11 New practice development in professional service firms: the role of market sensing

*Stefan Heusinkveld, Jos Benders, and
Robert-Jan van den Berg*

INTRODUCTION

Although professions are often not associated with novelty and change (Greenwood, Suddaby, & Hinings, 2002), recent research has emphasized the importance of innovation to PSFs (Anand, Gardner, & Morris, 2007; Gardner, Anand, & Morris, 2008; Heusinkveld & Benders, 2002, 2005; Morris, 2001). Theorists suggest that, as with any organization involved in product or process innovation, constantly being involved in “new practice development” efforts is crucial for PSFs if they are to keep their expertise in tune with market demand, build an innovative reputation, and enhance the performance of their services to their clientele (Benders, van den Berg, & van Bijsterveld, 1998; Kipping, 1999). This involves the development of a repertoire or distinctive base of expertise that supports performance of their services in a specific area (Morris, 2001; Morris & Empson, 1998; Werr & Stjernberg, 2003; Werr, Stjernberg, & Docherty, 1997). However, it is argued that a major complication in the case of new practices is that they lack a material component (Heusinkveld & Benders, 2002) and therefore knowledge-based innovation is considered as particularly challenging for PSFs (Anand et al., 2007).

The emerging literature on new practice development in PSFs has provided important insights into the different key activities and “pathways” that may lead to new practice creation (Heusinkveld & Benders, 2002; Suddaby & Greenwood, 2001). In addition, various empirical studies revealed various factors that may influence the legitimacy and embedding of new practices within PSFs (Anand et al., 2007; Gardner et al., 2008; Heusinkveld & Benders, 2005; Morris, 2001). For instance, these studies emphasize that developing innovative types of expertise does not necessarily fit with established organizational practices and does not automatically enjoy the support and collaboration of people within the knowledge entrepreneurs (see also Dougherty & Heller, 1994). While these accounts have furthered our understanding into the intra-organizational processes and impediments to new practice development, the linkages with the client and the market for professional expertise received scant attention in current discussions on the process of developing new practices within PSFs (see also Chapters 4 and 5). Indeed, theorists in this emerging research area stress that the client plays an important role in the possibilities for concept development in consultancies (Fosstenlökken, Löwendahl, & Revang, 2003). Also the broader literature on knowledge commodification considers “sensing incipient preferences” (Abrahamson, 1996: 264) of the knowledge consumers as vital in the development of new services that can be exploited on the market (ten Bos & Heusinkveld, 2007; Suddaby & Greenwood, 2001), but this literature still lacks comprehensive theorizing about how exactly this takes shape in PSFs.

To address this gap, we explore how new practice development takes shape in PSFs by drawing on the market orientation literature. Using this perspective allows the further understanding of how customer needs play a role in innovation processes (Adams, Day, & Dougherty, 1998; Brown & Ennew, 1995; Deshpande & Zaltman, 1982; Kohli & Jaworski, 1990; Kok, Hillebrand, & Biemans, 2003) and how this is considered crucial to the success of a new product (Garrone & Colombo, 1999), elements that are still under-developed in the current literature on new practice development in PSFs. The chapter empirically illustrates the implications of these insights for new practice development in PSFs by using longitudinal case study data. Revealing and illustrating various key elements that may enhance or inhibit practice development processes allow us to develop a better understanding of the way PSFs seek to remain in tune with market demand and are able to appeal to many potential client organizations (Suddaby & Greenwood, 2001).

NEW PRACTICE DEVELOPMENT

New practice development in PSFs is related to the creation, embedding, and use of innovative forms of expertise. This may result in the development of a repertoire or distinctive base of expertise that supports the performance of their services in a specific area (Morris, 2001; Morris & Empson, 1998; Werr & Stjernberg, 2003; Werr et al., 1997). The related repertoire plays a role not only in client interaction and problem solving processes but also in the consultancy's internal knowledge system (Werr & Stjernberg, 2003). Theorists indicate that this repertoire is supported by various organizational arrangements and is embodied in the ongoing work and organizational structure (Anand et al., 2007; Gardner et al., 2008).

Three streams of research can be distinguished in the current literature on new practice development. First, various theorists have conceptualized the development of new practices within PSFs as a series of distinct phases resulting in a commodity that can be "sold" on the management knowledge market. Second, while not distancing themselves from these activity-stage views, more recent studies revealed that PSFs are not uniform in their development activities. Rather, research into the "development routes" of new practices reports major differences in the way PSFs perceive the intra-organizational development of these practices. Third, recent research also points out that developing new practices is, as with any innovation, considered an intricate and demanding process within PSFs. Rather than seeing practice development as a straightforward process that results in a practice that can be readily exploited, this research presents a view in which the development of new practices in PSFs is often highly contested and generally encounters substantial resistance. This implies that PSFs may experience significant and challenging issues related to the legitimation and embedding of new practices within their agency. We will discuss these present approaches in more detail below.

