Osmotic strategy: Innovating at the core to inspire at the edges

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INTRODUCTION

Decline and entropy in established firms can be like getting caught in a riptide in the ocean: you feel it taking hold but remain confident you can handle it, yet before you know it you are in serious trouble wondering how things got so out of hand. In a business sense, battling the inevitable by doing what you have always done is a questionable logic, yet to not only survive, but to grow strong and become able to deal with future critical moments requires strategic disruption and often, new and decisive leadership.

The forces of rapid change and uncertainty are ubiquitous in modern, global business environments, and the slippery slope of decline becomes amplified by intense competition and the need to innovate to sustain organizational health. The transformation from commodity-based economies to knowledge-based economies is well documented, yet even though knowledge is seen as offering competitive advantage, it is of course how such knowledge is creatively leveraged in challenging what we do and how we do it, that is important.

Points of extreme can teach us much, whether it is excellence and the factors that enable this or lessons from despair, desperation and the road to redemption. In this article we present from the latter and draw from the experience of a tier-one firm in the consulting industry operating in the Asia-Pacific region.

AMBIDEXTERITY AND INNOVATION RHETORIC

Innovation, whether in reference to the individual, firms, industries, regions or nations is often presented as a "cure-all." Definitions of innovation, though diverse in nature, on the whole include notions of novelty, creativity and value often underpinned by technology. Innovation, though difficult to define and even more difficult to successfully practice, has become a strategic imperative for firms in sustaining competitive performance in dynamic environments.

Management and organizational research for over 50 years has offered practitioners the metaphorical construct of "ambidexterity." Ambidexterity, in broad terms, represents an organization's ability to efficiently deliver core business activities to existing customers while simultaneously innovating to create the businesses of tomorrow. Explore/exploit is often used to describe the paradoxical strategies required to be ambidextrous, though other paradoxical marketplace imperatives have also been identified, such as being globally consistent whilst locally responsive. For firms, this figurative ability to run in different directions at the same time

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requires, amongst other things, outstanding leadership, strategic sophistication, significant resources, substantial expertise, conflicting structures and adaptive systems. For larger organizations in particular, who are geared toward maximizing shareholder returns and financial-year budget cycles, the nirvana of ambidexterity must appear an almost impossible imperative.

Explore—exploit: "Either/or"

Well-respected theorists have debated these contradictory issues, with many concluding that the "either/or" approach to strategic positioning is inadequate in the long run. That is, being either efficient in delivering superior value to current markets (exploit-focused), or being innovative in developing new market opportunities and new ways of doing things (explore-focused). A temporal consideration is usually overlaid in regard to the either/or approach, with considered opinion describing such an approach as being short-term and unsustainable. For incumbent firms in particular, the threat of inertia and inability to adjust to environment changes adds weight to the inadequate strategy conclusion. With diminishing margins, such firms are often seen to seek proximate markets for their existing goods or services.

Explore—exploit: "Both/and"

In response to identified trade-offs between the short term and the long run it is argued that organizations would be better positioned with both explore and exploit capabilities. Though there appears to be strong advocacy of organizational ambidexterity in the management and organizational literature, it also appears the nature of the simultaneity has so far eluded us. Indeed, we can readily see calls for equilibrium or switching or modularity amongst other approaches, yet how realistic is this in practice and how might an organization achieve such a state? From both research and practice perspectives we have observed that even minor disruptions to the attempted concurrent delivery of such a paradoxical strategic play, invariably results in what we know being favored over what we might come to know.

Clayton Christensen documented this "Innovator's Dilemma" in his widely acknowledged book concluding that it was improbable for managers to skillfully negotiate the considerable divide between explore and exploit. He argued that to realize optimum commercial returns on truly innovative and disruptive products, firms would be better off spinning out explore activities to separate divisions or units.

