

DEFINING INNOVATION IN CONSULTANCIES

SAM WHITE

Researching a Definition

It was shown previously that academics refer to ‘new concepts’, developing ‘new’ knowledge for clients and the development of ‘knowledge repertoires’ but in nearly all cases, research was based on a relatively small sample of qualitative data. This research aims to add clarity to the academic view of management innovation by asking the consultants themselves, thus developing a more precise analysis of the words and phrases that are currently used. In order to achieve this, the survey contained a section dedicated to product innovation in consultancies which asked respondents to define innovation among other questions.

Our first objective was to identify current practitioners’ definition of innovation in consultancies. The quantitative survey yielded 120 individual and codable statements. Each statement was subjected to a systematic, replicable technique for compressing many statements of text into fewer content categories based on explicit rules of coding (Stemler, 2001), where a category is a group of words with similar meaning or connotations (Weber, 1990. cited in Stemler, 2001). Firstly, preliminary examination of the data was carried out to identify common wording that could inform the development of first-order categories. The first task in this analysis was a simple word frequency count, the results of which can be seen diagrammatically in Figure 1. The size of the word relates to its frequency, so the largest words were mentioned by survey respondents most often.

Figure 1 - Innovation Definitions - Word Frequency Word Cloud



In order to ensure fair representation of related words, variances of the root word were combined for the frequency count. For example, there were many derivatives of the verb ‘create’ such as creative, creating, created, creates, creation etc. which were

counted collectively and are displayed in the word cloud as 'creative'. The most frequently used word was 'new' which points towards sentiments that innovation involves creating something new. Other frequently used words include clients, creative, services and thought. At this stage, a Key Word in Context search (KWIC, Stemler, 2001) was carried out to ensure consistency in the usage of words. The second task involved a read-through of the statements by two researchers to find first-order categories based on the preliminary findings and the prevalence of these key words. For example, respondents often referred to "new products and services" to describe what they thought innovation in consultancies meant. The data was analysed to establish related concepts ensuring attention was paid to synonyms so that mutually exclusive and exhaustive categories could be established. Following consultation between the two researchers to establish a consolidated list of categories, a second review of the data to independently apply coding was carried out (Haney, Russell, Gulek & Fierros, 1998. cited in Stemler, 2001). In the words of Weber, (1990. cited in Stemler, 2001) "to make valid inferences from the text, it is important that the classification procedure be reliable in the sense of being consistent." Therefore the reliability of the coding was checked using Cohen's Kappa and by drawing upon a third reviewer to independently code the data. The resulting reliability test revealed that there was agreement in 88% of the cases and a Cohen's Kappa score of 0.83 which translates to an almost perfect level of agreement (cf. Stemler, 2001).

Analysis of the survey data revealed three categories that define innovation. Two of the categories are mutually exclusive and define innovation whilst the third aims to shed light on current methods of generating innovation. First, the most common category related to the establishment of *new services, products, processes or solutions*, which implies that innovation results in something 'new' to either the consultancy or the market or both. Second, current practitioners believe innovation in consulting involves *adapting existing services, products, processes or solutions*. For both of these terms, the selection of the words 'services, products, processes and solutions' was based on the frequency of their use in the respondents' statements. They are listed in order of frequency of use and collectively they describe current consulting practitioners' terminology of innovation. During the first review of the statements, two distinct categories for the creation of 'new' and 'adapted' types of innovation were established because it was initially felt that a distinction between 'services and products' and 'processes and solutions' was necessary but the KWIC review as well as the second review revealed that these terms were used interchangeably and thus no distinction was necessary. Subsequently, the categories were merged to the two categories discussed. Third and finally, the data reveals that consultants engage in *creative problem solving and thought leadership* as a method of providing innovative solutions for their clients. This category can apply to either 'new' or 'existing products and services' but has also been used on its own by consultants to define innovation [I presume this needn't be associated with formal products and can simply ad hoc, once off problem solving] and as such it was deemed

necessary to identify it as a descriptor of innovation. Each of these categories will be discussed in further detail.

New Services, Products, Processes and Solutions

The management consulting industry is hugely competitive and the need to stand out in a competitive market is essential for a consultancy to prosper. With a vast pool of well known management techniques and frameworks already available to consultants, standing out from the crowd inevitably means developing a product that hasn't been seen before. Internally, the same pressure exists. In order for an individual to progress in their career, they must be seen to be continually developing a practice area (Anand, Gardner and Morris, 2007). Existing literature shows that developing 'new' services for your client or equally, developing new products, process or solutions are inherent in the industry and similarly our data revealed 67 statements (56%) which could be coded into this category. As our exploratory analysis of the existing literature showed, developing 'new' knowledge at the client site (Anand, Gardner and Morris, 2007) and new concept development (Heusinkveld and Benders, 2003) are important aspects of innovative behaviour in consultancies and our research supports these findings. Consider for example the sentiments of one commentator who noted that innovation is:

