

Creativity and innovation in professional services

I must admit that I was a little dismayed to hear that this issue of the PSMG's magazine would be dedicated to "Innovation" as theme.

This subject is in fashion at the moment; similar to other popular ideas (like coaching, leadership, CRM, globalisation, TQM and process re-engineering) in their time. It is being pushed particularly hard by the IT industry and the more technology orientated consultancies. IBM, for instance, has recently run a series of television commercials on the subject. The theme is the need to innovate because: "...in today's world your new idea on Monday is a commodity by Wednesday..."

These management fads are often exaggerated and muddled headed at first. For instance, it is not true that, in all markets, commoditisation is inevitable, as some of the innovation gang imply. Many successful products and services are very old and still earn good margins today. Pears soap (1760), the Daily Mail (1896), Gillette Razors (1905) and Wrigley chewing gum (1907) are just some of the many hundreds of products that sit alongside venerable professional service firms like: PricewaterhouseCoopers (whose founders were Victorian accountants), Allen & Overy (established in the 1930s), Mckinsey (the 1940s) and Russell Reynolds Associates (the 1950s).

Clearly these fabulously successful offers have been adapted by generations of leaders, applying innovation at the point where it matters most: the buyers' changing needs. It's a misleading exaggeration, though, to suggest that companies need to keep turning up with completely new, ground breaking offers if they are to thrive.

The difficulty is that modern technology in particular is presented in a style which is innovation centric. Since Victorian times,

technologists have suggested that inventors are ahead of their time and that technological innovations are occurring faster than society can cope. It is now common place for "futurologists" to present the recent history of computing, telecommunications, flight or biotechnology as one stunning advance after another. Companies like Apple are held up as creative leaders (moving from the Mac to Ipad to Iphone) which should be copied "in these days of fast changing markets". It leaves business leaders looking for the stunning new product, the revolutionary high margin service or the "killer application"; particularly in America where the heritage of their pioneering spirit tends to give them a love of the new.

Yet the actual impact of innovation on society and company profits often takes much longer to work through; and it is rarely true that an innovation quickly makes an existing offer obsolete. Despite the invention of the car, people still ride bikes; despite the growing importance of intangible asset valuation, companies still report tangible assets in their balance sheets; and despite the rise of new crimes, clients still defend themselves against more venerable charges.

In his remarkable book on innovation and technology, *The shock of the old*, Professor David Edgerton gives the example of the NASA's X43A space aeroplane. He quotes one newspaper which reported its ten second maiden flight as: "From Kitty Hawk to the X-43A ... a century of steady progress."

Yet Edgerton points out that: "every few weeks from 1959 to 1968 B-52's took off with X-15s under their wings" which were nearly as fast and still being tested in the 1990s. He rewrites the story as: "1950s aeroplane launches unmanned ramjet plane which flies a little faster than 1960s right stuff pilots". When it comes to innovation in business, maybe Steve Jobs and his team are an aberration and that, for us ordinary mortals, it is the daily increment that counts more.

That said, it is certainly true that there is a need for innovation in many parts of the professional service industry right now. The industry is unable to be as arrogant and supply-side driven as in the past, because informed clients now question opinions, approach and manner. A wide range of practices are experiencing the "commoditisation" of their offer, with falling margins and increasing competition. So how does innovation and profitable creativity actually occur in business organisations and what lessons can professional service marketers draw from this experience?

There is well documented research into the different ways organisations innovate. Some, for instance, manage innovation and creativity by keeping the organisation small and by ensuring that management teams stay focused on the creation of new opportunities. This has been the strategy followed by, for example,

Directors, that as soon as a business unit gets to a certain size, he breaks it down to retain the benefit of small company innovation inside a large brand. Other companies have turned from large bureaucratic organisations to smaller, innovative cells in response to a near disaster which meant missing a sizeable opportunity (3M, for instance, after its initial lack of response to the idea of "Post it" notes).

This approach to innovation is seen widely in the professions and is, I believe, one of the reasons that they have created hugely successful, high margin, enduring businesses. Typical of partners in the professions though, it has been intuitive, un-researched and not documented, but it has been, nevertheless, a serious source of profitable innovation over the past century. Although Partnerships can be haphazard, inefficient and desperately political, they are some of the most successful businesses that the world has ever seen. Firms like Mckinsey, Deloitte and Clifford Chance earn many millions of pounds in many parts of the globe from first rate, high margin work. Their success lies largely in the individual practices within these huge organisations which, like cells in a living organism, evolve and respond to changes because they are run directly by an owner of the business. They even adjust when the leadership of the firm makes fundamental errors of strategy or management. They are, perhaps, one of the business world's few self-righting organisational structures. These small practices have innovated new businesses and concepts in the professions; and have often done it in the teeth of opposition from their own leadership.

Innovation is rarely the dramatic new offer like the Iphone or Mars bar ice cream. It is normally the steady, hard headed response to client needs and not the accidental insight or "off the wall" idea.

In the professions it is normally the province of partners or associates. Marketing people are seldom allowed to contribute because they are either too busy preparing tenders and managing hospitality or because partners (and sometimes the marketing people themselves) are ignorant of the sophisticated methods to create new services which are available to them. Yet some of those marketing directors who have won a voice with their partnership are beginning to discuss methods and techniques to expressly innovate valuable offers. This should become more common place in future.

Laurie Young is a specialist in the marketing and selling of professional services. He can be reached via his website – www.lauriedyoung.com – or by email: lauriedyoung@aol.com

