



## EXECUTIVE DIGEST

# Establishing a system for innovation in a professional services firm

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## KEYWORDS

Professional services;  
Systematic innovation;  
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**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*.

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## 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;

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- 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.

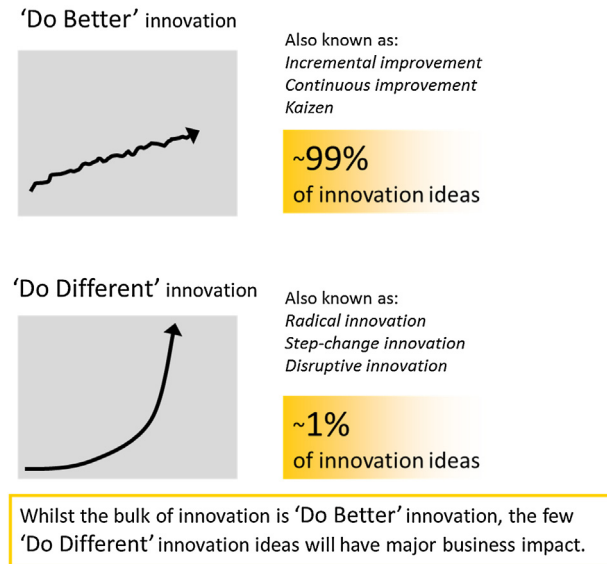
## 2. Innovation: A definition

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

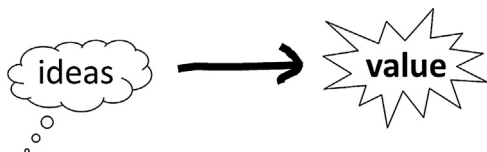
**Figure 1. Types of innovation\***

Note: The % figures are estimates of idea quantity, not the value of the idea, as 'Do Different' innovation can have significantly more impact than 'Do better.'



\*Source: Codexx, based on work by Professor John Bessant.

sectors (or other parts of your business) to your own business (or part of the business). This broad view of innovation helps change leaders develop a holistic strategy for innovation in their firms. While radical, 'do different' innovation grabs headlines, most innovation is of the incremental, 'do better' type (see [Figure 1](#)). Indeed, Toyota's success as a global automotive manufacturer has been greatly aided by its core focus on continuous improvement ('Kaizen') based on its Lean philosophy, which minimizes inventory by improving operations. Innovation is about creating or using an idea and generating value from it (e.g., increased profitability). Successful exploitation of an idea is a key requirement for innovation ([Figure 2](#)). This is why innovation is more than just creativity: many new ideas and inventions fail to deliver value and thus cannot be considered innovative. In the journey to innovation, activities such as idea exploration, selection, development, implementation, and learning are at least as important as creativity.

**Figure 2. Innovation is about deriving value from ideas**

### 3. The need for a system to manage innovation

If you want to have effective innovation (i.e., delivering new and improved value cost-effectively) and also sustainable innovation (i.e., repeatable over time rather than just a 'one shot') in your business, you have to proactively establish the right conditions for it. The objective is captured well in this quote from a manager in a UK law firm:

