



EXECUTIVE DIGEST

# Establishing a system for innovation in a professional services firm



Alastair Ross

Director, Codexx Associates Ltd., 3-4 Eastwood Court, Broadwater Road, Romsey SO51 8JJ, UK

## KEYWORDS

Professional services;  
Systematic innovation;  
Best practice model;  
Strategy

**Abstract** Professional service firms are facing new competitive challenges in a global market with more value-focused clients, service commoditization, regulatory changes, and new Internet-enabled business models. They increasingly need to improve competitiveness through sustained innovation of the value they provide and the efficiency with which they provide it. But how can firms establish an effective and sustainable innovation system? This Executive Digest shares a best practice model for innovation based on academic research and honed by a decade of practical experience in application across professional service firms in consulting projects. This work covers how to develop innovation strategies by establishing processes and organization to support innovation, providing innovation training, developing new services, and re-engineering existing services. The author, Alastair Ross, details the practices required and shares some of the challenges encountered in realizing them. This article draws heavily on his latest book, *Innovating professional services: Transforming value and efficiency*.

© 2015 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

## 1. The landscape for innovation in professional services

Professional services as a major business sector generates more than US \$3 trillion in global revenue annually (Empson, 2013). The professional services group is made up of lawyers, accountants, management consultants, IT specialists, architects, and other professionals who provide services to businesses and individuals based on knowledge, expertise, and intellectual property. In the United States, there are approximately 400,000 practicing lawyers

and over 1 million accountants (American Bar Association, 2015; [www.census.gov](http://www.census.gov)).

Since the 1960s, the professional services sector has enjoyed major growth on the back of global economic growth. However, growth in professional services is now challenged by fundamental trends accelerated by the economic weaknesses in western economies triggered by the 2008 financial crisis and resulting business downturn. These trends include:

- Price-down pressures from clients seeking better value;
- Deregulation (e.g., UK and Australian legal sectors) enabling new entrants;

E-mail address: [alastair\\_ross@codexx.com](mailto:alastair_ross@codexx.com)

- Service commoditization through the application of standardization and IT;
- Increasing competition from lower-cost economies (e.g., IT services from India); and
- New Internet-enabled business models providing lower-cost online services.

In response to these challenges, firms are recognizing the need to innovate their processes and the services they provide. Such innovation enables firms to reduce costs through more effective and efficient working and increase the value provided to clients. But some professions (e.g., law, accounting) have enjoyed centuries of effective monopoly through regulation and licensing, so there has been no need for substantive innovation. However, the nature of the competitive trends means that this is no longer true. Therefore, innovation is increasingly on the agenda of even the most conservative of firms.

### 1.1. Individual vs. institutional innovation

It is important to differentiate between individual innovation and institutional innovation. Many business professionals would claim to innovate regularly in terms of their methods or deliverables. However, this is primarily what I would call ‘individual innovation.’ Such innovation is personal; it is not codified or scalable—or even valuable—across the wider organization. Therefore, the impact of such individual innovation is limited in comparison to ‘institutional innovation.’ Institutional innovation affects other personnel within the firm and outside it through codified and scalable improvements such as new or enhanced services, new ways of working, and new strategies. Institutional innovation may likely start as individual innovation, but the lone innovator creates something that can be used by others and not just himself/herself: something that can be converted into an institutional innovation. For a firm to be effective in using innovation to improve its competitiveness, it must master institutional innovation.

### 1.2. The challenge of innovation in professional services

Innovation is a challenging process. Quite simply, the demands of daily business will always be more pressing than realizing the potential of innovation within a business; there will always be an excuse why it cannot be done. To address this challenge, management needs to establish space and resources

for innovation. In effect, a self-sustaining system for innovation must be put in place to help ensure that innovation actually occurs. Moreover, the innovation challenge faced by a professional services business is quite different from the innovation challenge of a product-based business, as the value offering of the latter is a physical product; and whether that product is a pump, a plane, or a personal computer, there are required business methods and disciplines to design and produce it. Processes are needed to develop, manufacture, and supply the product to customers. Thus, product-based businesses have built-in structures for innovation using these processes. This is not to say that product-based businesses are all good innovation performers; indeed they are not. The point is simply that they have at least a structure for innovation that a professional services business typically lacks. And importantly, they must codify their offering (into a product). In contrast, professional services is a people-based business with no necessity for codification: each individual can provide a service based on their own expertise. However, in my experience, professional service businesses can learn a lot from the innovation methods and experience of product-based businesses, and many of the approaches are portable to the service sector—especially the methods and disciplines for codifying knowledge and expertise.

## 2. Innovation: A definition

What is innovation? Managers and employees in service and industrial clients that I have worked with have described it as follows: “Innovation is about radical new things”; “Incremental improvement is not innovation”; and “This isn’t innovation. It’s been done before.” None of these descriptions are wrong as such. They are simply different views of innovation. However, a view that innovation is only about radical new ideas would likely lead to incremental improvements receiving little focus and resourcing within the business. Similarly, a view that innovation only covers things that are new to the world could diminish the powerful benefits of adopting best practice methods proven elsewhere (a.k.a. ‘copy with pride’). I have found that the most effective definition for innovation from a business standpoint is: “Innovation is anything that is new to you that adds value.”

This broad definition of innovation means that both incremental improvement and radical change should be considered innovation, simply at different levels. Innovation can also include applying existing methods or technologies used in other businesses or

Download English Version:

<https://daneshyari.com/en/article/1013917>

Download Persian Version:

<https://daneshyari.com/article/1013917>

[Daneshyari.com](https://daneshyari.com)