

INNOVATION MANAGEMENT AND MANAGEMENT DEVELOPMENT IN THE AUTOMOTIVE SUPPLY INDUSTRY¹

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Abstract:

In a globalised world, enterprises are confronted with an increasingly fast change of technical and technological possibilities, available knowledge and differentiated markets. In this environment *innovation* and/or the *ability to innovate* are the key for success. Innovation is regarded as a major source for a competitive advantage of an organisation. The following practical example should show how a *medium-sized family business* dared to organise itself in such a way that it could maintain innovative drive while anticipating and weathering crises, and thereby set itself up for success into the future. In this context, we focussed on the specific role of the *management development*. The truly innovative feature of this management development approach is the way in which *reflection* is given a structural anchor within the process as it relates to the management level and management development. Basing points are small events, strategy, structure, people and communication. This papers shows that it is necessary to create a routine for permanent re-assessment of the innovation process.

Keywords: HR Management, Innovation, Management Development, Case-Study

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1. INTRODUCTION

In a globalised world, enterprises are confronted with an increasingly fast change of technical and technological possibilities, available knowledge and differentiated markets. Triggered and accompanied by new options of information and communication technology, worldwide competition has increased. In this context the concept of innovation is perceived as a central component in creating value and sustaining competitive advantage. (Baregheh et al. 2009) Small and medium sized enterprises (SMEs) are generally considered to be innovative companies (Volkman et al. 2010). The case study presented and discussed in this article actually deals with a company founded in a garage over 30 years ago. Innovation is central to the philosophy of this SME and dictates what it thinks and does on a daily basis. If those companies whose products are characterised by a focus on core technology wish to maintain and further develop this technology, it is essential that they anchor innovation as a corner-stone of their daily activity.

2. INNOVATION

Innovation is regarded as a major source for a competitive advantage of an organisation. But there is no single success factor of innovation and innovation management. Interdependencies of innovation and other factors are complex. So, success of innovation is attributed to numerous factors, such as, R&D expenditure, technological advancement, the organisation's market orientation, and capabilities. Another organisational success factor of innovation is how organisations or individuals view innovation and how this is defined. It is important to shed some light on what innovation is. In an organisational context it is believed that the way innovation is defined will constitute the business activities of an enterprise. Against this background, theory and practice often use a multi-perspective approach to define innovation. Therefore various definitions of innovation exist in literature and in organisational practice. (Goswami and Mathew 2005)

Joseph A. Schumpeter already had a comprehensive understanding of the innovation concept. According to Schumpeter innovation is "the creative destruction of the existing by an entrepreneur". (Schumpeter 1934; Schumpeter 1942; Volkman 2010) This aspect of destruction is very important in and for market economies, as it helps to realize an optimum resource allocation and competition. (Volkman 2010; Schumpeter 1934) Innovation in the form of entrepreneurship is a trigger for the creative destruction of products, markets and industries that foster change.

The term innovation can also comprise product innovations, process innovations, market innovations, organisational innovations as well as social or cultural innovations (Stern and Jaberg 2007). The long-term success of an organisation may rely more on an overall innovation orientation at the organisational-level. So an innovation orientation generates capabilities that continuously foster innovations. (Siguaw et al. 2006) The concept of innovation is interconnected to change. In this way innovation is used as a tool in organisations to influence their environment or react to changing environments.

3. CASE STUDY

The following practical example should show how a medium-sized family business dared to organise itself in such a way that it could maintain innovative drive while anticipating and weathering crises, and thereby set itself up for success into the future. The company in question is a supplier to the automotive industry. It specialises in the production of cast resins and machine systems and is located in southern Germany. The majority of its customers are in the automotive (supplier) industry. The company is organised along functional lines. In total, the group of companies employs approx. 600 staff worldwide. HR played a central role and management had to go beyond just ensuring innovation could take root. It had to assume leadership of the innovation philosophy across the entire company, as engineering and R&D were no longer the source of innovation. This reality stood in stark contrast to the company's self-perception and verbal statements from those active in the operative business. It was in fact the (family-run) management that gave HR this modern observational role to foster innovation. What makes this case study different to other companies and personnel functions was the fact that here a proactive decision had been made to focus on a link between HR and innovation, and this in turn lent a very modern aspect to the role HR was to play. In the broadest sense, this example shows that HR extended its focus from managing and "caring" for employees (personnel administration, personnel development, skills enhancement, career planning, etc.) to include the

structural development of the overall organisation. The Institute for Corporate Development of the Bern University of Applied Sciences has been observing this process as a participant observer for over three years.

The theoretical basis on which these descriptions are based, perceives innovation as a primarily social innovation. Innovation arises in (communicative) networks, where linking and recombining communications can create something new. (Hirsch-Kreinsen 2007) There is such a multitude of social trends, new developments and observations, that organisations need a "mirror image" of these phenomena, allowing them to be flexible in their ability to observe and act proactively and innovatively where needed, while remaining flexible to react innovatively when the market demands it. An innovative environment is all about enabling new observations and making them accessible. It is about sharing knowledge and ensuring it is put to practical use. Central to social innovation is ensuring that social relationships are open, and that the contacts arising from them will allow new ideas to be generated and revealed, which in turn will generate new/different contact opportunities and new potential for innovation. This potential for innovation goes beyond just product innovations to include organisational and process innovations. Those who wish to make an organisation innovative must bear two things in mind. They must enable the organisation to see just how path dependent it is, and they must ensure that the organisation understands innovation to be social innovation.

