KNOWLEDGE-BASED INNOVATION: EMERGENCE AND EMBEDDING OF NEW PRACTICE AREAS IN MANAGEMENT CONSULTING FIRMS

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How do innovative knowledge-based structures emerge and become embedded in organizations? We drew on theories of knowledge-intensive firms, communities of practice, and professional service firms to analyze multiple cases of new practice area creation in management consulting firms. Our qualitative analysis identified four critical generative elements: socialized agency, differentiated expertise, defensible turf, and organizational support. We demonstrate that these elements must be combined in specific pathways for knowledge-based innovative structures to emerge and embed. These pathways emerge from practitioner networks, markets for knowledge-based services, and professional firms' hierarchies. Our findings have important implications for studying innovation in the knowledge-based economy.

The world is fast moving from a production-based economy to a knowledge-based one (Drucker, 1993; Powell & Snellman, 2004). As a result, organizations are becoming more knowledge-intensive (Alvesson, 1995) and are increasingly dependent on innovative knowledge to create value (Kim & Mauborgne, 1997). Therefore, the question of how firms should be organized for them to generate and exploit new forms of knowledge is a very important one.

Innovation in knowledge-based organizations is particularly challenging owing to the ambiguous nature of knowledge itself. Scholars studying change in knowledge-intensive firms have addressed this ambiguity by focusing on the organizational elements in which knowledge inheres, such as people, processes, and systems. One approach has emphasized the importance of individuals' expertise and the creation of policies that

enable the recruitment, development, and retention of highly talented people (Starbuck, 1992). Another view emphasizes the importance of the social processes by which knowledge comes to be recognized as useful and valuable in an organizational context (Alvesson, 2004). A third perspective highlights the importance of systems, such as codification routines by which innovative types of expertise can be appropriated (Morris & Empson, 1998; Werr & Stjernberg, 2003). Implicit in all of these approaches is also the notion that knowledge-based innovation emerges from ongoing work and is then embodied in organizational structure (Dougherty, 2004).

Surprisingly, however, little of the prior research on change in knowledge-intensive firms has directly examined organizational structure as a way to generate and exploit new forms of knowledge. One partial exception is the research on communities of practice, which began with Lave and Wenger's (1991) description of apprenticeship as legitimate peripheral participation in a community structure that practices a particular form of expertise. To more fully explain the process of innovation in this context, then, it seems necessary to ask the research question: *How do innovative knowledge-based structures emerge and get embedded in organizations?*

According to the communities of practice per-

spective, individuals learn through participation in work, and their ongoing engagement with work leads to innovation (Brown & Duguid, 1991). In the most celebrated work of this genre, Orr (1996) showed how a group of technicians employed by a large corporation was able to generate and diffuse knowledge by creating a collective learning structure, despite not being officially sanctioned to do so. In Orr's work, there is implicit recognition that various individuals and groups in an organization engage with fundamentally different domains of organizational knowledge and therefore must carefully negotiate the introduction of innovative and peripheral practices into the organization. By and large, however, this literature has completely overlooked the political dynamics associated with the emergence and embedding of innovative knowledge-based structures (Contu & Wilmot, 2003), especially where a single organization contains multiple communities (Ferlie, Fitzgerald, Wood, & Hawkins, 2005). Another shortcoming of this perspective is that it downplays the role of individual interest and agency in championing knowledge-based innovation (Fox, 2000), despite its overwhelming focus on bottom-up, organic communities rather than top-down, management-initiated ones (Thompson, 2005). Although the communities of practice approach is useful in that it focuses on knowledge-based structures, as these critiques point out, it fails to provide a comprehensive account of the organizational processes leading to the successful creation of such structures.

The theoretical motivation of this article therefore was to provide a more complete account of how innovative knowledge-based structures emerge and become embedded in organizations. Our resulting insights contribute to a theory of knowledge-based innovation.

RESEARCH CONTEXT: MANAGEMENT CONSULTING FIRMS

Our research context is one where the core product is knowledge: the management consulting industry (Sarvary, 1999). Consulting firms were an appealing venue in which to pursue our research question for three reasons. First, consulting firms are the epitome of knowledge-based organizations because their main asset is the expertise and competence of their personnel (Engwall & Kipping, 2002). Consultants who develop expertise through a mix of formal and tacit knowledge execute the primary task of these firms (Maister, 1993). Such firms are especially reliant on their staffs for competitive advantage through knowledge-based innovation.

