

# Ten Steps To Enhance Innovation

by Patrick J. McKenna

Pick up the firm brochure or visit the web site of most any professional firm and you will see somewhere, “We are acknowledged for our ability to find new, creative, and *innovative* solutions to solving our client’s problems.” And in most firms that statement is neither puffery, nor a crass exaggeration. The management challenge becomes one of redirecting some of that innovative energy from solving client’s problems, into innovation in running the business.

One commonly held view is that innovation is about creativity. However, if your partners have lots of off-the-wall ideas, they may be creative, but innovation only happens when and if you can convert those ideas into something of value. Your challenge is two-fold. First there is the question of how to go about getting the good ideas out of your professional’s heads, out of those casual and brief corridor discussions, such that they might actually see the light of day. Then there is the issue of recognizing that a great idea is just a great idea without excellence in execution.

Innovation then, is not about business as usual. Innovation involves getting your people to think differently, to be willing to take some small measured risks, to be willing to change, to challenge conventional modes of practice and the traditional way business is approached – and then to act.

Here are ten action initiatives and a few examples I believe worthy of emulating:

## **1. Invest A Portion Of Your Management Time Living In The Future.**

Attention is your most powerful management tool. Every firm holds numerous meetings, and every meeting has an agenda, whether written or unwritten. The cumulative content of those agendas clearly signals your executive priorities and concerns. Most meetings are status reports on the present. If you are serious about promoting innovation make sure that each meeting devotes 25% of the time to listening to ideas for improving systems, generating new revenues or developing new services. Also, the things that get your swift and detailed follow-up will always be perceived by your people to be of the highest importance.

## **2. Take Advantage of Specific Change Events (Innovation “Triggers”)**

The following represent a listing of ten change events:

## TEN CHANGE EVENTS

- Merger (of some significant size)
- Economic Contraction – Recession
- Downsizing (including loss of major practice group, death of a super-star, etc.)
- Significant Client Loss / Client Merger (where client represents 10%+ of revenues)
- Partners Retreat (culminating with specific action plans and implementation)
- New Managing Partner (depending on extent of individual's authority)
- Office Move - to new quarters
- Merger of Two Significant Competitors (where at least one was local)
- New Competitor – moves into the market
- Results from Client / Market Survey

Each of these events presents a window of opportunity for commencing innovation initiatives. Consider the example of one firm, who initiated a deliberate program to identify and eliminate “sacred cows.” As part of this firm’s efforts to break from their past following their merger, the firm capitalized on that change event to establish a special task force charged with unearthing and eliminating ingrained habits that were slowing down the firm’s ability to change and wasting money. Task force members brainstormed issues, generated new ideas, viewed old problems in new ways and identified over 100 sacred cows. Specific professionals were then assigned responsibility for eliminating them and reporting progress by specific deadline dates.

Proactive leaders will often pull the fire alarm when they spot critical changing conditions and fan trends into a looming crisis. Everyone is urged into immediate action. What change events are you experiencing that should be causing you to pull the fire alarm and issue a call for action within your firm?

### **3. Reach Out For New Voices**

There are a number of areas in any firm where you can hear from new voices. There is the younger practitioner who has grown up in a different time with different skills and seemingly different values. There is the newer hire that comes to your firm with questions about ‘why in the world you do certain things the way you do.’ There is the partner residing in a remote or smaller office, or practicing in a fringe specialty area who sees the entire profession somewhat differently from your typical partner. And there is the occasionally disruptive partner, who just sees the world from a different mind-set. All are capable of making a valuable contribution to your firm’s quest for innovation – if you care to reach out to them.

Consider the approach taken by Deloitte Consulting who believes that you should create an internal competition for ideas and involve the collective brain of the entire firm. Deloitte sponsors contests among all of their professionals for the wildest innovations.

They propose: why not offer a cash incentive and allow your people to eagerly compete for a chance to have their personal vision impact the firm's future? One of their recent events was reported to have stimulated over 176 ideas competing for a \$10,000 cash prize.

One Managing Partner we know understands the importance of hearing from younger voices. In a recent discussion he told us about his "2015-30/45 project." It would seem that in an effort to encourage foresight, he initiated an endeavor wherein he called upon all of the professionals in the firm between the ages of 30 and 45 years of age. He divided them into three separate task forces, each with the same project: "to formulate a written scenario of what the profession might look like by the year 2015". The Executive Committee examined the various scenarios to determine the kind of actions the firm would need to initiate, to get out ahead of the future.

Some of the very best ideas can come from your newest professionals. One firm has a specific program called "Fresh Eyes" to tap into that insight. Each new hire gets to give the firm a formal performance review following the first 30 days of his or her tenure. While impressions remain fresh the professional is called into a meeting with the managing partner to provide a candid review of their initial experiences and ask the hard questions like "why haven't you done it this way?"

#### **4. Take Your Cue From Clients.**

The impetus for the development of the fastest growing new practices at one Pennsylvania firm didn't come from any of the accounting professionals. It was actually inspired by the firm's advisory board composed of outside business people charged with providing a fresh perspective to helping the firm target its service offerings more effectively. The firm maintains a 12-member advisory board that meets every two months. It includes four clients, four referral sources, and four non-clients. According to the managing director, "We want to put our resources into developing one or two new products each year that clients really want and the advisory panel has proved ideal both as an idea-generator and focus group."