Stages in Practice Development

An important strand of work conceptualizes the generation and construction of new practices by knowledge entrepreneurs as a series of distinct phases (Abrahamson, 1996; Clark & Greatbatch, 2004; Huczynski, 1993; Suddaby & Greenwood, 2001). It is argued

that, in an initial phase, knowledge suppliers seek to sense “incipient preferences” (Abrahamson, 1996: 264) in a community of management knowledge consumers, thereby seeking to generate an inventory of new ideas. This is followed by a stage of selecting those ideas that are believed to be exploitable in the near future. In the processing stage, the ideas become not only codified and abstracted into different methods (Suddaby & Greenwood, 2001; Werr & Stjernberg, 2003; Werr et al., 1997), but also formulated in such a way as presents them as a rational and progressive solution to contemporary organizational problems (Collins, 2003; Fincham, 1995). Here knowledge producers seek to make sure that the new practice can be easily recognized as useful in a large variety of organizational contexts (Benders & van Veen, 2001; Kieser, 1997). After a new idea is codified and processed in a more transferable way, it can be “consumed” in a variety of different contexts. During a next stage, the commodity is disseminated on the market via a range of different media in order to become part of the managerial discourse, a central element in attracting the attention of knowledge consumers (Kieser, 1997). Suddaby and Greenwood (2001) emphasize that a final element of the knowledge production concerns the “translation” of the abstracted repertoire into action (Benders et al., 1998), which may affect different organizations.

Forms of Practice Development

In the previous section we discussed an influential stream of literature that focused on the common activities through which a practice must proceed to become successful for PSFs. However, various studies have revealed notable diversity in the way new practices are developed within PSFs and their underlying repertoire is managed (Anand et al., 2007; Hansen, Nohria, & Tierney, 1999; Heusinkveld & Benders, 2002; Morris & Empson, 1998). In these studies it is argued that, while practice development ventures may share some general activities, the way these activities are carried out varies considerably between different firms. This leads to the assertion that PSFs are not particularly uniform in their practice development efforts. In addition, this stream of literature stresses the need to place greater emphasis on the differences between the actors on the supply side of the management knowledge market. It is argued that these differences emerge from the choices that PSFs make between loose and tight control systems.

While the work of Morris and Empson (1998) and Hansen et al. (1999) relates the differences in development process to structural characteristics of the firm which become apparent in distinct “business models” and the related value proposition, other theorists relate the variation in practice development efforts to the way in which relevant activities are interpreted and carried out (Anand et al., 2007; Heusinkveld & Benders, 2002; see also Chapter 10). More specifically, the study of Heusinkveld and Benders (2002) reveals that practice development ventures may share some common activities, but may diverge significantly between “professional-driven” and “corporate-driven” forms.

The first typical form is mainly driven by the professional interests and initiatives of individual consultants and fuelled by their interactions with clients. The initiation of this “expertise-based pathway” (Anand et al., 2007) can be characterized by the continuous emergence of local development ventures, each driven by and highly dependent upon the efforts of one or several individual consultants (Anand et al., 2007; Heusinkveld & Benders, 2002). The formation of resources around such initiatives is not specifically

induced by top management but resembles an “organic” process driven by the interests and experiences of consultants and fuelled by joint projects with clients. This makes the individual ability to obtain assignments and resources and assemble an internal network of disciples crucial for a successful practice development venture (Heusinkveld & Benders, 2002). The construction of a repertoire is characterized by an incremental process shaped in relatively close relation to assignments within clients. Thus the potential for practice development is closely related to the possibilities for the application and enhancement of a repertoire. In this form, the dissemination of a repertoire in a consultancy involves enlarging a network of clients and colleague consultants who become involved with a practice by locally initiated internal marketing efforts.