Observing path dependency makes it abundantly evident to managers that they must shape management development differently than they have done in the past. This gives rise to the first difference which can be described as innovative at the management development level: Firstly, it is not creative techniques that are used to generate innovations, but techniques of identifying path dependencies which, once identified, can be overcome. Secondly, managers are not seen as people that act, but as parts of the organisation and they act as part of the structural organisation. This structure is responsible for ensuring that specific (e.g. communication, interaction and decision-making) structures are established which allow an observable and communicable social system to be shaped, in which innovations can be generated and which can be made available to the organisation.

3.1 Small Event/Critical Juncture

Within path dependency theory, it is important to define a so-called "critical juncture" in the context of innovation issues. This presents itself in fact as a paradox: If you want to be innovative, you must be innovative from the very "first" action. Or, in other words: If you want to change things, you must already be changed. In our case, the important "small event" which subsequently proved to be a "critical moment" was the re-definition of the HR function, which went beyond traditional HR perspectives and assumed a role beyond its normal mandate. Since there were no predefined structures (i.e. organisation internal path-dependent knowledge) governing how a modern HR function had to be organised, an organisational window of opportunity opened for people to redefine something and to express new ideas which in turn could be transformed into organisational decisions and procedures. It was of course opportune that HR could depend on the propensity of the founding family to embrace innovation and this facilitated HR's acceptance of its new role. It was also important that this "window of opportunity" happened at a time of crisis. It was clear to management that action was needed, action that was different to what had been done in the past. It took the innovative decision, totally against the mainstream flow, to invest in the company's innovative capabilities at a time of crisis. Two small events, that ex post proved to be a critical juncture, carried within them the nucleus of innovation. And, what was more, embracing innovation as they did, kept them, when viewed closely, within their own rhetorical path as an innovative SME. This meant that the innovative novelty could be integrated into the existing organisation.

3.2 Strategy

Despite the fact that innovation had always been regarded as a characteristic structural feature of this family business, management decided during the economic and financial crisis of 2009 to integrate innovation as a long-term strategic element into the company's decision-making bodies. With this move, the company opted for a counter-cyclical approach: it invested in times of crisis by enhancing innovative capability as the basis for future economic growth. Management also decided that each business unit had to define how existing processes could be carried out differently. The goal was to create awareness that alternative options were available, and that set ways of doing and deciding things could be done differently if required. Central to the strategy was a focus on measures and target

groups, which can be represented as follows based on a strategic argument inventory (this, beyond strategic elements, also includes the organisational elements inherent in innovative management development: structure (organisation), human resources and communication).

The semantic distinction we are making is particularly relevant. The strategy was all about enhancing our innovative capabilities, and not about boosting innovation output. HR and management understood that innovations cannot be planned. But strategic measures can be enacted which form a framework which increases the likelihood that innovations can indeed be generated. This is anchoring context management as a strategic element (Willke 2001).

3.3 Structure (organisation)

The appeal to be more innovative within an organisation is by itself useless. The existing structure is too strong and exerts influence on how staff act in a day-to-day context. This in turn reinforces the existing structure and the influence it exerts. Together they curtail initiative to keep the organisation innovative. This was the reason why company-wide weekly Monday meetings were introduced. They were chaired by executives from the top management level. The key topic was innovation. These meetings addressed the question of how things that are done daily can be done differently, and the observations made during the previous week, which may have innovation potential. These meetings should also investigate where, within day-to-day routines, time can be scheduled to examine innovative ideas more closely.

As it was important to break clear from everyday routine, these meetings were held in dedicated innovation corners ("Innovation Kitchens"), which were specially set up in public spaces within the building. Materials such as Lego bricks, plasticine and building blocks were made available to help participants express themselves. Using means other than speech to represent an idea creates a new form of access and helps others share it.

The Innovation Kitchens (the name is derived from the chemical labs the company always had to drive its chemical business) also became the location where the company's idea management was repositioned. Dockets were hung at various places within the company on which employees could write any ideas they may spontaneously have had. These were then collected in the Innovation Kitchens, and subsequently referred to and extended/complemented as needed in the Monday meetings. Ideas referred to, were merged into the existing project database so that the innovation projects received the same status as classic, established (customer) projects.

