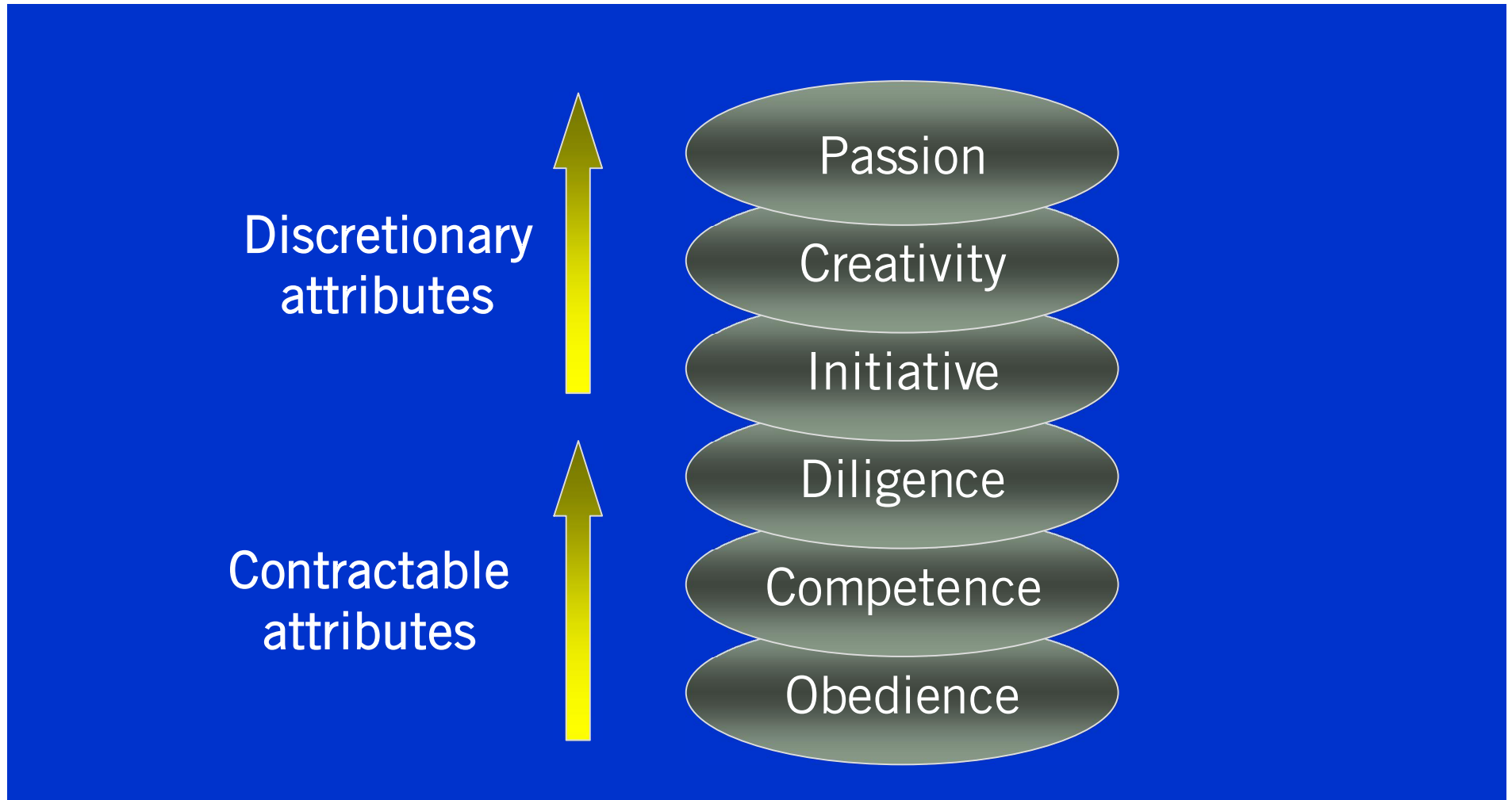
Engagement levels by country



A quick mental exercise

- Think back to the last piece of work you did where you were fully engaged and highly motivated.
- What were the key features of that project?
- Discuss in pairs, 60 seconds

A hierarchy of engagement



Extrinsic



Intrinsic

Doing work for
direct, material
rewards

Doing work to gain
status or
recognition, to fit in

Doing work for its
own sake: for
innate pleasure



*Extrinsic
Motivation
(Theory X)*

*Internalised
Extrinsic
Motivation*

*Intrinsic
Motivation
(Theory Y)*

Why do some people work longer hours?