Suffice to say, the lauded organizational imperative of becoming ambidextrous is undoubtedly challenging. The literature presents a small number of cases deemed successful by noted authors in the field, e.g. GE Money and *USA Today*. Michael Tushman, Charles O'Reilly and associates have provided us with critical insights into the paradox of ambidexterity and note the importance of senior management capability, as well as the interrelatedness of "competencies, cultures and incentives." They maintain that firms who adopt an ambidextrous organizational design are more likely to be effective in delivering innovation outcomes than those with "functional, cross-functional or spinout designs."

The issue of how to better achieve the desired outcome of being able to efficiently deliver the business of today while shaping the business of tomorrow would undoubtedly benefit from further empirical research. We endeavor to contribute to this from a strategy perspective. We inform this examination through longitudinal data collected in Australia, the UK and the USA, from both in-situ ethnographic studies and 32 in-depth interviews with the senior executive, service line managers and key operatives of a tier-one professional services firm. The firm some 11 years ago faced the very real and unconscionable prospect of becoming competitively irrelevant. Substantial strategic change was required, and this began with new leadership.

SAVING THE "SICK PUPPY"

In 2004, the consulting industry was at the very centre of the transformation to service-driven economies, a reorientation that compelled many industries to reconsider both what they did and how they did it, in order to remain competitive. For tier-one firms like Chimera[1] this meant creating, developing and commoditizing new knowledge-based services that both maximized the expertise of their staff and provided value for their clients. Amidst such a dynamic backdrop, Chimera had a far more fundamental concern than adaptation; they were locked in a downward spiral searching for ways to survive!

Chimera's fortunes had been in free fall for some time, with no less than 10 CEOs in the space of eight years coming and going. Indeed, the business press had tagged them as the "sick puppy" of the tier-one professional services firms. Prestigious clients were taking their business elsewhere, and rival major players were circling, smelling blood. Staff turnover was considerable and millions of dollars in revenue were being lost. The work environment was bleak and the firm lacked direction, motivation and morale. Into this desperate environment came the company's new leadership group, headed by a CEO (chief executive officer) of considerable experience who was under no illusion as to what lay ahead. As he related, "My inspiration was survival... this was not a time for the faint-hearted."

Strategic renewal

Our analysis of Chimera's turnaround and subsequent prosperity is undertaken from a strategic management perspective as opposed to a strategic planning perspective. The new executive group at the helm of a distressed Chimera knew that action — not planning — was required. The emergence of digital commerce fueled by the web further heightened the critical need to first survive and then reinvent what Chimera meant to both the people in the organization and its customers. The CEO and his executive team began this strategic reorientation with two strong convictions: first, their resurrection would be innovation-driven; and second, their market repositioning would be around the tag line "and Different."

Exploit—explore implementation gap

By their own admission, the leaders of Chimera had little idea what this survival through innovation strategy would look

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[1] A pseudonym is used to maintain research confidentiality.

like. The nebulous nature of this strategic intent meant that learning on the run was required. The entire executive team flew to the USA to undertake a course at Harvard on leading change and organizational renewal (LCOR). The course, delivered by Michael Tushman and Charles O'Reilly, introduced the executives to the concepts of organizational ambidexterity and explore/exploit. Their subsequent return to the reality of implementing what they had learned highlighted the scale of the challenges they faced.

Professional services firms are not generally equipped to cope with contradiction and high ambiguity, as their core business resides with a long-standing, conservative and legalistic business model based on compliance, trust, security and efficiency. To drive change and organizational renewal through innovation in such a conservative industry carries obvious risk but also potential reward.

OSMOTIC STRATEGY

For Chimera and its new executive leaders, these challenges were formidable as they attempted to revive a once prosperous business. Moreover, the global financial crisis (GFC) was about to bring dark clouds to global business. Yet the CEO understood that he and his team had to disrupt the "business-as-usual" mindset, and quickly.