In the second form, practice development is primarily driven by corporate efforts systematically to facilitate the exploration of a complete and coherent company-wide repertoire (Heusinkveld & Benders, 2002). Initiating a new practice development effort through a “support-based pathway” (Anand et al., 2007) constitutes a deliberate strategy of a firm’s top management systematically to stimulate the exploration of a company-wide repertoire and is preceded by a corporate selection process. The formation of resources around corporate development initiatives involves the creation and facilitation of a central working team consisting of leading experts within the organization. This group is provided with a clear-cut task and facilitated from a central level to develop a complete and coherent repertoire available for the entire consulting organization. The construction of a consulting repertoire underlying a new practice involves the development of a full-fledged framework in such a way that consultants are able to apply it instantly. Such a framework is topped up with “best practices” that are not developed from scratch, but different “goodies” are derived from knowledge items across the entire organization without a direct link to present client projects. Finally, the dissemination of a repertoire within a consulting firm is strongly associated with large-scale distribution efforts by means of manuals, intranet-based information systems, and obligatory training curricula including the pressure actually to use it.

Impediments to Practice Development

An important critique of the literature discussed above is that it shares a view of the process of practice development as linear and unproblematic. In this literature, the development of successful practices is presented as a series of logical and straightforward phases unavoidably resulting in a practice that can be immediately exploited on the market for management solutions. This suggests that practice development constitutes a harmonious process which automatically enjoys the assistance of many other people within PSFs. However, this conceptualization is significantly at odds with the view presented by recent studies (see for instance Anand et al., 2007; Gardner et al., 2008; Heusinkveld & Benders, 2002, 2005). These show that new practice development does not involve merely moving through a series of logical phases or does not easily generate support within a PSF. Rather, the development of new practices in PSFs is often highly contested and generally encounters substantial legitimacy problems. This implies that the success of new practice development is related to their internal legitimacy, that is, the degree of acceptance of a new idea or practices within a consultancy (Heusinkveld & Reijers, 2009).

Various studies reveal that practice development efforts do not necessarily meet with a favorable response within PSFs, and suggest the importance of internal legitimation efforts before market launch (Gardner et al., 2008; Heusinkveld & Benders, 2005; Heusinkveld & Reijers, 2009). These struggles may become apparent in internal criticism and disbelief about the value of a new idea and shape obstructions in the realization of a practice-in-development. The findings indicate the importance of considering the process in which ideas gain “good currency” within the system of knowledge supply. Moreover, using both qualitative surveys and case study approaches, these studies provide an important understanding of the internal elements that may inhibit or encourage the development of new practices. This indicates that the supply of expertise is preceded by important processes where consultants have to sell their new practices first internally, in order to be able then to sell them to their clients. Theorists discuss the critical role of human agency in this process and elaborate on how legitimacy struggles are shaped by a lack of fit to existing consulting practices and a lack of involvement from a PSF’s management and employees (Gardner et al., 2008; Heusinkveld & Benders, 2005; Heusinkveld & Reijers, 2009).

MARKET ORIENTATION

The current literature discussed above provides important insights into the organizational processes, forms, and impediments to new practice development in PSFs. Although this research is essential in further understanding the way PSFs deal with innovation, it remains limited to some relevant intra-organizational elements. Indeed, theorists in this emerging research area stress that the client plays an important role in the possibilities for concept development in consultancies (Fosstenlökken et al., 2003; Chapter 5). Also the broader literature on knowledge commodification considers “sensing incipient preferences” (Abrahamson, 1996: 264) of the knowledge consumers as vital in the development of new services that can be exploited on the market (ten Bos & Heusinkveld, 2007; Heusinkveld, Benders, & van den Berg, 2009; Suddaby & Greenwood, 2001), but this literature still lacks comprehensive theorizing about how exactly this takes shape in PSFs.

To explore this issue we draw in this section on innovation literature and research on market orientation in particular. As we will argue, theorists of innovation have persistently emphasized that the development of new products and services not only is an internal process, but requires a continuous interaction with the market (Herstatt & von Hippel, 1992; von Hippel, 1978; Van de Ven, 1986). As Dougherty emphasizes, “linking customer needs with the organization’s technical capabilities is necessary to create a viable new product” (1996: 427). Therefore the innovation literature stresses the importance of market orientation, that is, the ability to translate client information into new practices (Adams et al., 1998; Kohli & Jaworski, 1990; Kok et al., 2003), an issue that has received scant attention in the present literature on new practice development in PSFs. Drawing on this literature we suggest that the possibilities for market-oriented new practice development are related to (1) the constant generation and processing of market data, and (2) the internal organizational capabilities to perform these processes. This implies that, in order to enhance the success of new practice development ventures, PSFs need to “orchestrate” the constant interaction of elements both external and internal to the firm.

