The Middle Manager as Innovation Engine

– innovation emerges at the outer edge of the known universe

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The best ideas rarely emerge at the strategy seminar at head office. They emerge where customers, employees and operations meet – and that is exactly where the middle manager sits.

Yet most middle managers are trained, measured and rewarded as operational machines. They must deliver stability, keep to budget and avoid mistakes. So innovation becomes something that happens somewhere else.

This article is about where the power to innovate really comes from – and why the middle manager can become the organisation's most important innovation engine, if we dare to make room for it.

Innovation emerges at the outer edge

Truly groundbreaking innovation never emerges at the centre of the established. It emerges at the outer edge of the known universe – or perhaps just beyond it. The journey there is full of mystery and bound up with flaws, experiments, curiosity and courage. Otto Scharmer of MIT, the man behind "Theory U", has described the same thing: Renewal rarely comes from the middle of society, but from its edge.

Clayton M. Christensen showed how the biggest opportunities often hide in markets the established players overlook. On management's radar they appear as a small red dot on the horizon – and the typical reaction is to dismiss it as irrelevant or a temporary error. Errors are, after all, uncomfortable.

The middle manager is the one who sees the red dot first. She is the one who hears the customer's frustration, discovers the employee's clever solution and senses where the processes creak. The question is whether she dares to act on it – and whether the organisation backs her up at many different levels.

Why the middle manager – what does the research say?

As early as 1988, the Japanese innovation researcher Ikujiro Nonaka described what he called "middle-up-down management": New knowledge is created neither at the top nor at the bottom, but by middle managers who bridge top management's vision and the reality of the front line. Quy Huy of INSEAD showed in Harvard Business Review that middle managers often have the best entrepreneurial ideas – but only get them realised if they are heard. They are also far better than top management at using the organisation's informal networks.

Ethan Mollick of Wharton studied what really creates success in innovative companies. He analysed 854 computer games from 395 companies. You would think the brilliant game designers were decisive. But the middle managers – those who had to turn the ideas into finished products – explained 22.3

percent of the difference in revenue. The designers accounted for just over 7 percent. The point is simple: Good ideas are not enough. It is the middle managers who get them through the machine.

> *The power to innovate does not live at head office – it lives in people close to customers and operations.*

Roger Martin's knowledge funnel

So why does it happen so rarely? Roger Martin, former dean of the Rotman School of Management, gives one of the best answers in his book "The Design of Business", which I used in my CBA thesis. He describes knowledge as a funnel. At the top are the mysteries: What we do not yet understand, for example what the customer really needs. Here you have to explore, find patterns and invent the right thing to do. Further down, the patterns become rules of thumb – and at the bottom, stable procedures where everything is about reliability.

Both ends are necessary, as I also described in the article "The Ambidextrous Organisation". But most organisations have built their bonus schemes, KPIs and culture around the bottom of the funnel, where you can regularly pull out a fat bottom line based on a safe procedure. Here the altar worships reliability. Few want to work voluntarily at the top of the funnel, because that is where all the failures are. But at some point the funnel runs dry – there is not enough fresh meat going into the grinder.

Skilled professionals – engineers, economists and IT specialists – have a natural preference for jumping straight to the bottom and finding the right solution. From there it is hard to see the light when you look up. It is just a small glowing dot and rarely a shining guiding star. Martin's answer is abductive thinking – "logical leaps of the mind": The courage to ask what might possibly be true, to prototype early and not to over-specify the solution before the air has gone out of the innovation. Sufficient ideation before synthesis.

Reliability or validity?

Martin illustrates the funnel with the story of McDonald's. The McDonald brothers started with a mystery: What do people in car-loving Southern California actually want to eat? They experimented their way to a rule of thumb – a simple menu served quickly and cheaply. They refined it into an algorithm, a standardised system in which everything from the weight of the burger to the frying time was specified. The algorithm made it possible to scale to thousands of restaurants. That is the strength of the funnel: Knowledge that moves downwards becomes cheaper, more efficient and more reliable.

But Martin points to a built-in bias. Organisations love reliability – the ability to deliver the same result again and again. It can be measured, documented and budgeted for. Validity – hitting what really creates value in the future – is far harder to prove in advance. You cannot present a spreadsheet of something that does not yet exist. That is why reliability almost always wins the argument in the leadership team, and that is how many companies slowly optimise themselves into the past.