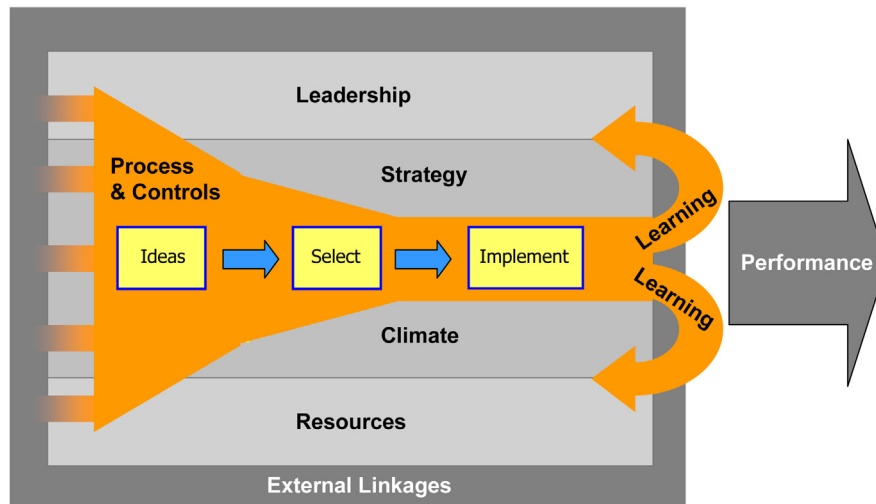
The challenge is to institutionalize innovation into the culture so that more lawyers feel able to be innovative in what they are doing and are able to share those innovations across the firm rather than for them to remain in small teams.

Research and experience have shown time and time again that effective and sustainable innovation requires a holistic and systematic approach. This approach weaves together the threads of a number of key practices to create a strong and rich fabric of innovation capabilities. Exploiting these capabilities leads to long-term superior performance ([Codexx, 2013](#)). Effective innovation thus requires an integrated system ([Figure 3](#)) to deliver it. This system is comprised of seven key practice areas:

1. *Leadership*—Active support and encouragement from the top.
2. *Strategy*—A clear business strategy to provide context and priorities for innovation.
3. *Process*—A structured process to explore, select, and implement the best ideas.
4. *Climate*—A supportive culture and values to promote innovative behaviors.
5. *Resources*—People time, methods, and money to fuel innovation.
6. *External Linkages*—Effective links to the outside world for ideas and resources.
7. *Learning*—Capturing and sharing learning from innovation across the organization.

With effective practices in place in these seven areas, businesses increase their chances of achieving good to great innovation, resulting in new or improved services, more efficient processes, marketing innovation, or new business models. I have used this innovation system model in multiple projects with law firms, insurance companies, management and

Figure 3. The Innovation System\*



\*Source: Codexx

technical consultancies, financial services firms, and industrial companies since 2005, and it has proven to be an effective lens through which an organization's innovation capabilities can be reviewed and developed. This has helped management and partners take a structured approach to considering innovation in their business. My consulting work with Codexx has demonstrated to me the strong correlation between improved innovation practices and higher business performance.

In the remainder of this article I will explore the aforementioned seven key practice areas, supported by examples from my consulting work with clients and other case studies, to bring to life the required practices of innovation in professional service firms. In these examples, I have included quotes from employees, partners, and managers in professional service firms which illustrate the all-too-common challenges encountered in innovation in each practice area.

## 4. The seven elements of an innovation system

### 4.1. Leadership for innovation

*"Partner conservatism is the major barrier."*  
— Manager, Law Firm

*"We still lack the mindset of innovation. Decision making has become too slow."*  
— Manager, Insurance

*"Most partners are promoted because they are lawyers first, salesmen second, and managers a very distant third."*

— Employee, Law Firm

Leadership is key to establishing an effective innovation capability. Someone with organizational power and access to resources must champion innovation. Typically, the champion should hold a senior level in management or be sponsored by a senior-level manager. The champion's role comprises three critical activities:

1. Placing innovation firmly on the agenda for the business;
2. Resourcing innovation with personnel and budget; and
3. Driving the participation of management in supporting and leading innovation.

While the champion serves as the visible face of innovation leadership in the firm, a significant portion of the leadership team must also positively support innovation or the champion's work will be in vain. Without effective and visible leadership, innovation has little chance of becoming established and sustained within the firm as daily demands and pressures can easily consume all of management's attention. And as innovation is all about change, it will face resistance within the organization, which must be addressed. Key

practices required in this area include management showing a visible commitment to innovation ('walking the talk'); actively embedding innovation in the firm's mission and values; empowering an innovation culture; funding innovation; supporting a culture of diversity through proactive recruitment, retention, and reward policies; and measuring innovation.