Theodore Roosevelt once said, "In any moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing." Innovation became that "right thing" for Chimera. The CEO along with the chief strategy officer (CSO) assumed responsibility for exposing and educating others to new and unfamiliar actions. For a firm inculcated in the norms of the traditional professional services model, innovation represented untested territory. This was especially so when faced with deeply embedded cultural practices; as the CSO observed, "When you put forward a new idea, the winner is normally the guy that can kill it the fastest." By their very nature, a professional services workforce is hardwired to be skeptical. Changing the prevailing way of thinking, being open-minded and giving an idea the opportunity to be explored was invariably met with opposition: "We spent a lot of time with that (innovation) as a concept, which sounds simple, but very hard in an organization like this to do and very, very hard to implement."

Early attempts to develop ambidextrous capabilities fell well short of expectations. The narrative adopted by the firm's executive leaders was to essentially broadcast to the operational leaders of the firm the lessons they had received at Harvard from Tushman and O'Reilly and subsequently Mehrdad Baghai on the 3 Horizons "Alchemy of Growth" model. The narrative was about *how* to do innovation, with much of the detail left to service line leaders and other partners to put into practice. The strategy lacked clarity, and mixed messages were sent and received that resulted in a gap between intent and implementation. For example, the intent for service line leaders was to grow the businesses of today in Horizon 1, whilst ideating around possibilities for the future in Horizon 3, so as to execute and scale these possibilities into commercial realities in Horizon 2. Yet reward systems remained very much focused on core business metrics so, as one partner observed, you either had to be suicidal or plain mad to put your hand up to champion and lead a Horizon 2 initiative.

The unintentionally prescriptive approach to driving growth through innovation led to a shroud of skepticism amongst many tasked with driving ambidexterity. Analysis of this particular trajectory of Chimera's innovation journey highlights significant issues as well as possible solutions to such issues. We have categorized these issues into four interlinked imperatives that underpin an osmotic approach to developing explore and exploit capabilities. These four imperatives are: (1) initiate innovation *from* the core through spin-out then spin-in, (2) engaged leadership, (3) incentivize and reward capability development as well as profit generation and (4) nourish the innovation ecosystem by facilitating permeable boundaries between exploit and explore.

An *Osmotic Strategy* does not seek to concurrently develop discrete explore *and* exploit capabilities (the and/both approach). Neither, does it advocate concentrating on *either* explore or exploit (the either/or approach). Rather, just as in the process of osmosis, whereby the spontaneous diffusion of fluid through permeable or semi-permeable barriers from a lower concentration to a higher concentration occurs; we maintain that a more effective approach to long run calibration of explore/exploit capability is by first exploring in the exploit domain. We elaborate further on this strategy by examining the interlinked imperatives and how they might be operationalized in an organizational setting.

Initiate innovation *from* the core (spin-out then spin-in)

It is extremely difficult to balance the conflicting demands around being both efficient and innovative. The learning that is required by everyone in the organization to be effective at both is substantial. Likewise, the structural fluidity required to facilitate both simultaneously is immense and the resources necessary to even attempt such a strategy, considerable. We therefore suggest developing innovation capability over the mid-to-long term by enhancing exploit activities through explore or innovation. The returns in terms of revenue in the short run may be incremental (though Chimera has shown this is not necessarily the case); however by doing so, a firm can immediately tap into latent creativity. In the long run, an osmotic strategy builds an organization's innovation capability whilst avoiding potential trade-offs between exploit and explore.

The aim of this initiation phase of the strategy is to drive organizational buy-in and gain quick wins. As the CEO of Chimera puts it, there is "the need to democratize innovation" so that momentum can be built and the shroud of skepticism peeled back. It is also important to avoid resource leaching, which the research team has observed to occur in organizations when the rhetoric of innovation becomes exposed by the political muscle of existing practice.

Spin-out

As previously observed, Clayton Christensen's research provided the conclusion that to overcome the paradox of the innovator's dilemma, a spin-out design was more effective, particularly when the innovation was disruptive. Countering this, Michael Tushman, Charles O'Reilly and associates maintain that an ambidextrous design is more effective. Our research has enabled us to draw the conclusion that both

propositions have merit—it essentially depends on where the organization is placed in its innovation lifecycle. If it has developed the capacity and innovation capability over time (and our research points to an approximate five-year time frame being required), then an ambidextrous design may be achievable. However, if the organization, like Chimera was, is placed at the beginning of its innovation life cycle, then a spin-out design is more appropriate. The difference here is that we propose the focus is not primarily on disruptive innovations, as the organization will not normally possess the capacity to scale and commercialize non-core innovation.