This structure was connected with management and particularly with its top layer, by making each member at this level responsible for one of these innovation corners. A fixed time window was introduced into the weekly management meetings to discuss the results of the Monday meetings and the ideas they had revealed. Top management was also provided with a coach, whose remit was to reflect with them on what had been positive in the new orientation towards innovation, how to deal with employees and managers who were still in denial, and what to do to avoid any return to the old patterns of communication and decision-making. Admittedly, this would indeed have been a lot easier than simply holding on to the new ideas emerging, in the case, for instance, that no new ideas were forthcoming on Mondays and staff wanted to return to their work as there was nothing to discuss from their perspective. Another relevant point should be mentioned. The target objective system was enhanced to include an innovation aspect. Managers were now also assessed on how well they encouraged innovation and the time they gave their staff to be innovative.

Finally, we would like to refer to the last measure enacted to define the new structure - namely the formats used to harness customers as drivers of innovation productions. These are vital, because product innovations in future will no longer come from the cosseted atmosphere within organisations but will instead derive from networks. (Gassmann and Frisike 2012; Hirsch-Kreinsen 2007) Working directly with market participants increases the probability that innovations will be successful and will be accepted by the market. It is extremely important for automotive suppliers to know the innovations the car producers or other automotive suppliers are working on, as this allows them to anticipate what is going to happen in the market and to develop their own innovations to match. Formats were thus developed in which premium customers were invited to one-day events, in which the supplier's own new products were presented and fields discussed in which a joint innovative production would be useful. These workshops were chaired. This was because the decision-makers wanted to initiate a

project structure consisting of members of both organisations, which could start operational work immediately following the first idea session. It was therefore important within the workshops to find out who the key employees were to be tasked with executing these ideas. Establishing such a format had a strong effect on the internal structure. Incorporating customers in the process meant embracing expectations and commitments which had to be met.

3.4 People/personnel

The level of people and personnel was processed in our case study chiefly via management and personnel development seminars and workshops which we have mentioned. Coaching is a very important element for facilitating the "innovative impregnation" of the company. A key question that emerges on the personnel level is as follows: how can day-to-day work be maintained to meet quality and scheduling standards, when at the same time the organisation is propagating the call to embrace innovation and thus deviate in part from these very norms and standards? How can innovation and the innovative quest be given priority, if a customer-driven producing organisation (as the case is here) can always argue that what is actually happening in the market has ultimate priority, and that innovation should be a peripheral activity at the operative level?

Another way to directly influence people is the re-shaping of the goal achievement incentive scheme. This integrates into evaluation schemes how well managers have embraced (longer term) innovative projects and what they are doing to encourage their staff to act innovatively. Such a structure is designed to have a direct influence on how people act. At the personal level as well we would like to point to a "small event", which in retrospect proved to be a "critical juncture": The process of embracing innovation and making it a priority topic within the company would not have happened had there not been the right CEO and a founding family. What is needed are people who can stick to decisions even when many in management cannot fully embrace the vision due to the demands of day-to-day business.

3.5 Communication

If we go on to consider communication as a final component of our innovation management model, we must realise that it plays a pivotal role. From a systematic and constructivist organisational perspective it becomes a reference point for the innovative quest. In our case study, innovation or innovative capability became the central thread around which all initiatives could be oriented within the organisation. For example, innovation is a central argument in the strategy we have mentioned before: Innovations are required in order to be successful in markets in the future. Strategy does not exist on its own, it must be communicated. Even in the case of communication directed at management, innovation was always a key argument in creating situations in which staff were encouraged to make use of their innovative potential.

Cultural communication needs to take every opportunity of reminding the organisation that its goal and guiding values are rooted in the quest for innovation. The "Red Couch" was cited as an example of such a communicative awareness initiative. Space is required: Space in which coaching and management and employee development can take place, space in which communication can take place, in which a common awareness of innovation can be conveyed. We can see from our case that communication and the correct platforms had a central role in ensuring that the organisation and its staff could construe the true meaning of innovation and see it as a means of securing success for the future.

4. CONCLUSION

The truly innovative feature of this management development approach is the way in which reflection is given a structural anchor within the process as it relates to the management level and management development. Managers are encouraged to reflect on the results their initiatives have produced, to reflect on how they act as managers, to reflect on the whole innovation strategy and, if need be to adapt it accordingly. They are to consider alternative approaches for exploiting the organisation and on just how much their own actions contribute to the innovative structures of the company. It is pivotal that they consider how their innovative approach impacts innovations.

This reflection process is supported from two sides. Firstly, the HR function, which aims at boosting the company's innovative competence and reveals the company's blind spots, and secondly by external consultants. Consultants' objective perspective on the whole innovation process will prevent the organisation, management and HR from falling prey to a blind spot. They are tasked with introducing further innovative ideas for company development and observing the entire system objectively to point out any redundant routines and blind spots which may have pervaded innovative production processes. This can only truly be called innovation management when these functions and structures are integrated, ensuring that a company is constantly re-assessing its processes. Only when there are sufficient opportunities to re-assess existing conditions, i.e. the whole innovative management process, in which management make these decisions, do we talk about an innovative innovation management. This can only be based on the initial development of an innovative management. It's not "just" about creating a routine for an innovation process; it's also about creating a routine for permanent re-assessment of the innovation process. This may be a subtle distinction, but it is a crucial one when the task is to bring constant innovative momentum to the theory and practice of innovation management.

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