For innovation to be successful, managers and employees who champion individual innovations and innovation activities must also take on leadership roles. This includes departmental managers—or firm partners—who encourage and support innovation among their employees. It also includes individuals who champion new ideas at any stage of the lifecycle: inception, selection, development, or implementation. The innovation system needs to encourage and support these champions because they represent an organization's 'Special Forces team' regarding change: reconnoitering new areas, trying out new approaches, and taking risks the rest of the organization will not. Kristian P. Moor, former president and chief executive of major global insurance company Chartis, articulated his commitment to innovation as follows ([Leaders Online, 2011](#)): "There is an understanding at the company that whether you've been here for 6 months or 16 years, if you have a good idea and can translate it into a viable product or service, we'll do our best to put the resources behind you." This is a great example of clear and visible innovation leadership.

#### 4.2. Strategy for innovation

*"Partners are focusing on cost reduction. How to square this with putting in place processes for improvement?"*

— Partner, Law Firm

*"We don't hear about innovation from the board. I can't remember a CEO statement on innovation."*

— Manager, Insurance Company

Effective innovation requires strong focus. This enables an organization to select and develop those ideas that can provide the most value to the business. In contrast, a scattered approach to innovation—whereby a large number of disparate ideas are simultaneously progressed—runs the risk of so diluting dedicated firm resources that none of the ideas deliver adequate net value. Innovation focus requires a lens through which to view and evaluate new ideas; this lens is the firm's vision

and strategy.<sup>1</sup> The strategy clearly defines where innovation is needed—specifically, what is needed to close the gap between today and the planned tomorrow. Ideas that can help close this gap have the most value. Consider Apple, which is ruthless in its focus, as described by CEO Tim Cook ([Tyrangiel, 2012](#)): "We argue and debate like crazy about what we're going to do, because we know that we can only do a few things great. . . . And when we get an idea that's great enough, we put all of our energy into executing that."

So, a firm's innovation strategy provides a context for innovation. It clearly identifies where innovation is required to achieve the desired business goals (e.g., in products, services, business processes). It defines the firm's innovation intent. Of importance, it must be well defined and communicated across the organization such that employees and managers know where to focus their innovation efforts. The innovation strategy also needs to provide space and direction for radical innovation. This is challenging, as unlike incremental (i.e., 'do better') innovation, there is a lack of a natural framework within which innovation can be developed. Existing paradigms for how the market is defined, how well it is served, and how business is done may well be inappropriate because they constrain innovation, reducing the ability to develop true 'do different' innovation. Some framing is needed to guide innovative thinking if the outcomes are to be valuable and relevant to the business.

AXA Ireland, a part of the global AXA insurance group, employed a concerted focus on innovation in the early 2000s. After reviewing the innovation ideas it had successfully implemented, AXA Ireland found that only 10% of the ideas concerned the creation of new customer offerings (e.g., new services), while another 40% focused on eliminating wasteful activities in work performance and a further 40% involved incremental improvements of existing services and processes. This was an important finding, as it showed that innovation for AXA Ireland was not primarily about radical new ideas, but more about improving extant practices. This discovery resulted in a framework for innovation that AXA Ireland could use to communicate with its workforce and make innovation less intimidating; employees could apply their experience from daily work. The use of this framework consequently increased involvement in AXA Ireland's innovation program ([Ross, 2015](#)).

<sup>1</sup> For simplicity's sake, I will use the term 'strategy' to refer to both.



In addition to a longer-term strategy, it can also be useful for a business to have shorter-term improvement themes (e.g., reducing waste, improving client satisfaction, finding cost savings). The use of new themes for a period of time—say 3 to 6 months—can help keep innovation fresh and stimulate new thinking. It also allows management to refocus the creative energies of their workforce on specific business challenges.