Autonomy of the innovation engine that propels an osmotic strategy is important. We are not proposing a skunkworks, or even beanbags and Lego; instead, organizations need to tap into latent creativity but even more importantly start to build the capacity to scale creativity into commercial reality. Chimera achieved this by first appointing an entrepreneurial manager to lead the spin-out unit. It must be someone with credibility and preferably start-up skills. If there is no one in the organization who fits this profile, consider hiring in on a fixed contract.

Quick wins

Rather than adopt a radical new product/service focus, consider what you are doing today and how you might improve this. Establish an idea-capture mechanism; after some experimenting with e-mail campaigns, Facebook feeds, dedicated YouTube channels, innovation cafes and data set mash-ups, Chimera found Yammer was ideal for this. An online enterprise-wide social platform is cost effective, decreases barriers, promotes engagement and transparency around the ideation process and kick-starts the development of permeable linkages between explore and exploit.

An "Innovation Academy" facilitated by Yammer and driven by a small, but importantly diverse team led by a CEO skilled in digital business became Chimera's innovation engine. To spark creativity, idea generation and immediate innovation around exploit activities, one effective campaign is "the 10 dumbest things we do around here" program. The idea is for staff to identify an inefficient or ineffective practice, system or norm. Submissions are voted on, and the 10 that receive the most votes (i.e. the dumbest things we do, are then collectively solved by "dumb-buster teams" drawn from across the organization (we will address how this and other innovation activities can be funded shortly).

Delegating leadership to a CEO (or similarly senior) titled leader immediately flags credibility around innovation. Likewise, the 10 dumbest things we do around here campaign quickly mobilizes people, as there are practices, systems and norms in just about every organization that could be either eliminated or vastly improved. Such quick and decisive forays help establish an immediate innovation footprint and serve to counter skepticism and opposition to explore.

To illustrate what can be accomplished, Chimera focused on its core service offerings. In a professional services environment, those are characterized by relatively small numbers of clients, high touch services, an off-the-shelf, solution-driven focus and significant face-to-face responsibilities. The response to their efforts to "democratize innovation" was unexpected and overwhelming, and it led to the establishment of a digital services program. It was a tangible example

of thinking differently about meeting the "new" innovation vision.

Professional services firms are knowledge intensive and client focused. However, as a result of offering everyone in the organization the right to innovate, it became obvious to the firm that their future had to involve a significant shift toward digital delivery. Latent innovators had found ways to exploit the existing service range by exploring new products that could be added to old services, as well as new digital services to supplement the existing ones. The transition led to the consolidation of all online and digital activities, giving the group a decisive competitive advantage in high growth areas such as mobile devices and applications. It also allowed Chimera to claw back clients around core business practices through efficiency gains and price competitiveness, enabled through exploring via innovation.

Laying the foundations for a sustainable ecosystem

Exploiting existing successful products by exploring digital services laid a foundation for unleashing further creativity. As the CEO reflected, "I guess uncertainty became, the chapter one of how we got to the point of explore—exploit becoming part and parcel of our vocabulary and becoming part and parcel of the way we started to think about things."

Several core products were quickly brought into the digital arena through the innovation process. First, an online version of Chimera's fraud-based survey tool was developed and offered to internal and external service line clients. These included both private corporations and government agencies in a diverse range of areas including risk, human capital, and forensics. A web-based application for collecting information enabled organizations to more efficiently analyze feedback from large groups of employees simultaneously and anonymously, producing an accurate assessment of an organization's fraud-related policies and practices.