Market Information Processing

Theorists of innovation stress the importance of continuous learning about customers. This learning process involves a series of information processing activities (Day, 1994), that is, generating, distributing, and interpreting clients' needs, responses, and environmental trends. Thus, market sensing is considered not an isolated activity at the start of a development project, but relevant in every phase of the new product development process (Kok et al., 2003). A first constellation of activities related to market sensing involves the continuous generation of data about customers' needs and about wider environmental developments from various sources. The nature of this information may vary in every stage of the development process. However, it is indicated that information on clients and their reaction to new products is inherently ambiguous (Adams et al., 1998). Clients' needs may not be articulated clearly and may be subject to change. Such ambiguities and changes are likely to feed different opinions and controversies about what clients actually need.

A second central activity entails the dissemination of the generated market information across different organizational functions through both formal and informal networks. Market information is not necessarily shared quickly across different boundaries (Deshpande & Zaltman, 1982). The generation and application of market knowledge is typically allocated to different people or units, spatially separated and characterized by different orientations and structures. The dissemination of market information may be hampered because different groups lack the ability to recognize the value of this new information (Cohen & Levinthal, 1990) or are unwilling to appreciate and use knowledge from outside (Szulanski, 1996).

Finally, during all phases, the information requires interpretation through "sorting, classification and simplification" (Day, 1994: 43), which are shaped by organizational members' mental models and political interests (Brown & Ennew, 1995; Jones & Stevens, 1999). This interpretation constitutes the basis for decision making about the way ideas can be transformed into a successful product. However, in line with the work of theorists of organizational knowing, it is likely that new information is not automatically recognized as useful or utilized in organizations (Orlikowski, 2002; Tsoukas, 1996; see also Chapter 2).

Organizational Capabilities

Market sensing activities are made possible by an organization's internal capabilities to understand, process, and use this information (Kok et al., 2003). As discussed, some barriers hamper the process of generation, dissemination, and utilization of market information within organizations, thereby impeding the process of market learning. Consequently, organizational capabilities define how information processing activities are shaped, thus determining the organizational ability to deal with tensions and overcome potential barriers (Cohen & Levinthal, 1990; Dougherty, 1996; Vermeulen, 2005). This means that the ways market intelligence is translated into action and gains "good currency" (Van de Ven, 1986) may differ significantly across firms.

The first crucial aspect concerns the commitment of senior management. Such a commitment requires a willingness to take risks and "accept occasional failures as being

natural” (Kohli & Jaworski, 1990: 8). The new product development literature shows that established organizational routines are often unable to accommodate innovative activities and cause difficulties in dealing with the uncertainties and changes associated with developing new ideas (Dougherty & Heller, 1994). As Burns and Stalker noted, the strength of the political system and existing “status structure” tend to confirm the status quo within an organization (1961: 126). A committed management attitude fosters a climate in which organizational members are likely to develop and implement new ideas.

A second key element that may enhance an organizational capability for market sensing is related to the interdepartmental dynamics. It is argued that a strong connectedness and a lack of conflict between different departments within an organization enhance the dissemination of relevant market information (Kohli & Jaworski, 1990; Kok et al., 2003). In addition, the utilization of this market information is related to the receptivity of departments to this information. New ideas may violate existing departmental practices or may be “unthinkable” in the light of their current institutionalized thought structure (Dougherty & Heller, 1994). However, as Kohli and Jaworski (1990) argue, the “concern for others’ ideas” may increase the behavioral impact of market intelligence on other departments, thereby enhancing an organization’s market orientation. Thus, the literature on market sensing also points to the importance of internal organizational conditions for the utilization of client information in new product development (Deshpande & Zaltman, 1982).

A CASE OF MARKET SENSING IN NEW PRACTICE DEVELOPMENT

To illustrate how market orientation plays an important role in new practice development, we discuss a case of a new practice development venture. Given the need to gain in-depth insight into an as-yet unexplored field, the academic researchers and the practitioner involved joined forces to study the formation of a new PSF practice. Given the explorative nature of our study and the desire to acquire detailed insights, the obvious research method was a case study (Flyvbjerg, 2006; Yin, 1994). An ultimately successful yet somewhat “bumpy” project was selected and studied in detail. This means that quite a few barriers had to be overcome before the new practice was launched, which is most probably typical for a development project (Anand et al., 2007; Heusinkveld & Benders, 2005).

The description is primarily based on an insider account of the third author. As senior consultant, he was involved in the project from its conception to the launching and application in client organizations. This position in the organization allowed privileged access to data of various natures, such as project documentation, e-mails, presentations, flyers, client offers, internal correspondence, and insider views over a longer period of time. In addition, the project could be documented over its whole lifetime, that is, more than two years.