### 4.3. Process for innovation

*"Ideas just go into a black hole today."*  
—Manager, Insurance Company

*"In practice, we can have a lot of crappy projects going on."*  
— Manager, Law Firm

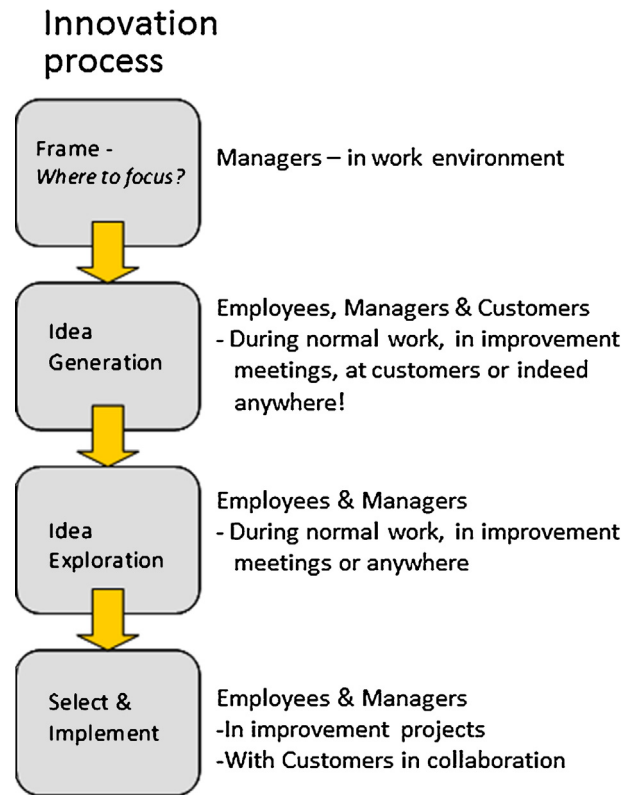
*"By the time you get through all the bureaucracy, the system will be obsolete or the idea will be dead."*  
— Employee, Insurance Company

Every idea for innovation follows a journey of its own. Many will go nowhere, their early promise quickly fading away once the idea is subjected to detailed scrutiny regarding potential benefits vs. developmental costs and/or risks. Some will pass this scrutiny and go on to be developed and implemented to achieve a new way of working, a new product, or a new strategy. Very few will yield a major improvement in business value; that is the nature of innovation. It is the role of the innovation process to help in generating ideas, to sift them objectively through the mesh of business requirements, and to select and develop the best and deliver value from them. Without an effective innovation process, new ideas—especially from employees—cannot easily be heard by management and thus cannot be resourced to enable their benefits to be realized. On the other hand, unsuitable ideas can be implemented, particularly if they are championed by a manager or partner. This wastes resources because they are invested in poor ideas. It also wastes potential benefits of good ideas that were not resourced. An effective innovation process must perform two key functions:

1. Provide a mechanism to capture and explore new value-improving or cost-reducing ideas, and
2. Select and implement the best ideas, assessing potential benefits against risk and cost.

The analogy of a pipe is often used in discussing the innovation process, with ideas 'flowing' along the

Figure 4. Generic innovation process showing involvement\*



\*Source: Codexx

pipe: first to be reviewed, then sorted, and finally—if deemed the best—implemented. In reality, there is not such a simple, linear flow; innovation is much messier and ideas will progress and regress as well as enter and exit the process. The process shown in Figure 4 focuses primarily on the front end of innovation. This shows a typical 'stage-gate' process, which controls the progress of ideas through the process using 'go/no-go' decision gates between the stages. These decision gates use selection criteria that are consistent with the business innovation strategy. This type of innovation process was developed for product innovation but can be equally applied in professional services. I have implemented this type of approach in a number of UK law firms.