Martin's solution is design thinking: A balance between analytical thinking, which refines the known, and intuitive thinking, which explores the unknown. The design thinker works in projects rather than permanent positions, tests hypotheses on real customers and accepts that the first attempts will fail. It sounds simple, but it requires an organisation that values both ends of the funnel – and leaders who can move between them.

This is where the middle manager becomes decisive. She is the one who stands every day with both in her hands: The demand for stable operations and the first faint signals that something new is on its way. She can either shut the signals down to protect

reliability – or give them a little air, a small experiment and a chance to grow into a rule of thumb. In my thesis I therefore proposed a personal Balanced Scorecard for each leader with indicators for both the top and the bottom of the funnel, so that it also becomes attractive to work where the failures are. That is the key to successful strategy execution.

The zero-error attitude and the mothership's embrace

The zero-error attitude starts at school, where we learn to get the sums right. It is good for building bridges that do not collapse. But carried over into leadership, it blocks experiments and new thinking. At Christiansen & Essenbæk we saw it clearly: The leaders had a real fear of innovation and strategy work, because it felt like venturing out where you could fail. The causality was too weak, the evidence too thin.

Christensen and Raynor thus point to yet another mechanism in "The Innovator's Solution": When a new idea finally emerges, it gets "hugged by the mothership". The organisation lovingly smothers it back into the safe procedures and ways of thinking until it looks like everything that was there before. An organism cannot disrupt itself with the same mindset that created the problems. The same phenomenon occurs in the public sector.

That is why it rarely helps to set up an innovation department or launch yet another innovation programme. If the middle managers do not themselves have the courage and ability to move up to the top of the funnel, even the best idea will be hugged to death.

The source of innovation – personal leadership

Here we come to the core. The source of innovation lies in personal leadership. If you cannot lead yourself with great self-trust through fire and water when things are hard and uncertain – why would you dare to venture out to the outer edge, where the errors and mysteries are? And why would others follow you out there?

That is why for many years I have talked about building a bridge between professional and personal leadership, in executive teams too – because you clean the stairs from the top down. The middle manager must be able both to run the known efficiently and to have the courage to explore the unknown. It is a very personal development journey – across the bridge while you are building it. And here experience is often a show-stopper: It tells us to stay away from everything flawed, imperfect and mysterious. It is a completely natural survival mechanism.

The power comes from what I call inner readiness: The surplus of mental strength that we can learn to mobilise when it matters. This is where the surplus mentality arises – and it rubs off on behaviour and on the bottom line. We train it through 3H – the head, the hands and the heart – because learning only sticks when the reflective, the will-strengthening and the emotional parts work together. At the same time we widen the leader's radar so that it picks up far more nuances – including those in the blind spots.

From the middle manager's chair – my own experience

Most of what I myself have helped create that was new emerged close to operations and often against all odds. At ISS I started in 1998 as a leadership trainee and the following year became operations manager. Here I was given responsibility for a small project with unemployed people and invented IKA2 – a laminated competence driving licence that was used as a job application at the local bike shop or the village supermarket.

In 2000 I was appointed project manager with overall national responsibility for all job centre projects in the municipalities. Together with 12 skilled project managers we built a commercial CSR concept, even though

head office said it could not be done – you can read more about this in Partnership in Practice. It ended with the group's second-best profit margin and both the Danish Integration Award and the CSR People Prize.

Later, in my own company, I developed the world's first video CV for immigrants, which received support from the Danish Ministry of Integration – and everyone who could and would found a job.

As HR director at Eltel Networks, we developed the ECOL system in two months for DKK 75,000. The process was cut to less than half the time with zero errors, and three quarters of those involved had time freed up for value-creating work.

At Christiansen & Essenbæk I was responsible, among other things, for the project "Trivsel – 360 grader" (Well-being – 360 Degrees), which first won the Danish Working Environment Award (ArbejdsmiljøPrisen) and then Børsen's CSR Communication Award on the basis of my book "Lederens inspirationsguide" (in Danish).

The common denominator is not brilliant ideas from a desk. It is hassle that was taken seriously, people close to operations who dared to try something new – and leaders who also dare to experiment and be curious themselves.