The longitudinal approach and elaborate access to data are important advantages over case studies solely conducted by an external researcher or researchers. However, our approach obviously entails the risk of an overly positive and merely personal account. To compensate for that, various documentary sources were made available to the other

authors and, more importantly, the first author had been in contact with the firm at an earlier stage as an external researcher. The starting point was an internal lecture, held for the consultants. This was followed up by interviews with the main “practice champion,” one managing consultant, one general consultant, and the third author. Having the possibility to gather data and opinions from these other informants allowed the first author to validate the case description.

The data were discussed and analyzed in iterative rounds of sense making during the practice development, including regular talks with people involved, and analyses of e-mails, presentations, flyers, and various documents such as client proposals, reports of projects, and internal correspondence (see Benders & Verlaar, 2003). We used simple data displays (Miles & Huberman, 1994; Wester, 1995) which allowed clustering different development activities into common themes and elements that further focused the data analysis process. In the case description we particularly focus on the development process in relation to the role of market information.

Background of the Firm and Practice Development

Founded in 1980, DCE Consulting is an international consultancy firm employing about 250 consultants located in offices in Belgium, the Netherlands, the United Kingdom, France, and Luxembourg at the time of the study. Since 1997, DCE has been part of an international, stock exchange listed group of high-tech consultancies. The consultancy is structured into a matrix. Most consultants work in the market groups Trade and Industry, Energy and Utilities, Telecom and Media, Financial Services, Public Sector, and Healthcare. Furthermore, the development and management of the “knowledge products” is coordinated by expertise groups, also dubbed centers of excellence (CoE). At the moment of the study the firm had four CoEs, with three or four employees each. These cover their range of services: IT management, change management, process management, and, as a new area, marketing management. DCE’s strategy is that it seeks to generate added value particularly by combining specialist expertise with market knowledge. This market knowledge is built up through assignments for clients and actively following specific market developments through seminars, brochures, and articles in professional magazines.

Development Policy

According to the firm’s strategy, consultants can contribute to the development and introduction of new practices in two different ways. First, consultants can actively participate in so-called service groups concentrating on the development of new practices under the supervision of a CoE manager. Each service group has a champion, who is often the initiator of the new practice and holds important expertise on the subject. Consultants from different market sectors supplement this group. These consultants further develop the innovation and constitute a “linking pin” to their own market group. In some cases, the practices developed by the CoE are adapted and are tailored to the characteristics of the specific market sector. The intensive collaboration with clients during the development process is meant to ensure that only potentially successful practices are developed. At the same time, the CoE manager remains in charge of the adapted

practices, and assesses whether the services are applied correctly by the different market sectors. This means that the manager reviews offers and presentations of a market group before they are offered to clients.

The second way is by being involved in business development, that is, the introduction of new products to extant and potential clients. Business development is more focused on the commercial aspects of the practice development process, that is, the introduction of new services in the market and within client organizations. The activities that can be undertaken are for instance talking with potential clients, organizing round-table discussions with clients, presenting during seminars, publishing in professional magazines, and sending commercial mailings. By these activities new practices are disseminated on the market and likely generate new ideas for further development. The feedback that is induced by these business development activities provides important input for enhancing current services.

The new practice development process is lead by the annual CoE plan. The main issues for practice development are determined in dialogue with the different market groups within DCE and the market itself. The development process starts with the construction of an overview of the requested services and a plan for their development. In an initial stage the ideas for development merely concern “rumors.” After their approval by the general management, a project team is formed to construct the new practice. Below we provide an elaborate account of the evolution of a new practice: “Marketing Excellence.”

Champions and Market Needs

The idea for a new service in the field of marketing originated from two consultants. Both had a background in marketing and were interested in commodifying and applying these marketing issues in their client work. They felt that the organization and development of the marketing function in client organizations received little attention on the market for management solutions. Conversations with different clients confirmed these ideas and reinforced the notion that a new approach that concentrates on improving the performance of an organization’s internal marketing activities could be valuable for clients. These initial ideas were written down in a presentation to the management of the consultancy. Subsequently, the initiators or “practice champions” worked out an initial description of the practice and a development plan in an internal document that included an elaboration of issues such as: What is Marketing Excellence? What are the current problems and solutions on the market? What is the business relevance? What is the business opportunity for DCE? What knowledge elements already exist within DCE, and what services should be developed?