- How important is each of the following factors to you?



Why do some people work longer hours?

- And which of these actually affects number hours worked?

- Salary



- Intellectual challenge



- Level of responsibility



POSITIVE
EFFECT

- Job security



NEGATIVE
EFFECT

Topcoder's unique approach to motivation

Hungry
community
of software
developers



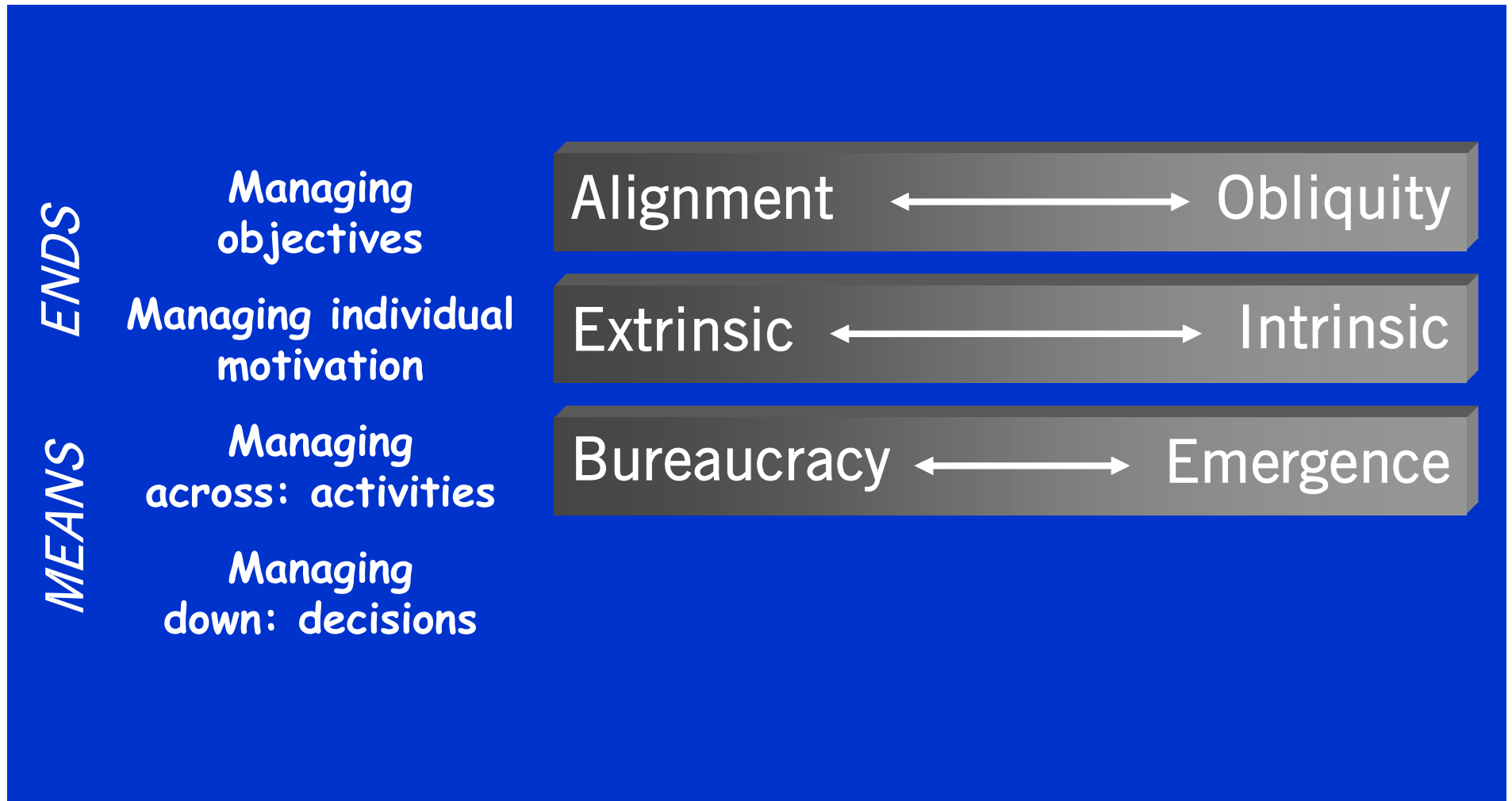
Clients
needing
software
developed

Rank	Name	Member Count	Rating
1	Warsaw University	46	2408.78
2	TsingHua University	44	2257.90
3	SPbSU ITMO	22	2244.11
4	Moscow State University	33	2235.14
5	University of Waterloo	32	2055.00