When establishing an innovation process, it is important to differentiate between big and small ideas. Otherwise, there is a very real danger that enthusiasm for innovation can be quickly stifled through the application of an overly bureaucratic approach. The philosophy of the innovation process should be to balance the risk and cost of implementing new ideas with the weight of the review process. For example, a process to support team-based process innovation—for instance, to cut waste and improve service—should have a light-touch process

that empowers teams to review, select, and implement projects themselves where the impact is solely at their local level. For this type of innovation, an overcentralized and hierarchical approach involving review and decision making by higher-level management will only serve to slow and stifle innovation. Unfortunately, too many firms do just that: their best intentions for innovation are countered by a conventional suggestions scheme whereby all ideas are captured and reviewed in the same way.

Proven methods for managing the process of innovation range from formal processes such as a conventional stage-gate system to more flexible, competition-type approaches such as PwC's Power-Pitch and QinetiQ's Dragon's Den. It is important to recognize that there is no single, perfect solution for innovation management. An optimum innovation process is one that is tailored to the situation and goals for innovation in your firm. It is also important to consider how to handle radical, do-different ideas. These types of ideas will lie outside the paradigm of the existing business and so will not yet meet all the acceptable criteria for commercial success; therefore, they will usually fail to pass through the stage-gate criteria of a typical innovation process. This creates the risk of premature rejection and associated loss of potential game-changing innovation for the business. More flexible exploratory approaches are needed for such ideas, including selecting these innovation concepts for further exploration, incubation, or longer-term pilot.

To support the innovation process, firms can apply commercial software applications. These typically focus on idea management. Such tools ease multi-office and multi-country involvement and collaboration in innovation. They are not silver bullets, however, and do not replace the need for a broader innovation system. Many organizations make the mistake of investing substantially in such systems at the expense of other areas of the innovation system and then are disappointed that they have not delivered more.

#### 4.4. Climate for innovation

*"We have a culture of being slow and methodical."*

— Manager, Technical Consultancy

*"Conformity is valued. Don't rock the boat."*

— Manager, Insurance Firm

*"Innovation does not come naturally to most risk-averse lawyers."*

— Director, Law Firm

Just as certain conditions are required in order for plants to grow, so an organization must ensure that the proper conditions are in place for innovative ideas to be seeded, take root, and deliver business benefits. Plants require a combination of nutrient-rich soil, sunshine, and water. Likewise, thanks to academic research and business experience, we are able to identify the conditions that foster innovative ideas and how to optimize them.

One could argue that an innovation climate is the key requirement for an innovative organization, with the other mechanics of innovation building on this. The following quote from Apple CEO Tim Cook would seem to support this view (Tyrangiel, 2012):

A lot of companies have innovation departments, and this is always a sign that something is wrong when you have a VP of innovation or something. You know, put a for-sale sign on the door. . . . Everybody in our company is responsible to be innovative, whether they're doing operational work or product work or customer service work.

This assertion could be challenged, given the dominant role Steve Jobs played in the Apple innovation process prior to his death. It could certainly be argued that Jobs was indeed the VP of Innovation and managed the process (Lashinsky, 2011): "The creative process at Apple is one of constantly preparing someone—be it one's boss, one's boss's boss, or oneself—for a presentation to Jobs."

Experience has demonstrated to me that by addressing key areas such as leadership, culture, and measurement and reward systems, the climate for innovation within an organization can be changed over time. Firms cannot transform climate at a single stroke, but it is possible to change the forces that shape the climate and thus improve conditions in which innovative behaviors and outcomes can flourish. The key elements required for a climate to be supportive of innovation are outlined next.

##### 4.4.1. A questioning culture

The innovative organization is a curious organization: curious about problems and looking for new ways of doing things. Being open to questioning and challenge from all levels within the organization and from outside is a key attribute. Breakthrough innovation comes from challenging deeply-rooted paradigms.

##### 4.4.2. Problem positive

In the innovative firm, problems are seen as opportunities for improvement because they signal weaknesses in current practices or service offerings. Organizations that truly regard problems as opportunities for learning—as opposed to opportunities

for blame—will foster a measurement and improvement culture.