All too often, we forgo ever bothering to actually involve clients, or to even pay attention to what their evolving needs might be. There are obviously many opportunities to innovate and leapfrog competitors by simply collaborating with and being sensitive to the (often unspoken) needs of your clients.

#### **5. Steal The Best Ideas From Other Professions**

One of the principles that we have learned about innovation is that it is often the product of someone spotting an old idea that can be used in new places, in new ways, and in new combinations. Taking an idea that is commonplace in one business or profession and moving it into an entirely new context can spark new approaches – if you are paying attention!

At one professional service firm, they hold brainstorming meetings with academics, clients, government representatives and researchers to identify important industry changes and opportunities three to five years before they appear on the radar screen of most everybody else.

If a systematic emphasis on growth and innovation offers any meaningful payoff, why don't more firms try it? The overarching challenge in most firms is that no one is clearly responsible for innovation leadership. Towers Perrin was the first international human resources powerhouse to appoint a National Director of Innovation.

## **6. Consider Packaging Your Intellectual Knowledge**

Consider posing this question to your people: "Some firms have packaged their intellectual knowledge into a viable commercial product, while others have created subsidiary operations to provide and market services ancillary to their basic services. Do you have any ideas on what we could do in either of these areas?" You will likely get a pleasant surprise. From our experience, in most cases somewhere between 14 to 22% of your professionals have a potentially viable idea in this regard that they have been pondering.

Any opportunities exist in your firm for professionals to package what they do for clients, thereby developing a different, but potentially profitable, redefinition of leverage?

## **7. Champion Internal Entrepreneurs**

One of my most startling discoveries: innovations do not usually come about because of any direction, intervention, or incentive provided by your management committee. They came about largely from, as Peter Drucker first expressed, "having a mono-maniac with a mission!"

There is an incredibly valuable lesson here. If you want to have rule-breaking, wealth creating new ideas come to the forefront in your firm, then you definitely need to identify, nurture and champion those professionals chomping-at-the-bit to try new ways of doing things. We are absolutely convinced that the maniacs exist, the innovative ideas exist. What is missing is the internal champions.

## **8. Rethink Assumptions About How You Operate.**

Every partner carries around in his or her head a set of built-in assumptions, biases, and presuppositions about what clients want or don't want, who the competition is or isn't, and what services we should offer or not, and how he or she should conduct their individual practice. We are all, to some degree or another, prisoners of our past experiences.

Now look at what Latham & Watkins did to portray themselves as the premier health care compliance group in the country. With the launch of Compliancenet, hospital clients had

a resource to help them do more of the compliance work for themselves, even though it meant lower legal fees for Latham. This firm recognized that hospitals didn't relish having a pricey law firm review their contracts and that the firm that landed compliance assignments had a better chance of doing the more lucrative work that hospitals generate. Latham's also sensed that having a resource like Compliancenet would allow them to enter other geographic markets.

While Latham's competitors were saying, "why would we want to invest non-billable hours developing a resource that then only serves to decrease our billable hours?" And asking, "who's going to compensate me for the lost hours that I spend developing this resource?" Daniel Settlemayer, the attorney who spearheaded the development of Compliancenet remarked, "This is a simple idea that anyone else could have just as easily developed. But we did it first."

To explore innovation we need to get on the path of asking questions that challenge the way in which we have been operating - regularly - as part of the way we run our business.

## **9. Begin With Limited-Risk Experiments.**

As Linus Pauling, the Nobel winning chemist once said, "the way to have lots of good ideas is to have lots of ideas and throw away the bad ones." Early successes breed optimism, the enthusiasm to do more and the commitment to try again.

Set up small, relatively inexpensive, minimal-risk, and short-term experiments. Anything beyond six months takes you into the realm of pipe dreaming. Too many things can go wrong. If you have an action plan pushing beyond the six-month limit, break it down into smaller tasks that fit into shorter time frames. This way your firm is continuously knocking down fresh goals and objectives, experiencing success, staying on track, moving quickly, and raising overall motivation to continue.

## **10. Help People Get Comfortable With Innovation.**

The unfamiliar often provokes a negative reaction at first. Research shows that, independent of other factors, the more often people are exposed to something, the more positive they feel about it.

Bring in a regular menu of outside speakers (predominantly from other professions, academic thought leaders and business entrepreneurs) to attend a monthly partners luncheon. Focus your efforts on individuals in your community who are actually taking action to re-shape their own organizations through innovative means. Have them speak to your professionals about what specifically they are doing; and equally important, why they are bothering to invest the time in initiating new directions.

Begin your efforts without great fanfare (the worst thing that you can do is announce some new program) and make it totally voluntary for professionals to attend. "I happened to be talking recently with this individual and was particularly struck by what she is

doing in her firm. So I asked her to join us for lunch. I think you will find it interesting and perhaps of some value to you in your dealing with your own clients.”

What you should see after only a couple of luncheons, is some growing interest in why these companies are pursuing innovation, a greater comfort with the concept and the methodologies, and a degree of enthusiasm coming from some of your people for perhaps trying out some new ideas in your own firm.

In a competitive marketplace where there are no time-outs and no commercial breaks, if you are content with being a follower, you will always be eating someone else’s dust. The pace of change will suck the air right out of your lungs. The classic saying “Lead, follow, or get out of the way” is being replaced with the reality that you either lead or get blown out of the way. In these highly competitive times, there is little room for firms that simply follow. Innovation isn’t about putting out fires or fixing yesterday’s shortcomings; it’s about blazing new trails and preparing for a new tomorrow.

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