Second, successful innovation requires the care-

ful negotiation of internal power relations within these firms. Like other professional service organizations, consulting firms are distinctive in their widespread use of the partnership form of ownership, sometimes in addition to formal incorporation (Greenwood, Hinings, & Brown, 1990). Partners serve as producer-managers, actively participating in these businesses as key production workers. Each partner is responsible for organizing a group of professionals, who share a particular form of expertise, into a recognizable practice area (Greenwood et al., 1990). Partners are also responsible for a firm's overall management. Partners' desire for autonomy and their control of client relationships produce a dispersed distribution of power in professional firms (Hall, 1968). This dispersion limits the ability of the top management of a partnership (as opposed to that of a corporation) to exercise absolute control over the strategic initiatives that are likely to be undertaken at a relatively decentralized level by individual partners, since they are the most aware of opportunities in their client markets (Hinings, Brown, & Greenwood, 1991). Consequently, knowledge-based innovation in consulting firms requires the judicious exercise of power and influence, which may involve trading off the interests of an individual partner against those of a firm as a whole (e.g., Heusinkveld & Benders, 2005).

Third, consulting firms have an inherent imperative for both organic growth and diversification in the context of innovation. As Suddaby and Greenwood (2001) noted, management knowledge "commodifies" over time as consulting firms try to colonize new knowledge territories, which inevitably leads to expansion in their scale and scope of activities. Equally, the "up-or-out" tournament system by which juniors are promoted to partners creates an endogenous bias for organic growth (Galanter & Palay, 1991). For a consulting firm to be viable, newly promoted partners must develop reputations in the client marketplace through which they can attract work and must then deploy junior professionals to execute this work (Gilson & Mnookin, 1989). The continued profitability of a consulting firm rests on partners' ability to leverage their reputations by deploying increasing numbers of junior staff (Maister, 1993; Sherer, 1995). Beyond this, consulting firms have a mandate to diversify, in order to hedge against possible shrinkage in their client markets and to exploit underutilized firm resources (Hitt, Bierman, Shimizu, & Kochhar, 2001).

To summarize, consulting firms must continually create new knowledge-based structures to remain innovative. They accomplish this task by developing new practice areas (Gardner, Morris, &

Anand, 2007). These practice areas are identifiable subunits within a firm, and consultants are attached to these units according to some common facet of their expertise, such as background, clientele served, or area of intervention (Kubr, 2002). To investigate the problem of the emergence and embedding of knowledge-based structures in this context, the appropriate question thus becomes: *How are new practice areas created in management consulting firms?*

STUDYING THE PROCESS OF EMERGENCE AND EMBEDDING

Our research question requires analysis of the complex change process governing the creation of new practice areas (cf. Langley, 1999; Peterson, 1998). The process involves the combination of various organizational elements to produce an innovative knowledge-based structure (Schulz, 2003). To understand how this combination happens, we follow Mohr (1982) in viewing the process of change as a sequence of events that combine elements leading to an outcome (e.g., start with A, do B in order to get C). In our process study, we examined the generative elements necessary for new practice creation as well as the sequence in which these were combined. We call such a combination of elements in sequence a *pathway.*

Four generative mechanisms, or "motors," explain the process by which such pathways are constructed: life cycle, teleology, dialectics, and evolution (Van de Ven & Poole, 1995). Typically, complex organizational change involves more than one motor. Accounts of product and process innovation, for example, implicitly draw on a composite of life cycle and teleological motors (Van de Ven & Poole, 1995). The life cycle motor refers to the unfolding of processes through somewhat predictable steps, analogous to the development of biological organisms. Equally, teleology can be used to inform the process. According to teleological theories, change happens because a conscious entity (whether individual or group) intentionally makes a move toward a desired end state. This motor is implicit in managerial accounts of planned change (Cule & Robey, 2004). The process of practice area creation results from the initiative and agency of consultants who are moving on a pathway toward a specific, observable goal. Although life cycle theory dictates a unique sequence of development (Van de Ven & Poole, 1995), the addition of the teleological perspective, with its assumption of intentionality and ability to change, opens up the possibility of *equifinality*—that is, the existence of multiple routes to the same end point. This formulation implies that there might be not just one, but rather a number, of different pathways for organizing the process of new practice area emergence and embedding.