#### 4.4.3. Diversity of thinking

Alternative viewpoints and experiences are critical in enabling an organizational climate that encourages and embraces innovation; here, group think is the enemy. Fresh ideas are borne of a diversity of thinking sourced from employees of different industry backgrounds, ages, genders, nationalities, and personalities. Businesses that seek innovation should recruit and retain such a mix of individuals. Mavericks are needed as well as team players.

#### 4.4.4. Champions valued

Those who champion innovation—whether they be instigators, active participants, or arm's-length supporters—are valued within the innovative organization. Heroes in an innovative organization include individuals who champion innovation activities and projects.

#### 4.4.5. Innovation demanded

The firm that values a supportive innovation climate will expect innovation from its people, considering that part of the job. Taichi Ohno, architect of the Toyota Production System which spawned the Lean Improvement philosophy, once said: "Something is wrong if workers do not look around each day, find things that are tedious or boring, and then rewrite the procedures. Even last month's manual should be out of date."

#### 4.4.6. Recognition given

The firm that wishes to encourage innovation can do so by providing formal awards and recognition—both financial and non-financial—to innovators within the organization. This clearly signals the company's intent. A primary focus on team-based recognition is the best way to encourage institutional innovation by rewarding collaboration.

### 4.5. Resources for innovation

*"There is no time, space, and commitment to 'fool around' to be creative."*

— Employee, Insurance

*"Carving out real time for innovation instead of chargeable work is a major challenge."*

— Partner, Management Consultancy

*"They are keen, but have limited time for blue-sky thinking given their chargeable hour targets."*

— Partner, Law Firm

Innovation cannot occur in the absence of necessary resources. At its most basic, effort and time are required from employees and partners for innovation. Other important resources include budget, support personnel, methods and tools for innovation, and a supportive working environment. Absolutely indispensable, however, is people time. Making the time available for innovation is a key challenge in a professional services environment, especially since fee earners could otherwise be using this time for chargeable work. All professional service firms factor in non-chargeable time for their fee earners to cover training and development, and sometimes marketing; elements of innovation, such as attendance at brainstorming or other innovation workshops, may also be included. The use of dedicated support personnel can significantly help in innovation projects, but service-based innovation requires fee earner involvement to ensure that these projects reflect the realities of work and to help in gaining their acceptance of new methods.

### 4.6. External linkages for innovation

*"Clients are demanding innovation."*

— Partner, Law Firm

*"We live in an insular world here and don't see what is going on."*

— Manager, Insurance

Although a business can innovate in isolation, this dramatically reduces its chance of success. External links to clients, suppliers, and other organizations can provide key resources for innovation, specifically:

- To better understand client needs and identify new opportunities for innovation;
- To validate proposed innovations with clients to ensure they will bring value;
- To find new ideas for innovation from other sectors; and
- To provide additional resources for innovation via collaboration.

In all too many firms, new products/services based on internal competencies are pushed onto clients, displaying a build-it-and-they-will-come mentality. Why does this happen? Because partners and employees find it difficult to engage with clients and truly listen; this risks exposing limited knowledge about the client's business and possibly revealing uncomfortable truths. But this must be done



because it is critical to integrate the client's wants into innovation at an early stage. This does not mean blindly designing what clients ask for; they will be basing their suggestions on the current service paradigm. In the famous phrase attributed to Henry Ford: "If I had asked people what they wanted, they would have said faster horses."<sup>2</sup> Instead, the goal is to gain new insights into the client's business, to identify the client's key needs and issues, and to consider how your firm could innovate such that its service better meets the needs of the client. In my experience, this can be achieved by focused, service-specific discussions with clients to understand their needs and to identify opportunities for enhancing, broadening, or replacing the service. In addition, spurs to innovation can come from open-minded and systematic exploration of other business sectors. Competitor analysis is also valuable, but game-changing innovation will only come from looking outside one's own sector. Increasing the focus on generating innovation from external ideas—based on the philosophy that not all the smart people work for us—is the core of the open innovation approach, which is used more and more as a key innovation strategy.