Awareness Management and Internal Organization

Both documents were discussed with the management of the consultancy. Initially, there were serious doubts about the fit of the new practice with the existing DCE competencies and services. Until then, DCE had concentrated particularly on IT, organizational, and process related themes and had never been involved in marketing assignments for clients. However, these champions persuaded management to take the practice onto the list of service propositions. At the same time, the champions sought to create “awareness” for

the practice within DCE by circulating the presentation among the various market sector managers and discussing the practice's relevance for their own sectors. The champions thus propagated the new idea in the organization and tried to find sponsors throughout the firm. Initially, these talks were cumbersome, as the sector managers had little affinity and experience with marketing. The results of these efforts were therefore mixed. Some sector managers considered Marketing Excellence as a potential issue for their market sector, but most of them followed a "wait-and-see" policy. Arrangements were made with the few interested sector managers about the introduction of Marketing Excellence within their sectors.

Some aspects were deemed crucial for the practice's further development at that time. First, the champions made clear to top management that Marketing Excellence was considered as a relevant, timely, and durable issue both by clients and by some of the market units. Second, the top management became convinced that the practice would fit in the firm's portfolio of high-level services. Third, the champions were able to persuade top management that DCE would have a unique selling proposition in its market segments.

New Practice Development and Application

Parallel to the talks with the business managers, a team of several consultants with an interest in and sympathy for marketing issues was formed and started with further developing the new practice. The initial "products" of this development process constituted an assessment model and an awareness presentation. This assessment model was considered a so-called growth model in which a client organization is ranked according to a number of criteria in one of the five "levels of excellence." The key of the Marketing Excellence practice entails an elaborate questionnaire to assess the developmental level of the marketing organization. Furthermore, this is related to the organization's strategy. Thereby, three generic strategies are used as a frame of reference. Finally the client's marks on the different aspects are judged in the light of the performance of other firms from the same sector in the Marketing Excellence benchmark database.

Because the assessment model had been worked out in detail, and much attention was given to the internal guidance of consultants and business managers, a number of consultants could be trained in applying the assessments in a relatively short period of time. Moreover, one of the champions was always present in talks with potential clients. This allowed him to bring in his knowledge and experience, while at the same time less experienced colleagues received on-the-job training. The consultants involved considered the marketing assessment model an adequate instrument to generate new clients in the field of marketing. Its application entailed an interactive approach that generated a number of concrete recommendations for the client. After the assessment, a feedback session was organized to discuss the performance of the client organization. In this session, the client's marketing activities were regarded in the light of the business strategy and the performance related to competitors. On the basis of this, recommendations were given that were aimed at improving the client's marketing organization, marketing strategy, marketing focus, and projects.

Projects were generally executed under the banner of "Marketing Excellence." This label was used in all "pre-assignment communication" with clients, such as documentation, initial talks with the client, and the initial assessment. However, the term "Marketing

Excellence” was considered to be of less importance than the terminology used within the client organization. Sometimes, “local” terms were adopted while retaining Marketing Excellence’s way of working. In addition, the terms in use were tailored to fit the sector-specific languages. For instance the use of English terms is more common in the banking sector than in public sector organizations, and therefore specific marketing terms were adapted in the questionnaires that were used in healthcare agencies. At the same time there were no changes in the central principles of the new practice. In this way it became possible to build up a database that can be used for comparative research.

The data generated in the talks with clients and particularly in the assessments were fed back to the development team. This was used to develop formats further and standardize client presentations. Also the Marketing Excellence projects generated reference material that was stored in a database. On this basis, the consultancy was able to enhance the practice as well as inform and instruct new consultants who were still unfamiliar with it. In a later phase, new elements were added to the initial practice, resulting in a set of inter-related practice components including marketing balanced scorecard, marketing process atlas (in which the marketing activities from the assessment are described), the Marketing Excellence improvement program, and a management game. In relation to these “components” an elaborate internal training module has been developed to educate consultants to work with the new practices and improve their knowledge about marketing issues.

Internal and External Communication

The practice development team continuously paid significant attention to the internal communication about the practice-in-development. More specifically, because the coordinator of the team kept an account of all client organizations and assessments, the DCE business managers continuously received information about the results of the practice. Next to these reports, e-mails, and personal talks about the practice, the development process has been discussed in the formal management meetings. The increasing number of assessments and the positive responses of the clients to this approach resulted in a gradual change in opinion of the sector managers. Those who were initially hesitant about the new practice became enthusiastic as soon as its market success started to become visible. It quickly became apparent that the assignments that followed the Marketing Excellence implementation for clients went beyond marketing issues. As a result, in the consultancy Marketing Excellence was more and more considered as a lever for other business. These follow-up assignments for clients entailed themes in which DCE was traditionally very strong, such as change management, process streamlining, project management, interim management, and application selections. From this time, the attention to and interest in this new practice increased quickly throughout the consultancy.