The customer as a source – customer deep dive

The most important insight at the top of the funnel comes from customers. It is about understanding what problem the customer actually hires us to solve – what Clayton M. Christensen calls jobs-to-be-done. And it is the middle managers who have the daily contact.

That is why we bring customers directly into the learning room. At Cepheo and e-conomic, real customers became co-trainers who told us, unfiltered, what they loved, missed and hated about products and service.

The methods range from customer films and customer seminars to customer advisory boards – and, if the courage is there, customers as trainers on the leadership programme. The customer's voice and perspective shape innovation.

Innovation in the middle of operations

At Christiansen & Essenbæk, the middle managers became the missing second leg needed to make "Trivsel – 360 grader" part of everyday life. Through our intensive and extensive leadership development programme, the fear of innovation and strategy work was markedly reduced.

At the strategy seminar with the Business Model Canvas, the leaders learned, among other things, that there must not be too much structure, because it lets the air out of innovation. There must be room for wild ideas and for the emergent along the way – even when you have an overall plan.

A small example says a lot. Two leaders from different parts of the company went as a task force to a type of construction site neither of them knew – up into the mysterious end of the funnel. One came back the same afternoon, euphoric and "totally high", with a string of ideas from the new employees. Two weeks later a competence search function was under development, and the intranet had a forum for "Good ideas and clever solutions".

We also trained 12 hourly-paid enthusiasts as the culture's extended arm out on the sites, and later we developed our own training in concrete repair. The project was selected for Mandag Morgen's "Welfare Innovation Day" as one of the best solutions in the country – and in 2013 the company developed a 24/7 concept for bridge renovation that removed 80 percent of the daytime traffic disruption.

That was something the Danish Road Directorate and the Minister of Transport liked. Even more so the motorists: The customer's customers.

AI is a tool – not an engine

Today AI plays an ever bigger role. At one of our clients we are currently working on process optimisation, better operational flow and communication both internally and with customers. But the experience is the same as with all previous technologies: AI in itself is just a tool.

It only works if it is coupled with the necessary organisational development and an upskilling at all levels – including the leaders. It is the middle managers who must turn the tool into new ways of working, and they can only lead what they have tried themselves. I have explored this further in Digitalisation and AI Are a Leadership Project.

How to make middle managers an innovation engine

Five moves for management:

- **Make the top of the funnel attractive:** Measure and recognise exploration too – not only reliability.
- **Give a mandate at the outer edge:** Let middle managers experiment close to customers and operations.
- **Build the bridge:** Train personal leadership alongside professional leadership.
- **Bring the customer in:** Use customer deep dives as a regular source of new knowledge.
- **Protect the new ideas:** Make sure the mothership does not hug them to death.

Three questions for the leadership team

Ask yourselves:

- Where in our organisation is the small red dot seen first – and what happens when someone points to it?
- What do we reward most: reliability at the bottom of the funnel or exploration at the top?
- How do we train our middle managers to lead themselves through the unknown?

Conclusion – the power to innovate lives in people

Innovation emerges at the outer edge of the known universe – and that is where the middle manager sits. But it only emerges if the middle manager has the courage and ability to move up to the top of the funnel, and if the organisation does not hug the new ideas to death.

The source of innovation lies in personal leadership. Build the bridge between professional and personal leadership, give middle managers a mandate – and watch them become the organisation's innovation engine.

The article builds on, among others, my CBA thesis "LeaderShop – nøglen til succesfuld strategi" (2012), my book "Lederens inspirationsguide" (2012), my LinkedIn articles "Fremtidens mellemledere – kilden til innovation" (2016), "Kilden til innovation – om disruption og transformation" (2016) and "Innovation at the outskirts of society" (2015) as well as Roger Martin, "The Design of Business" (2009), Christensen & Raynor, "The Innovator's Solution" (2003), Nonaka (MIT Sloan Management Review, 1988), Huy (Harvard Business Review, 2001) and Mollick (Strategic Management Journal, 2012).

Do you want your middle managers to become innovation engines?

Cronquist Consult ApS develops middle managers and leadership teams who can drive both operations and renewal – with action learning, customer deep dives and training in the company's own reality. Read more here:

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