Informed by these perspectives, we set out to understand the process of new practice area development in management consulting firms as a combination of generative elements that join together in pathways of temporally discrete steps. Indeed, our research reveals some surprising findings along these lines. We uncovered four generative elements that constitute a practice area. We found that it takes a specific generative element to act as a catalyst to initiate the process, and then two discernible steps dictate how the remaining elements should combine to define a complete and viable pathway that results in a successful practice. We also found evidence demonstrating that when a pathway is not followed completely, practice creation efforts end in failure. Our research identified three distinctive pathways determining the emergence and embedding of an innovative knowledge-based structure in the form of a new practice area.

METHODS: EXPLORATORY PHASE

We adopted a two-phase, multiple case study design to examine new practice area creation in management consulting firms. In the first, exploratory, phase, we built up detailed knowledge of four cases with the goal of discovering the generative elements constituting a practice area and how these combined in a sequence. In the validation phase, we examined an additional 25 cases to determine the viability of pathways identified during the exploratory phase.

Sample

Our sampling strategy was to maximize literal replication (Yin, 1994), whereby each case predicts or results in a similar outcome for the unit of analysis—successful new practice area creation. To enable comparability, we selected cases that were broadly concerned with organizational development; did not involve a firm's only or first practice but instead one that differed significantly from the "canonical" or hallmark practice of the firm; and were based in London (allowing us to control for location-based effects). Within these constraints, we also tried to maximize sample variation to allow for generalizability. In an exploratory research phase, we studied a new practice area in each of four management consultancies that ranged in size from one of the world's

TABLE 1
Description of Case Data[a]

Case and Characteristics	Yeoman	Anchorite	Bursar	Appraiser
Exploratory phase				
New practice area case	Organization management	Organizational leadership	Executive compensation	Executive benchmarking
Number of informants	8	7	4	3
Informants, level and number per level	Senior partner (1) Partner (2) Senior manager (2) Manager (1) Consultant (1) Analyst (1)	Senior partner (1) Partner (1) Senior manager (2) Manager (1) Consultant (1) Specialist (1)	Senior partner (1) Partner (1) Senior consultant (1) Junior consultant (1)	Senior partner (1) Senior consultant (1) Consultant (1)
Validation phase				
New practice area cases	Operations efficiency, retail banking, postmerger support, resource scheduling, capital projects funding, marketing, purchasing strategy	Retail banking, relaunched structured finance, healthcare, organizational renewal, corporate social responsibility, merger support, customer management, technology solutions, structured finance	Postmerger support, talent planning, top teams, organizational design, public sector, energy sector, telecoms	Leadership assessment
Number of informants	3	3	3	3
Informants, level and number per level	Senior partner (1) Partner (2)	Senior partner (3)	Senior partner (1) Partner (1) Acting partner (1)	Senior partner (3)

[a] We have disguised actual firm and practice area names to maintain confidentiality.

largest professional firms ("Yeoman"), to an international firm with midsized offices ("Anchorite"), to two firms ("Bursar" and "Appraiser") that operated in only a few countries focused on specific market niches. Table 1 provides details of the case data.

We added additional informants and cases as dictated by our iterative qualitative data analysis approach (Miles & Huberman, 1994). Within each case, we continued recruiting informants until no new information was forthcoming. The quest for additional cases stopped when each category was well defined in terms of its underlying dimensions and its relationships with other categories so as to facilitate cross-case comparison—that is, when we achieved saturation (Strauss & Corbin, 1998).

Unit of Analysis

New practice areas are the instance of innovative knowledge-based structures in the context of management consulting firms.[1] In explaining what

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[1] It is important to differentiate a project team from a practice area within a consulting firm. A project team is a temporary assembly of consultants with a narrow remit to complete a single client assignment, after which the

practice areas are, Kubr stated, "Most consulting firms . . . structure their operating core—the professional staff—in more or less permanent 'home' units (called 'practice groups' in some professions). Consultants are attached to these units according to some common characteristics in their background, clientele served, or areas of intervention" (2002: 769). Wenger, McDermott, and Snyder described a practice area as a "self-governing group of practitioners who dedicate part of their time to contribute to the stewardship of their shared area of expertise" (2002: 161). Successful new practice area creation in our four sample firms constituted our unit of analysis in the exploratory phase.

team dissolves. In contrast, practice areas serve as relatively stable communities for consultants, are considered part of the ongoing organizing structure for consulting firms, and have a much wider responsibility to deliver the firm's key objectives. The standard metric for a project team's success is client satisfaction with the team's single deliverable outcome, whereas standard business criteria such as annual growth, margin, and earnings are typically used to measure a practice area's business performance (Block, 2000).

