Spotlight
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How can small businesses foster innovation through a sense of ownership?

Psychological ownership and management innovation in SMEs: A study of Hoshin Kanri implementation

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Management innovation is crucial for SMEs aiming to stay competitive, but successful implementation is challenging, especially in resource-limited settings. This article delves into the process of adopting management practices, focusing on the psychological ownership (PO) factor and how it impacts the acceptance and integration of Hoshin Kanri (HK) within SMEs. As an approach to align organizational goals and enhance strategic dialogue, HK demands a level of commitment and adaptation that psychological ownership can uniquely foster.

WHAT WE STUDIED

The research focused on eight Swedish SMEs from various manufacturing sectors engaged in adopting HK. The researchers used psychological ownership and critical incident theory (CIT) as frameworks to analyze the implementation process, looking specifically at incidents reflecting an increase or decrease in ownership. Researchers documented a series of workshops and gathered over 400 hours of qualitative data to capture micro-level changes in ownership. This multi-case study aims to understand how ownership at both individual and collective levels influences the innovation's success.

KEY INSIGHTS

1. The Role of Managerial Commitment

Psychological ownership among CEOs and managers emerged as a crucial driver for the adoption of HK. Instances where CEOs demonstrated strong engagement—such as dedicating time, acknowledging progress, and integrating HK principles into daily operations—correlated with higher success rates in implementation.

2. Collective Psychological Ownership

The study found that involving middle managers and employees in the HK process helped transition psychological ownership from individual leaders to the broader team. This collective ownership was essential, as SMEs with higher rates of collaborative engagement in HK workshops showed greater adaptability and long-term commitment.

3. Impact of Incident Frequency and Type

Frequent, positive PO incidents—like sustained engagement and visible integration of HK practices—were vital for momentum. Companies with consistent, high-engagement activities saw more significant progress, while those with mixed or negative signals faced stalled implementation. Both technical and rhetorical forms of engagement (e.g., statements supporting HK or the use of specific HK tools) contributed to ownership.

TAKEAWAYS

1. Foster Inclusive Leadership

For management innovations like HK, SMEs benefit from leaders who encourage participation and share ownership. By engaging middle managers and employees early, leaders can build an ownership culture that facilitates sustainable change.

2. Monitor PO Signals for Momentum

The study highlights that a steady stream of positive engagement signals keeps momentum strong. SMEs should actively promote milestones, encourage

feedback, and address setbacks promptly to maintain ownership and motivation.

3. Adapt HK to Fit Organizational Culture

Since management innovations like HK are not one-size-fits-all, SMEs must adjust their approach based on company culture and workforce needs. Adapting HK to fit specific organizational structures and values makes it more likely that employees will embrace the change.

IMPACT

The findings underscore the potential for psychological ownership to serve as both a catalyst and a gauge for management innovation success in SMEs. Given the distinct challenges SMEs face, psychological ownership offers a practical framework for leaders to cultivate an internal sense of responsibility and shared purpose. Future research could expand on the dynamics of collective ownership in larger organizations or explore how different management practices impact ownership development.

RECOMMENDATIONS

SMEs interested in management innovation should:

1. **Prioritize Leadership Engagement** – CEOs and senior leaders should lead by example, promoting psychological ownership through visible commitment.
2. **Encourage Broader Team Involvement** – Ownership spreads most effectively when employees at various levels are engaged and contribute to innovation processes.
3. **Develop Consistent Messaging and Tools** – Utilize both rhetorical and technical methods to integrate new practices and maintain enthusiasm across the organization.

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