Not only internally, but also outside the consultancy firm information about the Marketing Excellence practice had been disseminated, for example via the DCE magazine that is published specifically for external relations. In addition, DCE organized two conferences about Marketing Excellence in collaboration with a university and several professional organizations in the field of marketing. These conferences constituted a platform to present the results of the assessments as well as to test ideas and developments about Marketing Excellence among the most important target group, the marketing managers in client organizations. In addition, the topic was raised in the regular talks

with clients. These were talks that emerged from the current network of DCE clients but also related to direct mail efforts. The mailing efforts were followed up by the different market sectors. The practice of Marketing Excellence and the related services were also described in a flyer that was distributed on the market. Eventually, the term M-Xcellence was established as a trademark and is used in all commercial activities of DCE Consultants. “Marketing Excellence” was the initial working title, but the trademark has gradually replaced the initial label of the established practice. The possibility of loose coupling between label and content stems from the practice’s lack of a material component and indicates one of the key challenges of innovation in PSFs.

DISCUSSION AND CONCLUSION

Drawing on a market orientation perspective, the present chapter constitutes a first step in exploring how the process of market sensing takes shape in PSFs. The case illustrates how market information, generated from a variety of different sources, is used internally to shape opinions and decisions of different groups of professionals in relation to the development of new practices. The design of the study provided important opportunities to reveal key elements in the way knowledge entrepreneurs shape the process of market sensing that have been hidden in the current research on new practice development in PSFs. More specifically, this research allowed the generation of more insight into what market sensing means for the professionals involved in the production of innovative types of expertise. It opened up this black box and provided a more complex conceptualization of market sensing, and furthered insight into the question of how PSFs seek to keep their portfolio in tune with market demand.

First, the case illustrates how market sensing is not regarded as a distinct or separate activity in PSFs, but is considered an integral element of every phase of the practice development process. Moreover, the way this takes shape depends on the specific development stage. In early phases, market information is generated in talks with a small group of clients in a consultant’s own network and involves more general information about the market needs. Later phases of market sensing entail that market information is generated through the performance of assignments within client organizations and the reactions from larger-scale communication events which involve more specific and detailed ideas. The case thus indicates that it is particularly in the dissemination and application that market learning takes place specifically to shape the new form of expertise. In these interactions, the constant generation, dissemination, and interpretation of market information is considered crucial to the development of the new practice.

Secondly, the case indicates that market sensing is not an isolated process but something that unavoidably takes place in a socio-political context. As a result, the outcome is not merely a function of the information generation and processing activities per se, but is determined by a constellation of internal–external factors and their interactions. Next to a continuous interaction with clients, the case reveals (1) the senior management and (2) the interdepartmental dynamics as key elements shaping the market sensing process of the practice-in-development. Specifically, in the early phases market information not only serves as an input for the development process, but is mainly used internally to legitimate new forms of expertise by convincing the consultancy’s general management

and the management of the different sector groups and creating awareness among colleague consultants. This may pave the way for the champions to develop a piece of expertise further and to commercialize it on the market. It is only in later phases that consultants use market information to shape the content of new practice in more detail, that is, particularly during its dissemination and application.

Theoretical Implications

The discussion in this chapter has some notable implications for the current literature on new practice development in PSFs. Previous work stresses that the client plays an important role in the possibilities for concept development in consultancies (Fosstenløkken et al., 2003) and points to the importance of “sensing incipient preferences” (Abrahamson, 1996; Suddaby & Greenwood, 2001). This would imply that a “good nose” for new marketable products is a vital element at the start of a practice development project. We extend this argument by showing its importance of market sensing throughout the whole project of new practice development in PSFs. To illustrate this, we used case study data from what we believe to be a typical practice development project, given the fact that it was confronted with challenges that are characteristic for innovation in PSFs (Anand et al., 2007; Heusinkveld & Benders, 2005). We argue that during the development of new practices consultancies must constantly stay in tune with the market (see also Chapter 12). Initially, this involves checking the marketability of the idea. When this becomes more concrete over time, market checks remain necessary in various ways. These checks are needed not only to deliver a marketable product, but also to persuade internal stakeholders such as the management and a consultant’s peers to go along with the novel practice. Thus, effective new practice development requires continuous interaction between internal and external dimensions.