Data Collection

The goal of this phase was to identify generative elements constituting new practice areas as well as the sequences leading up to their emergence and embedding. We immersed ourselves deeply in the retrospective understanding of how each case had evolved, obtaining our primary data through semi-structured interviews conducted with a carefully selected set of informants for each case. Our initial contact in each firm helped us to understand the new practice area's organizational structure. We recruited multiple informants for each practice, including the "founder," or initiator, of the practice, and individuals with the most and the least tenure and seniority within the firm, and those in between (see Table 1 for details of informants for each case). This mix provided us with personal accounts of individuals who experienced the process at different times and from different vantage points. Long-tenured consultants informed us of the origins of the new practice area in their firm and the context in which it was launched. Midtenured consultants typically had experience in more than one practice area in their firm and were able to articulate differences among them. Junior consultants were especially knowledgeable about training and development issues in each firm. We sought to maximize the amount of sensitive information we could obtain from each informant while seeking to minimize the bias inherent in retrospective reports (Golden, 1997). Interviews ranged from one to three hours, and at least two researchers were present for each. After each interview, we conducted a short debriefing session and noted emerging patterns. All interviews were taped and transcribed.

We triangulated the data in various ways. We studied archival material, such as marketing brochures and other firm-specific documents (i.e., memos, client proposals, project reports) developed during the start-up and development of each case. One author spent three months at Bursar as a research observer, observing consultants in the new practice area. We had ongoing discussions with current and former partners, with departed consultants (at Yeoman and Anchorite), and with clients (at Bursar and Appraiser). These data allowed us to engage in impressionistic "gestalt analyses" (Gioia & Thomas, 1996) that helped us make overall sense of patterns in each case.

Exploratory Analysis

Our first objective was to identify the generative elements that constitute a new practice area. The case study interviews yielded a database of 356 codable statements. Each statement consisted of a sentence or a sequence of sentences conveying a coherent point (Weber, 1990) about practice creation. We used the method of constant iteration to create mutually exclusive and exhaustive categories (Miles & Huberman, 1994).

Because the entire database was rather large, we subjected a pilot sample of 88 statements (about 25 percent) to a reliability test. These statements were associated with six individuals: one senior informant from each firm as well as two randomly selected individuals from each of the two larger firms. To start with, two of the authors read through the pilot sample to identify first-order concepts that were attributable to the data provided by informants (Gioia & Thomas, 1996). For example, consultants often referred to "personal brand building" to describe how they made a name for themselves in their firm. For each case, we compared data across informants to understand how these concepts related to similar ideas, issues, or relationships concerning new practice area development. Refining these categories allowed us to identify numerous second-order, nonoverlapping dimensions (Gioia & Thomas, 1996). To these dimensions we assigned theoretical labels based on a more general description that subsumed the first-order concepts (e.g., "cementing of a partner's professional reputation"). We then aggregated dimensions into four robust and mutually exclusive generative elements that facilitated cross-case comparison (Strauss & Corbin, 1998). We furnished labels for the generative elements (e.g., "socialized agency") either by capturing dimensions at a higher level of abstraction or by referring to existing literature that described the themes well.

At this point, one of the authors, who was blind to the coding procedure, independently coded the data so as to assess the reliability of the categorization scheme. There was agreement in 87.5 percent of the cases; Cohen's kappa for interrater reliability had an acceptable value of 0.82 (cf. Lombard, Snyder-Duch, & Bracken, 2002). To make sense of data that lacked agreement, we consulted our debriefing notes to make final assignments and then mutually coded the remaining statements into four theoretically robust generative elements constituting a practice area.