6			



- Twice winner of the TopCoder Open
- What motivates him?
 - Love of programming
 - Status/recognition among his peers
 - Possibility of winning the prize

A framework for rethinking management



Bureaucracy ↔ Emergence



Drachten, The Netherlands

Eliminate unnecessary activities

- Objective: Organic growth
- Biggest orthodoxy: The budgeting process
- Solution: Elimination of traditional budgeting, each desk head now evaluated on ROI versus peer units



Profit before tax for Wealth
Management (ex US) in CHF Billion

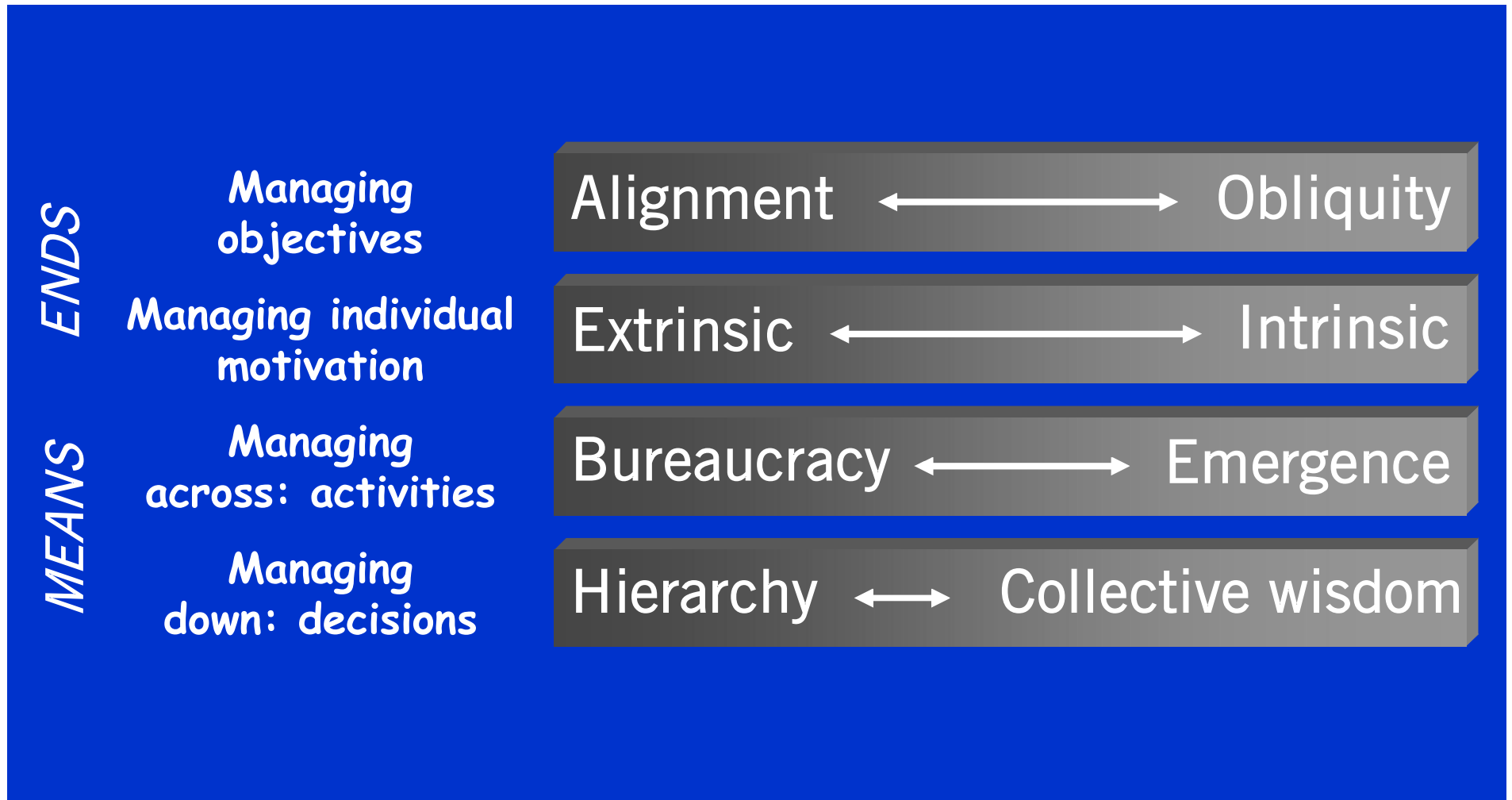
Simplify processes to enable coordination