Second, an anonymous and independent hotline and e-mail service for whistleblower informants was exploited. The new service evolved from a fraud preventative tool into an online corporate governance tool, responsible for issues related to occupational health and safety, corporate social responsibility, human resources, human capital and the environment. For the management of this service, a key focus had been to develop technological efficiency and quality of delivery, as a result attracting an impressive number of blue-chip clients for the new offering.

Third, the company's existing client services desk became a vital exploit service in the digital space. Web-based service desks are a practical and efficient means of managing critical service support for clients in areas such as disaster management response. The online call management system deployed an intelligent knowledge system, directing action and recording events, providing technical assistance covering every product line as well as providing an on-call model for shift workers.

Spin-in

Engineering relatively quick wins through innovating in the exploit domain allows an organization to self-seed innovation capability and, as the CSO of Chimera observed, permits firms

to become their own innovation vendors. Learning through doing is powerful, and by innovating around core business offerings firms can tap into latent capability, unleashing an experiential learning curve around innovation.

The innovation capability built on the back of Chimera's osmotic approach through experimentation in core exploit activities was considerable. Staff not only felt they had a right to innovate, they came to feel a responsibility to innovate. The permeable linkages developed across service lines, between teams, and with customers and other key stakeholders all came on the back of innovating from the core.

To illustrate the power of this strategy, the digital services team was spun back into consulting services, resulting in the creative combination of product/service offerings and market leading expertise in business strategy. Senior executives at Chimera had observed that it is one thing to be creative and develop new products and services, but it is another thing altogether to realize the potential client value of those products or services. The innovation that had occurred around exploit activities was now providing a creative and agile platform for explore activities. In so doing, it fundamentally shifted Chimera's business model from one of services delivery to that of designing service experiences for clients. This transformation drove Chimera to achieve their desired "and Different" status and from a rocky beginning, delivered revenues beyond the billion-dollar mark in an impressively short time.

The net result of spinning the digital services team back in after innovating at the core was the realization that innovation capability was being embedded in what had been to date, conservative business divisions. This led to an explicit understanding that providing the right people to clients was not enough to stay competitive. Technological innovation and the new ways of thinking that came with it had quickly become an important trigger in changing Chimera's approach to "selling experiences."

Pioneering applications of technological know-how in the professional services space became a key enabler in "softening" the boundaries between efficiency and innovation. Exploit-explore capabilities became more tacitly embedded in how the company saw itself and how it conducted its commercial activities. To illustrate, the chief operations officer highlighted one recent development, "Our data analytics are proving very successful in the market at the moment because we're combining those great services, those great people with some incredible data analytics capability." For example, young innovative analysts in the consulting practice are using neural network technology to target customer segments at a granular level. As she noted, "that's stuff that professional services don't do and we know data's such an issue for organizations and getting value out of it." For the company, the combination of unique product features and specialized skill sets is providing a key dynamic to disrupting how current services are conceived and delivered.

Building gravitas around innovation in core activities inspires creativity at the edges, highlighting the efficacy of the spin-out, then spin-in, approach. What were once conservative service lines in Chimera, virtually indistinguishable from what key competitors offered, now have the capability to almost seamlessly combine efficient technological platforms with expert services capabilities to deliver experiences considerably different from other tier-one competition.

ENGAGED LEADERSHIP

The importance of innovation leadership is well documented. It is critical that senior leaders are engaged throughout any strategic drive to develop greater innovation capability—otherwise it will become, as the CEO of Chimera reflected, just "another useless process" that for all intents and purposes further fuels opposition and skepticism.

We have found it is better for leaders to avoid "innovation tutorials" on *how* to do innovation. Instead, senior leaders would be better to begin with the *why*. It is fundamental that organizational members understand why innovation is important. By prescribing the "how" leaders may actually undermine potential creativity and stifle innovation, with employees reverting back to what they know. In a smaller firm, engagement can be achieved directly one-on-one with innovation catalysts and teams. In larger organizations the executive may have to be more resourceful in his or her engagement. As we have previously detailed, the use of enterprise social network collaboration platforms like Yammer can be effective in constructing a positive narrative around innovation and more precisely directing leader engagement where and when it is required.