Our discussion contributes to the literature on PSFs and knowledge intensive work by showing the importance of market sensing in new practice development, an element that has not been systematically explored previously. This position may be seen as a synthesis between those authors who focused solely on the internal development of new practices (Gardner et al., 2008; Heusinkveld & Benders, 2002, 2005; Morris, 2001; Werr, 2003) and others who studied the external interactions during assignments for clients (Benders et al., 1998; Clark, 1995; Fincham, 1999; Sturdy, 1997; Chapters 4 and 5). First, our findings indicate that the internal process of new practices will likely be enhanced when adequate market information is used in the development process. Secondly, we conclude that a PSF may increase the possibilities of acquiring new assignments when client needs are systematically translated into a piece of expertise to support future client interactions.

Limitations and Future Directions

The present study aimed to further the understanding of how customer needs play a role in innovation processes and how this is considered crucial to the success of a new product, elements that are still underdeveloped in the current literature on new practice development in PSFs. In the previous subsection, we developed two notable implications for the current debates on PSFs in general, and new practice development in particular. In view of this, our study can be seen only as a first step in trying to enhance insight into new

practice development from a market orientation perspective. We believe that this opens up several fruitful areas for future research.

First, this chapter indicates that, as with any organization involved in renewing its repertoire, market-technology linking can be considered a critical challenge if PSFs are to create viable new practices. This involves connecting customer needs with the organization's technical capabilities. Remarkably, various authors emphasize that many organizations do not carry out market-technology linking very well, despite the wide availability of a substantial body of literature and an increasing set of techniques (Benders & Vermeulen, 2002; Dougherty, 1996). They conclude that a key problem is putting the existing knowledge to use. Therefore future research could study both failures and successes in relation to market sensing in new practice development to understand its antecedent conditions better.

Second, our chapter pointed to the significance of different interaction patterns between clients and consultants in the development of new practices. However, an important but unanswered question is how these interaction patterns may take shape. It is still unclear how consultants understand clients' problems and link these to appropriate solutions. In what way do PSFs sense and shape their clients' needs in their interactions, and what persuasive strategies do they use to convince different groups of clients but also their managers (see for instance Greenwood et al., 2002; Suddaby & Greenwood, 2005)?

Third, another important but unexplored issue is related to the interpretation and enactment of market information (see Daft & Weick, 1984). Although this is considered as vital input of a market sensing process, theorists of innovation indicate that information on clients and their reaction to new products is inherently ambiguous (Adams et al., 1998). Clients' needs may not be articulated clearly and may be subject to change. Such ambiguities and changes are likely to feed different opinions and controversies about what clients actually need (Brown & Ennew, 1995). Therefore, future research may look further into the possible different ways that specific market information is interpreted within PSFs and how this feeds back into the way different actors enact this (see for instance Deshpande & Zaltman, 1982).

Fourth, although this chapter indicated the importance of market sensing, it did not discuss possible differences between PSFs in the way they enact different elements such as boundary spanning mechanisms, coordination systems, project management leadership, and the employment of lead users (see for instance Dougherty, 1996; Tidd, Bessant, & Pavitt, 1997). Prior research on new practice development indicated that PSFs are not particularly alike in the way they construct and establish new practices (Heusinkveld & Benders, 2002). Accordingly, future research may focus on further understanding different forms of market sensing and the conditions that constitute these specific forms.

Finally, in contrast to substantive innovations, a new practice lacks a material component. Theorists have emphasized that this may have some notable implications for innovation processes in PSFs (Alvesson, 1993; Heusinkveld & Benders, 2002). As Anand et al. argue, "innovation in knowledge-based organizations is particularly challenging owing to the ambiguous nature of the knowledge itself" (2007: 406). The ambiguity of knowledge is a critical issue that confronts these PSFs with intricate managerial problems in a process of new practice development. One important implication is that, while irreversibilities are inherent to the development of software or financial services, new

practices can be easily adapted and reshaped. As a result, the process of new practice development is never completed. For instance Heusinkveld and Benders (2002) argue that new practice development in a management consultancy is not only about the construction of an innovative repertoire, but also about constantly generating and channeling the interests and interpretations of professionals. Future studies of new practice development could further investigate how market sensing may play a role in this continuous process of managing interpretations. In this light it is particularly interesting to zoom in on the way new practices shape the consultants' behavior in client organizations.

NOTE

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