"The invention and monetisation of new products, services or ways of delivering them." (Partner or Senior Director of a Change Management Consultancy)

This research, by re-iterating the findings of existing research suggests that the new development of products or services will always be at the forefront of definitions of innovative behaviour in consultancies. Thus it is clear that although the terminology may be slightly different, consultants' interpretation of what innovation means is largely in-line with academics' interpretation of what innovation means. Whilst academics refer to 'new knowledge' and 'new concepts' consultants themselves refer to new services, products, processes and solutions to mean the same process - namely providing the client with something they haven't seen before or developing something internally that hasn't been seen before. To illustrate examples of the current terminology used to define innovation by practitioners themselves, consider the following extracts from survey respondents:

"Innovation is the profitable commercial exploitation of new ideas and new services." (Principal consultant/director of a small private sector strategy consultancy)

"Creating new and dynamic solutions". (Sole owner of a niche consultancy)

"The ability to devise new consultancy solutions for clients" (Partner or Senior Director of a change management consultancy)

"Creating new products, systems, processes, routes to market, etc." (Senior Consultant of a large financial services consultancy)

Further analysis of the data reveals that there are no differences in the way companies of different size, or consultancies operating in different sectors define innovation. It is suggested therefore that this definition of innovation can be applied to the management consulting industry as a whole.

Adapting Existing Services, Products, Processes or Solutions

The second category of innovation definition identified in our data is the process of adapting existing services, products, processes or solutions, into which we coded 30 statements (24%). Whilst it is quite conclusive that consultancies consider the development of ‘new’ ways of doing things as an integral part of innovation, the importance of adapting existing services, products, processes and solutions has been overlooked by previous research. One survey respondent noted that they felt innovative behaviour was “*finding new uses for existing tools and techniques*” (The sole owner of a private sector consultancy) which highlights the fact that the creation of an entirely new product or service is not the only way a consultancy can innovate. Perhaps the view that innovation must involve the development of *new* products and services stems from traditional views of innovation established in the manufacturing sector. However, the change in the structure of the UK economy as a result of postindustrialisation and the rise in and dominance of the service sector appears to have heralded a change in the way people innovate. Although developing *new* products and services will always remain intrinsic to innovative behaviour, the potential to manipulate knowledge-based products by creating added-value that is less visible than say, the development of an entirely new (manufactured) product has led to the proliferation of adapting existing products as a form of innovation. Our research has certainly shown that this is the case in management consultancy. It should be noted however that it may be the case that consultants (who already have a bad name in some circles as opportunistic regurgitators of client information) don’t wish people to know that they are recycling ‘old’ products and services and so aim to create the illusion that they are ‘industry leading innovators’ and the new product they are selling you is indeed ‘new’ – but that is a matter for further research. The postulation from this research is that current practitioners in the field of management consultancy have indicated that they innovate by “*taking a principle developed elsewhere and adapting it to the needs of a specific opportunity*” (The sole owner of a change management consultancy) or by “*creating new approaches to addressing clients needs that utilise existing resources within the consultancy.*” (The sole owner of a public sector consultancy). One commentator even went so far to suggest that “*innovation in a consultancy [should] be the introduction to clients of methods proven elsewhere; consultancies should not be innovating their services and putting clients at risk from unproven techniques.*” (The owner of an SME).

Creative Problem Solving and Thought Leadership

During the analysis of the 120 codable statements recorded during this research it became evident that a recurring theme used to define innovation was the application

of *creative problem solving and thought leadership*. Review of the data revealed that ‘creativity and ideas’ were used interchangeably to describe what innovation is. Parallel to this theme was the notion of ‘thought leadership’ which was also revealed to be used in a similar context to creative behaviour. As a result it was decided that by grouping these concepts together the category could be defined. It was also evident that respondents did not specifically distinguish between the contribution of creativity and thought leadership to ‘new’ products or services any less (or more) so than ‘existing’ products and services. It appears therefore that the use of creative problem solving and thought leadership should be viewed as more of a method to achieving the two different types of innovation [but also presumable to solve one off issues?], although in some cases statements fell solely into this category and so it was worthy of a category in its own right. Consider for example the sentiments of one commentator who stated that innovation is “*the implementation of ideas, processes and structure designed to promote creative application of effort by a workforce.*” (The sole owner of a change management consultancy). Here it is clear that ideas and creativity go hand in hand to achieving innovation. Similarly a principal consultant of a large consultancy defined innovation as “*providing creative ideas and solutions to meet a client's current and future requirements*”. Finally, the sentiments of one respondent can be used to summarise this category which states that innovation can be expressed as “*applying thought leadership and state-of-the-art thinking in the development of new client propositions and services.*” (A Principal Consultant of a large IT consultancy).

Bibliography

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The Author may be contacted here: sampluxy@hotmail.com