Innovation architect

Having a member of the executive team take on the critical role of "innovation architect" will also flag that the narrative is not just rhetoric. Any innovation engine that drives exploration in a firm's current business activities requires executive coverage. Failures will occur, and it is important for the architect to convert these failures to lessons learned. Similarly, to permeate capability across the exploit-explore divide, the architect must champion innovation success. Celebrating successful outcomes, mentoring and encouraging staff and the provision of thought leadership around innovation will be seen by employees as "artifacts of commitment."

Walking the walk sends a powerful signal: that the leadership is not just crafting the strategy; they are actively taking ownership of its implementation. In Chimera's case, the chief strategy officer took on the role of innovation architect and assumed responsibility for providing the firm with a target of 30 per cent of its revenue from new or substantially different service offerings every two years.

To realize such returns on innovation not only requires leaders who are willing to play in the sandpit, it requires a commitment from the firm to reward activities that might not pay immediate dividends. There is a fine balancing act involved in doing so, for the innovation honeymoon period ends quickly when those who are engaged in driving revenue and profit in core exploit activities start to question why resources are being "wasted" on innovation. Applying financial metrics to quantify innovation gains dooms innovation to failure. Therefore leaders must find alternate and, yes, innovative ways to value innovation. This we believe must occur from the outset, and in the following section we

present ways that have proven successful in supporting and rewarding innovating from the core. The flow on from doing so is that boundaries between efficiency and innovation become more fuzzy, and alternate pathways to professional development and career advancement can be realized.

INCENTIVIZE AND REWARD CAPABILITY DEVELOPMENT AS WELL AS PROFIT GENERATION

The need for clarity in operationalizing an osmotic strategy — both to diffuse innovation from the core and to capture inspiration at the edges — cannot be over-emphasized. Mal-alignment between reward and incentive schemes and financial outcomes of innovation, particularly during early capability-building stages, will quickly undermine efforts, no matter how well intentioned. Get it right and the returns can be beyond expectations.

We propose that funding to support the strategy we have outlined should be taken from a dedicated fund and critically not from the annual operational budget. We suggest the utilization of a different currency — time — as a means of cost identification. That is, a "pool-of-time" drawn down from annual revenue at a nominated rate (between 0.5 and 0.75 per cent of annual turnover would offer an appropriate and sustainable range). This pool-of-time fund is then accessed by internal budgets so that funding is not diverted from core exploit activities. Staff can apply for up to, for instance, a nominal $10,000 in equivalent hours to develop a proof of concept prototype for proposed innovations.

Several important outcomes emerge from such a system. First, the time expended in the development of the prototype is accounted for in business unit budgets. Second, firm leadership through the innovation architect and other key players can identify and fuse the connections between idea champions and other organizational collaborators who can assist in fast tracking the concept to reality. The pool-of-time allocation follows the collaborators, ensuring that all inputs are properly accounted for in every business unit. The benefit of a pool-of-time accounting measure is that little cash investment is expended, and it is likely that the discretionary effort in supporting an idea to a prototype delivers a multiplied return. Prototypes that show promise can then be scaled and commercialized with business unit or firm level funds.

Chimera's chief strategy officer in analyzing outcomes of the pool-of-time concept detailed that, "the beauty of this is you give a person $10,000, they spend their weekends on this. You get $50,000 worth of input for that investment. The best return on investment for an organization is to be able to tap into discretionary effort. We tapped into discretionary effort, and people didn't feel abused. They loved it, and that now is core to the way that we look at our innovation program."

Scaling or attenuating the innovation pipeline

Pool-of-time is just one lever for the practical design integration of innovation. The system can be used to adjust the calibration between exploit and explore whereby the innovation pipeline is attenuated or scaled. Without taking resources away from existing core commercial activities, the quality of innovation concepts can be sharpened by diminishing realization rates. For example, a firm may receive too many ideas with several high potential nascent ventures already in the pipeline. At this point, the firm can adjust its focus toward efficiency by dropping the realization rate for seed funding on the pool-of-time available to, for example, 75 per cent, meaning a 25 per cent discount on time into developing a new concept prototype. A contributor's business unit will only receive payment for three quarters of the time invested. In practice however, we have observed that an adjustment in the realization rate does not discourage serious innovators. Conversely, the discount rate can be increased to achieve the opposite, innovation-stimulating effect. The effectiveness of this approach — besides improving quality and success rates — is that cannibalization or migration of resources between exploit and explore is avoided.