#### 4.7. Learning from innovation

*"Examples of best practice are not shared."*  
— Manager, Law Firm

*"There is a lack of knowledge sharing."*  
— Employee, Technical Consultancy

*"We have a central knowledge store, but people are not using it."*  
— Manager, Technical Consultancy

Learning encompasses the culture and methods for sharing information, ideas, and improvements across an organization. It is important to ensure that an organization reaps maximum value from its innovation investment by shared learning. Without this, innovation activities will only have local and one-time benefits. Key practices in this area for professional service firms include:

- Encouraging a culture of sharing information;
- Incorporating methods and systems for capturing, sharing, and embedding learning;

- Using documented procedures to codify key repetitive activities and services; and
- Promoting new innovations in other areas of the business.

Unless services are well defined, documented, and standardized, executing on learning—for example, through improved products and methods of working—is a challenge for service firms. However, this is increasingly required to profitably deliver fixed-price services. A proven approach for ensuring learning in service firms entails establishing practice communities to collaboratively develop learning in key areas, and utilizing knowledge management systems to capture and share it. In addition to technology, more proactive and people-based approaches are critical toward sharing successful innovation across a service firm. At the end of innovation projects, a discipline is needed to communicate and promote the innovation to other relevant areas of the firm and to seek further opportunities to apply it. This helps maximize return on investment for that innovation. To encourage other partners and consultants to promote and sell the new service, a partner in a major management consultancy, interviewed by the author on the key success factors for a successful new service, said: "A high effort was put into internal selling, telling the success story."

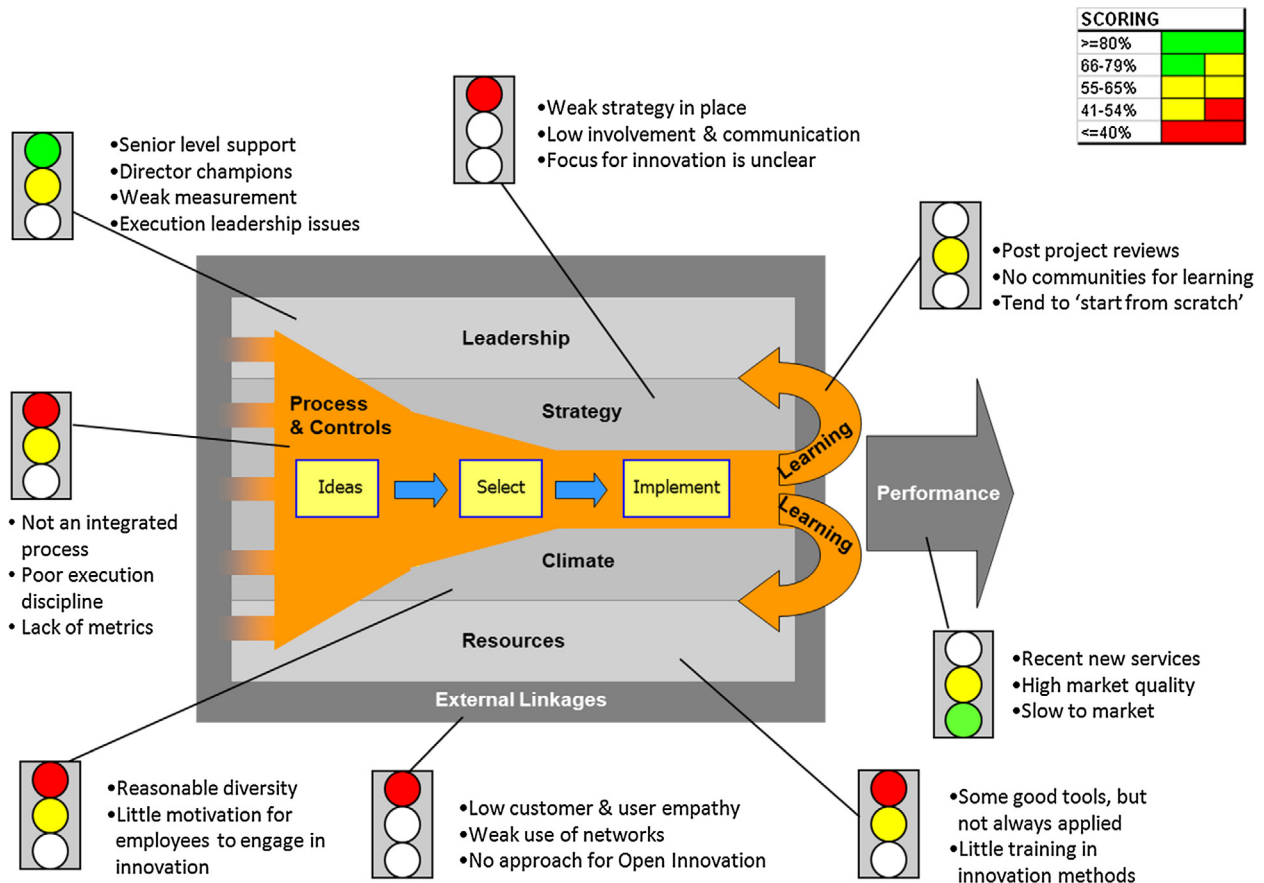
#### 5. Putting an innovation system in place