The second objective of the analysis was to discover the pathways in which these generative elements combined in the process of new practice area creation. We found three unique pathways. In the second phase of our qualitative analysis, we used the strategy of member validation (Lincoln & Guba, 1985) to check for the viability of pathways discovered in the exploratory phase. We describe our methodology more fully in the section on validation.

# FINDINGS: GENERATIVE ELEMENTS OF A PRACTICE AREA

In our exploratory analysis, we iterated between insights from the existing literature on knowledge-based innovation and those emerging from our in-depth analysis of interview data. We found that four generative elements are integral to a practice area. First, an aspect of *socialized agency* impels individual consultants to take actions that align their career moves with their firms' growth objectives and promotion requirement policies. Second, consultants have to build *differentiated expertise*—that is, to fashion new and distinctive bodies of professional knowledge that can lead their firms into domains of activity somewhat distinct from the firms' existing practices and clients. Third, practice founders must participate in creating *defensible turf* to persuade others of the relevance of their new practice areas to client markets. Finally, practice founders need to draw upon *organizational support* in the form of resources, personnel, and sponsorship to nourish the new practice areas. These four generative elements, along with constituent (second-order) dimensions and (first-order) informant concepts, are represented schematically as data displays in Figures 1–4 and described below.

Socialized Agency

Professional service firms are widely seen as the exemplar of organizations that develop themselves by developing their members. This principle is formally enshrined through a career ladder that progressively increases demands as a member climbs up to the partnership level, and it requires individuals to be entrepreneurial on behalf of their firm. Consultants typically undergo strong professional socialization as their careers progress, and this process dictates how they can and should express initiative within a firm. We thus refer to this element as socialized agency, in order to differentiate it from unfettered agency and to connote its bounded nature. One consultant described how "owning" a new practice area was an important signal of one's career potential in Yeoman. "Almost every branch would eventually subdivide [into discrete practice areas]. Why does it happen? I think it was part of the management discourse where people can turn around to their bosses and say, 'I've got this big organization.'"

In our data, we found socialized agency, in the form of a consultant's desire to progress on the path of partnership, to be a crucial element constituting a practice. We coded 103 statements (29%) into this

FIGURE 1
Exploratory Data Analysis for Generative Elements: Socialized Agency[a]
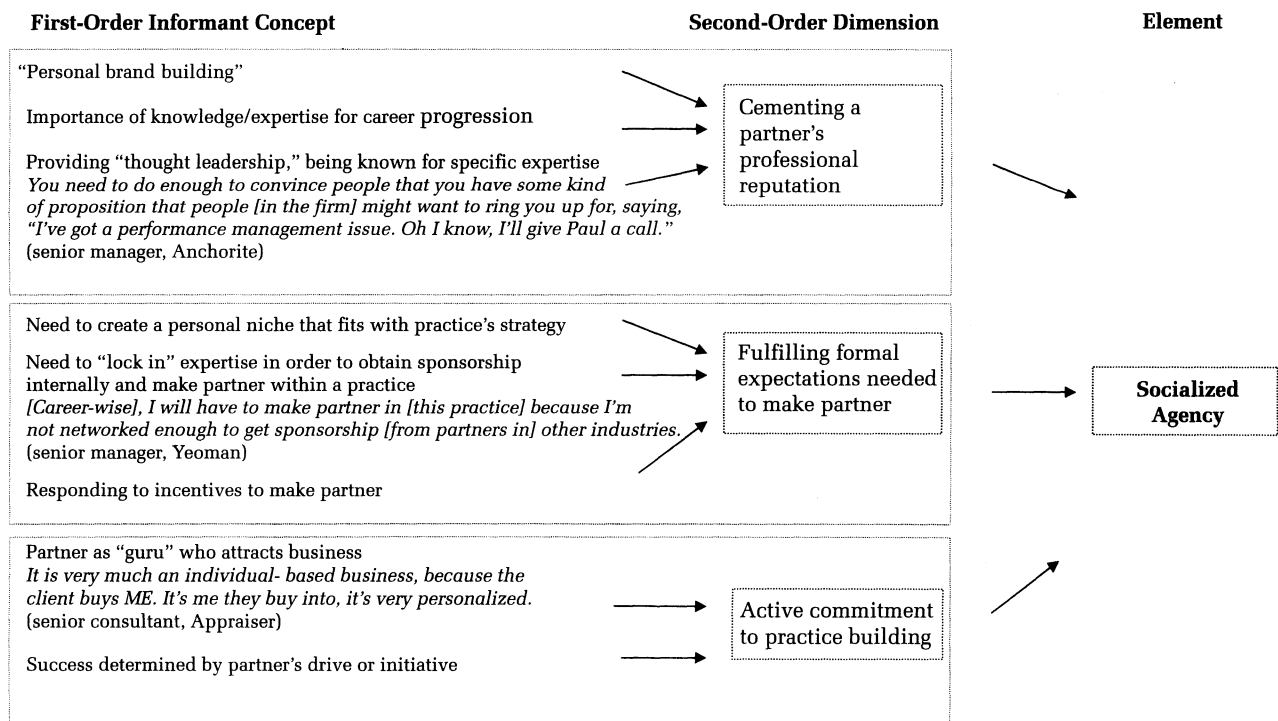
[a] Because of space limitations, we provide (in italics) an illustrative quote for only one informant concept per dimension in Figures 1–4. Within the database, all informant concepts are supported by multiple examples.