Use “peer pressure” rather than formal rules



A framework for rethinking management



Hierarchy ↔ Collective Wisdom



65%



91%

Exploiting collective wisdom at Lloyds

- How do we encourage people across the organisation to *pursue* their business ideas?

The screenshot shows a window titled 'ZLinker China Stock (3.0Evaluation) - [Stock-List]'. It features a menu bar with options like System, View, Strategy, List, Historical, Intraday, Information, Data, Tools, Option, and Help. Below the menu is a toolbar with icons for New, Open, Workspace, Settings, View, FullScr, Indicator, Period, and Downlo. A secondary toolbar includes Wizard, Strategy, Stock-List, Intraday, Multi-Sort, Historical, Base-Info, Online-Info, and Selectio. The main area is a table with columns: Code, Name, Trade Time, Price, Close, Open, Last Trade, and several unlabeled columns. The first row is highlighted in blue and has a red circle around the 'Trade Time' cell.

Code	Name	Trade Time	Price	Close	Open	Last Trade			
000002	China Vanke Co., Ltd.	05/06/30	3.22	3.22	3.14	3.22	3.13		
000039	ational Marine Containe (grov	05/06/30	9.96	9.90	9.46	9.90	9.40	9.9	
000053	Shen Zhen Zte Cortoratio	05/06/30	23.61	23.61	23.04	23.61	22.63	22	
600009	ghai International Airport Co.,	05/06/30	16.76	16.70	16.90	16.91	16.41	16	
600011	uanneng Power International., in	05/06/30	6.53	6.50	6.15	6.50	6.10	6.	
600019	Baoshan Iron _Steel Co., Ltd	05/06/30	5.03	5.01	4.98	5.05	4.97	5.	
600028	na Petroleum _Chemical Corporat	05/06/30	3.60	3.60	3.53	3.60	3.50	3.	
600036	hina Merchants Bank Co., limited	05/06/30	6.07	6.06	6.06	6.15	5.95	6.	
600900	China Yangtze Power Co., Ltd	-	-	-	-	-	-	-	
AVR	Average	-	9.35	9.32	9.16	9.37	9.01	9.	
WAVR	Veight-Average	-	4.65	4.64	4.55	4.66	4.51		

- Employees trade *Bank Beanz* to predict success of innovation projects
- Project champions can issue shares in their projects, convertible to *Bank Beanz*