In this Executive Digest, I have defined the requirements of an effective innovation system. But how do you go about establishing such a system in your own firm? A good starting point is to assess the innovation conditions currently in place in your firm; these will be your innovation foundations.

You can do this by reviewing your key innovation practices against the innovation system model and so determine any improvements needed. In my experience, this is an excellent way of engaging in a dialogue on innovation within the firm to help establish a clear and common understanding as to the nature of innovation, the opportunities available, the goals for the firm, and the systemic improvements needed. Codexx has performed a number of such innovation 'health checks' for service and industrial clients over the past decade, and working with academic partners it has developed a systematic and quantitative approach called Foundations for Innovation (F4i). F4i covers 60 key innovation practice and performance areas that support

<sup>2</sup> Although there is little evidence that Henry Ford ever uttered these exact words, it is clear from records that he certainly thought in this way.

Figure 5. F4i innovation assessment: Example excerpt of reporting\*



\*Source: Codexx

the seven practice areas of the innovation system. We have used the F4i assessment approach in legal, insurance, financial services, consulting, and industry sectors to help businesses develop improvement strategies for innovation. Figure 5 shows an example of some of the reporting that this assessment provides. This approach allows management to quickly review the condition of the existing innovation system within the firm and to determine where best to focus improvement efforts and develop an innovation system that meets their needs.

Communication is a key part of any innovation improvement program. This includes a call to action by senior management to share the innovation goals and strategy. Training will be needed to help employees effectively participate in the innovation program and for partners and managers to provide a supportive environment. Ongoing communication of innovation progress and the recognition of teams successful at innovation are key to sustaining employee support. One of the major challenges is sustaining the level of engagement, so a regular refreshment of innovation focus areas (i.e., themes) is an effective way of keeping the program topical and maintaining interest. For their ideas,

resources, and relationship development, it is important to also involve clients and suppliers in the program.

## 6. Conclusions

Herein, I have described the overall goal of an innovation system suitable for a professional services firm and have provided examples of good and bad practices in firms. I have also outlined the key elements of the approach for establishing an effective innovation system within a professional services firm. While innovation is challenging, especially in a professional services environment, applying a systematic approach as described will substantially improve a firm's ability to enhance its innovation capabilities, and hence its business performance.

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