

STRUCTURING THE UNSTRUCTURED: SERVICE INNOVATION IN A UK SMALL BUSINESS SERVICES FIRM

Background 1

- A plethora of research recognizes the importance of formal and structured innovation processes. (Booz et al., 1982; Bowers, 1988; Scheuing and Johnson, 1989; Griffin, 1997; John and Storey, 1998; Cooper and Edgett, 1999; Cooper, 1986, 2001; Akamavi, 2005).
- An extensive body of literature on models for the development of new goods exists. (e.g. Booz et al., 1968, 1982; Cooper, 1986, 1994, 2001; Crawford, 1987; Pessemier, 1977).
- Cooper's 'stage-gate' model (Cooper, 2001) is well-recognized amongst scholars and practitioners.

Background 2

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- The service literature lacks models specifically addressing the development of services, with a few ***conceptual*** models proposed in the '80s (e.g. Bowers, 1989; Scheuing and Johnson, 1989).
- Cooper and Edgett (1999) proposed a ***practical*** stage and gate process model for product development for the business to consumer (B2C) service sector.
- This model, however, was not designed to meet the needs of business to business (B2B) services firms.

Background 3

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- A number of researchers claim that service firms have no process, or use unstructured, informal and often 'ad hoc' service development processes. (Sundbo, 1997; Gottfridsson, 2011).
- It is therefore unclear whether a structured approach to service innovation, or indeed the implementation of a model such as the 'stage-gate' is *useful* for B2B services firms.

Purpose of Research

- *To establish if a systematic approach to service innovation through structured process could meet the needs of a particular small business services firm, or not.*

The Case Study Organization

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- A UK based small business services firm.
- Founded in 1996. The number of employees, in the period 2007 – 2008, increased from 7 to around 50 on 3 sites across the UK. Turnover in 2010 was around £2 million.
- The main business was to deliver business services to the private sector on behalf of the UK public sector organizations.
- Typical services included leadership and change advisory services, skills advisory services and training.

Methodology & Methods

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**Longitudinal Case Study
(18 months)**

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graph TD; A[Longitudinal Case Study (18 months)] --> B[Case Study (Yin, 2008) & Action science (Argyris & Schön, 1978)]; B --> C[Mixed Methods Qualitative & Quantitative data]; C --> D[Semi-structured Interviews, Questionnaires, Documentary Analysis, Direct Observations & Participant Observations];
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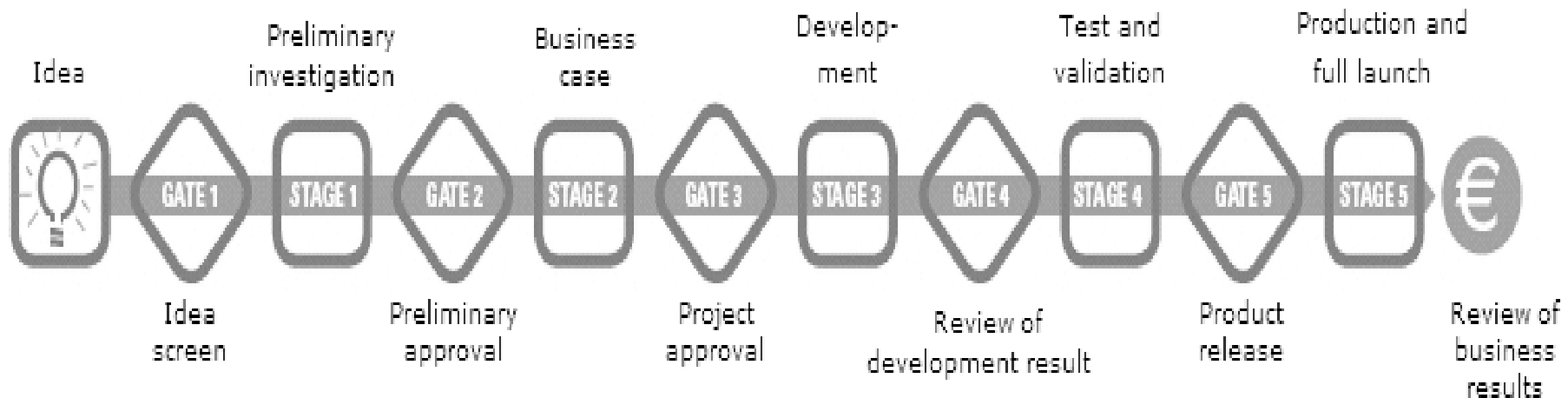
**Mixed Methods
Qualitative & Quantitative data**

Semi-structured Interviews, Questionnaires, Documentary Analysis, Direct Observations & Participant Observations

Identifying a Structured Model

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The Stage-Gate Model (Cooper & Edgett, 1999)



Source: A generic stage-gate process model. Cooper, R.G. and Edgett, S.J. (1999), Product Development for the Service Sector: Lessons from Market Leaders, 1st edition. New York, NY: Perseus Books.

Observing the Current Innovation Practices

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- After the initial steps to process implementation, senior manager's reaction was:
 - 'we know what we are doing'*
 - 'we need to see quick gains'*
 - 'we are already innovative'*
 - 'we don't have time to get involved in formal process'*

- In the 6 month period, no new services were launched.

Key Problems/Issues

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- ❑ Unclear process as to the development of new services.
- ❑ Unclear responsibilities and lack of project leadership.
- ❑ Lack of strategic consensus between senior managers/owners.
- ❑ Critical decisions to enable project progress were made slowly or not at all.
- ❑ Too many idea/project for the limited resources.

Structuring the Service Innovation Process

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- In the following months, from February to April 2011, workshops, training sessions were delivered, together with activities involved in testing the new business process.
- Major activities within the stages were explored and their applicability in the firm considered. The decision making was facilitated through defined criteria.
- A change of behaviour and mind-set to developing new services through a structured process were noticed in senior managers/owners and rest of the organization.

'Innovation Challenges' - A Major Change

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- Two ideas were selected, during one of the 'innovation challenges', and two competing teams were created for the development of each of the service ideas.
- One of the teams made a greater progress than the other team. Their proposal was based on facts and information instead of gut feeling.
- Team's business case was approved after the second decision checkpoint.

Structured Innovation Process 1

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- In relation to the new innovation process the business development director said:
‘the innovation system helps us think through. We were able to come up with more advantageous proposition ’
- Senior managers had also recognized that structured process for service development *‘makes sense’* and *‘it is useful approach to accelerate the development of new service from its conception to its launch’*.

Conclusions

- A systematic approach for service innovation was found that ***could meet the needs of the case study organization*** and it is found that ***such a process is appropriate and useful in the context of small B2B services firm.***
- Clearly formal and structured innovation processes ***are important*** and ***useful*** to small B2B services firms.
- Service innovation involves complexity of activities, decisions and internal and external interactions; indeed *it is questionable whether innovation can exist over a long time period without such structured processes.*

Thank You! Any Questions?

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