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; Johne 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.
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.
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

- 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

Longitudinal Case Study (18 months)

Case Study (Yin, 2008) & Action science (Argyris & Schön, 1978)

Mixed Methods
Qualitative & Quantitative data

Semi-structured Interviews, Questionnaires, Documentary Analysis, Direct Observations & Participant Observations
Identifying a Structured Model

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

Observing the Current Innovation Practices

- 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

- 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.
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.
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.
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’.
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.*
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