Chimera's experience with the pool-of-time system has been very positive. By micro-funding concepts, an innovator can, as the CSO explained, "go and play with, no questions asked. What we want you to do is you have to use it in three months, you know, otherwise you're not serious about your idea, otherwise you lose it . . . We want you to go and play in the market, see what clients are telling us on that and then come back to us, and if it's a good idea we will go into a more formal capital allocation process."

The results to date show that over the period between 2009 and 2013, from 52 micro-fund offers made, 21 products were produced. These products have generated hundreds of millions of dollars for the company because of the rapid way they were scaled to market. In anyone's terms this is a significant return on initial investment in revenue and profit. Moreover, the substantial non-financial gains in capability development and cultural enhancement have driven the repositioning of the firm from sick puppy to a pack leader, with a growth rate unmatched by its rivals.

Rewarding innovation

Too often innovation is hamstrung by organizational reward systems geared toward hard financial metrics. Obviously, if a firm is to commit time, resources and capital to innovation a return is required. Financial return should be part of the way the outcomes of innovation are measured, but the outlook needs to be longer term. For innovation to truly prosper there must be in the early days of any strategy, realistic expectations and also understanding that the impacts of building innovation capacity will manifest in various ways that will enhance and support the long-term health of a company.

With an osmotic approach to innovation strategy, performance pressure can be managed, as the organization will see a return on experimenting through value enhancement of core activities. Likewise, as we have detailed, by incentivizing innovation through a pool-of-time mechanism it is possible to avoid internal friction over resource leaching to "pay" for innovation. In Chimera's case, over the almost three years spent innovating at the core to essentially save the company, revenue increased by almost $300 million. Not all of this can be attributed to the firm building its innovation capability; non-performing staff were let go and there was a rationalization of products across all service lines. However,

there was unanimous agreement amongst the senior executive and line managers we interviewed that by not over-reaching and attempting to innovate at the extremes, a substantial proportion of the improvement was directly due to innovating from the core.

As an organizational innovation ecosystem is built and nourished through spin-out, then spin-in, the capacity for innovation increases. This attracts talent, and one of the ways innovation can be rewarded along with profit generation is developing performance metrics around talent development and retention. The cost to any business of developing talent — then losing that talent only to restart the process — is substantial. Likewise, to buy in equivalent talent also results in significant cost. The leadership of a firm signals the importance of developing innovation capability by linking it to manager's performance measurement.

Extrinsic rewards

The importance of extrinsic rewards was highlighted during our research, particularly as the innovation ecosystem spread from the core to the edges. Concept proposers and champions enjoy the recognition that comes with the development and adoption of their concepts. We have spoken of the value of discretionary effort and by challenging employees to be creative and then facilitating the operationalization of that creativity, credibility and standing within the organization and externally to key stakeholders becomes highly valued by organization members. Staff also value being part of a community, and public recognition of their efforts leads to greater motivation to push the boundaries even further.

The use of game mechanics in conjunction with enterprise social collaboration platforms can also be used to reward innovators. Yes, monetary bonuses and career advancement are important but the power of ''fame and franchise'' should not be underestimated. For example, our ethnographic study involved observing innovation cafes sponsored by Chimera in conjunction with some of its clients. Here, real world problems were challenged using design-thinking principles. Solutions were ideated, refined and prototyped and then voted on, with the ''winning'' team being featured on the company website, then further rewarded with a business trip to Hong Kong to conduct a similar café with South East Asian clients. The team's ''fame'' increased, and their ''franchise'' in terms of influence similarly was boosted. Such rewards inspire people and help a firm retain key talent critical to its future. The benefits of such extrinsic approaches in combination with financial rewards are also manifested in increased revenues due to new products, services and customers and cost reductions as a result of new and more efficient ways of doing things.