category. We found three dimensions comprising this element (see Figure 1). The first dimension concerns a consultant's need to cement his or her reputation, which rests on the ability to engage successfully in "personal brand building." Reputation is seen as essential for gaining access to the better client assignments and for securing more autonomy and control. According to a senior manager at Bursar, "As I have got more senior it is much more important that . . . people attribute thought leadership to me . . . so that you will get opportunities in areas that directly relate to what you are known for."

The second dimension of this element is fulfilling the formal expectations required to "make partner." As a consultant develops within a practice, his or her individual expertise creates a career trajectory aimed at promotion to partner. A midranking consultant at Appraiser characterized successful individuals as having "a burning drive for results, a true determination to win, and an ability to deliver something really good that makes money."

The third dimension concerns the active commitment of partners (and those aspiring to be partners) toward building practice areas. The senior partner
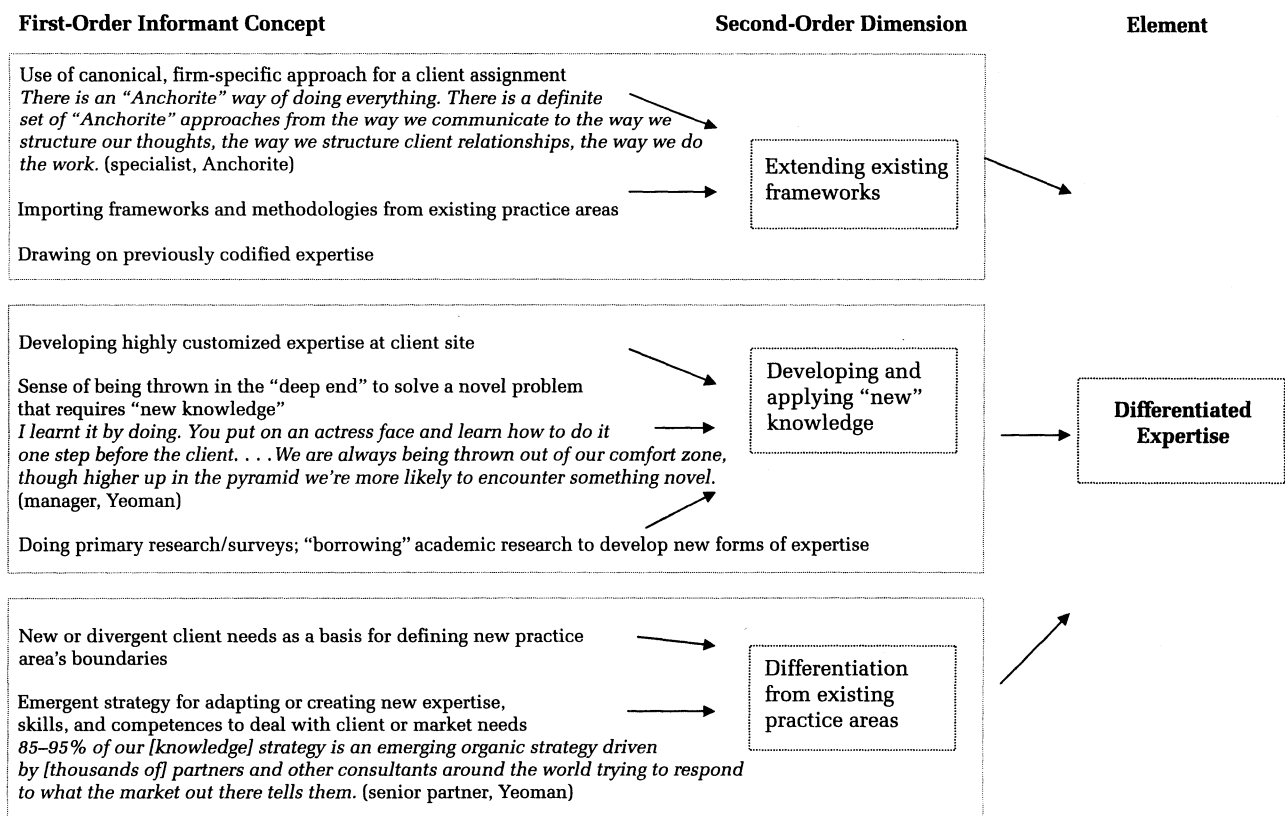
at Bursar who broached the idea of a new practice group selected a more junior consultant to lead and grow the business: "We put [X] in charge of [the new practice unit] and told him to make a success of it—we doubled the size in one year and tripled it the following year." This dimension confirms that the partner role is usually designed to incorporate actions of socialized agency required for continuously developing a practice area, and in turn, a firm as a whole.