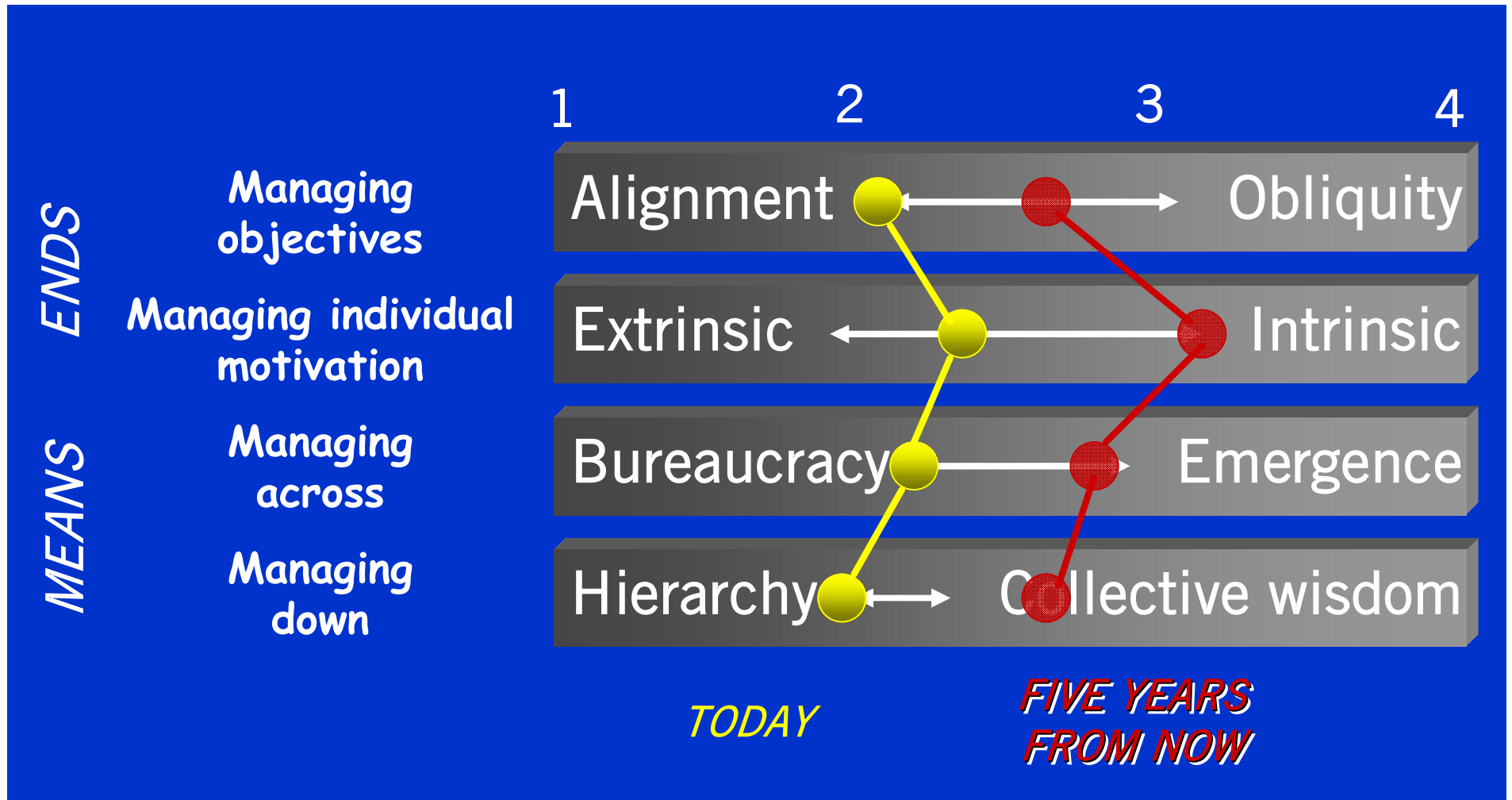
Tapping networks of experts at Roche

Experiment Overview

Comparing Internal and External Online Networks



How people think management will change



Key points on developing your own Management Model

- There is no *one best way*
- Management models operate at the level of *principles* which then drive specific practices
- Your management model should be a conscious choice:
 - To suit the task at hand, the challenges you face
 - To enhance your distinctiveness