Chimera's experience highlights how the inter-linked elements of an osmotic strategy can produce desirable outcomes. The chief strategy officer believes that what has been achieved has exceeded expectations coming from a very low base, i.e. fighting for survival. The company is now generating more than $200 million of new business services every two years. Achieving this has resulted in two main effects, according to the CSO, ''It replaced the stuff that becomes redundant and commoditized that we need to exit, but it also created growth opportunities which our people need like humans need oxygen. You lose talent if they don't see growth, so that was just very, very important for us.''

NOURISH THE INNOVATION ECOSYSTEM BY FACILITATING PERMEABLE BOUNDARIES BETWEEN EXPLOIT AND EXPLORE

To ensure any ecosystem remains sustainable, it is essential to find the right balance among its constituent parts. By building innovation capability from the core through spinning out then spinning back in, the importance of innovation is seeded from where it is most likely to face opposition and skepticism. Effectively, innovation becomes everyone's responsibility from the inside out. Of importance, this responsibility is not a burden—it is exciting! We have witnessed a somber and downbeat workplace environment transform to one of energy and expectation. Even the most cynical have been converted and now talk about the innovation capability that Chimera has and how global partners seek them out to find out how they may replicate what has occurred. They have become proud of being ''and Different.''

The architect as navigator

Once an innovation footprint has been established, it becomes essential to further build and nourish the innovation ecosystem. The architect plays a key role here, strengthening leadership engagement and acting as a navigator around a critical mass of abilities, pathways and linkages. Just as in any bio-system, long-term sustainability is dependent upon diversity. Chimera, for example, brought together young entrepreneurs often recruited through collaborations with universities, early career staff eager to develop their careers on the back of innovation, and older, well-established members strongly versed in the commercial realities facing the conversion of ideas into market success. The network of innovation navigators was then broadened to include a diverse group of senior partners from around the world, external collaborators from industry and universities, and functional/technical experts drawn from various service lines.

To support a community of innovation navigators, both from within and without the organization, technology can be an effective enabler. In Chimera's case, the establishment of a ''leadership academy'' represented another creative idea that came to exist in the digital space. A virtual portal was built using webinars, on-line support, and face-to-face engagement with experts and emerging leaders. All content was made accessible through smart phones and applications, enabling access to the best global leadership expertise and experiences anytime, anywhere. The ecosystem thus also has the additional ability to connect potential collaborators with the required capabilities and energy to prototype and scale an innovation in a virtual environment. Constricting boundaries that existed between core business and innovation initiatives are ameliorated, embedding a fluid relationship between efficiency and innovation.

CONCLUSION

Oliver Wendell Holmes Sr. in the 1850s astutely observed, ''Man's mind, once stretched by a new idea, never regains its

original dimensions.'' Innovation for firms has a similar capacity to stretch the boundaries to what is possible. However, operating at the edges while fine-tuning the core is not easy. In this article we have acknowledged the importance of organizational ambidexterity and disruptive innovation. We have also laid bare the ambidextrous implementation challenge and in response offered a strategy that is practical and effective in building innovation capability.

An osmotic strategy seeds innovation from core business activities, building the capacity outwards to inspire at the edges so that when and if disruptive products or services do present, a firm has the ability to take such ideas and turn them into commercial reality. The strategy also overcomes much of the tension between efficiency and innovation in terms of resources, structures, rewards and leadership. By innovating from the core, the ground is prepared for an innovation ecosystem to flourish.

We have also provided practical and effective ways to operationalize an osmotic strategy that have been forged from the fire of a burning platform. Our research has shown that even in a largely conservative and stalwart industry such as professional services, it is possible to nourish and nurture creativity and transform this into the capability to disrupt how services are created, scaled and delivered to the marketplace. Moreover, such an approach provides firms limitless possibilities to create their own futures.

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