Differentiated Expertise

The second element identified in our data was *differentiated expertise*, into which we coded 115 statements (32%). This element consists of three dimensions (see Figure 2). The first concerns the extension of existing frameworks through ongoing knowledge development in consulting firms. As consultants encounter novel or divergent client demands, they improvise by extending existing tools and frameworks. Our informants talked about how they modified "principles," "methodologies," "processes," and "frameworks" in the course of their work.

The second dimension concerns the application

FIGURE 2
Exploratory Data Analysis for Generative Elements: Differential Expertise

First-Order Informant Concept — **Second-Order Dimension** — **Element**

Use of canonical, firm-specific approach for a client assignment
There is an "Anchorite" way of doing everything. There is a definite set of "Anchorite" approaches from the way we communicate to the way we structure our thoughts, the way we structure client relationships, the way we do the work. (specialist, Anchorite)

Importing frameworks and methodologies from existing practice areas

Drawing on previously codified expertise

→ Extending existing frameworks

Developing highly customized expertise at client site

Sense of being thrown in the "deep end" to solve a novel problem that requires "new knowledge"
I learnt it by doing. You put on an actress face and learn how to do it one step before the client. . . . We are always being thrown out of our comfort zone, though higher up in the pyramid we're more likely to encounter something novel. (manager, Yeoman)

Doing primary research/surveys; "borrowing" academic research to develop new forms of expertise

→ Developing and applying "new" knowledge

→ **Differentiated Expertise**

New or divergent client needs as a basis for defining new practice area's boundaries

Emergent strategy for adapting or creating new expertise, skills, and competences to deal with client or market needs
85–95% of our [knowledge] strategy is an emerging organic strategy driven by [thousands of] partners and other consultants around the world trying to respond to what the market out there tells them. (senior partner, Yeoman)

→ Differentiation from existing practice areas

of "new" knowledge that has been improvised. As one informant, a consultant at Anchorite, noted:

> It was just the most horribly complex piece of thinking that I've ever [had to do]. [The client firm] was full of smart people who appreciate simplicity. There is no way I could have taken our standard nine-box strategy matrix—I would have had to have [an advanced] black belt in its usage to be able to withstand the punches they would have thrown at me during the engagement. So I improvised another model for them. . . . A little bit of experimentation actually helps evolve our thinking as well.

The final dimension highlights the imperative for a new practice to demonstrate unique expertise that differentiates it from existing areas, including a firm's dominant or hallmark practice (which some participants called the "bread and butter business"), while incorporating standardized templates and routines that make the new practice recognizable to others in the firm. At Yeoman, for example, informants readily acknowledged the dominating tendency of the firm's technology-led organizational transformation practice:

> [While being trained for the firm] you are sent through a sausage machine and so you come to believe that there is only "one best way" of doing [things]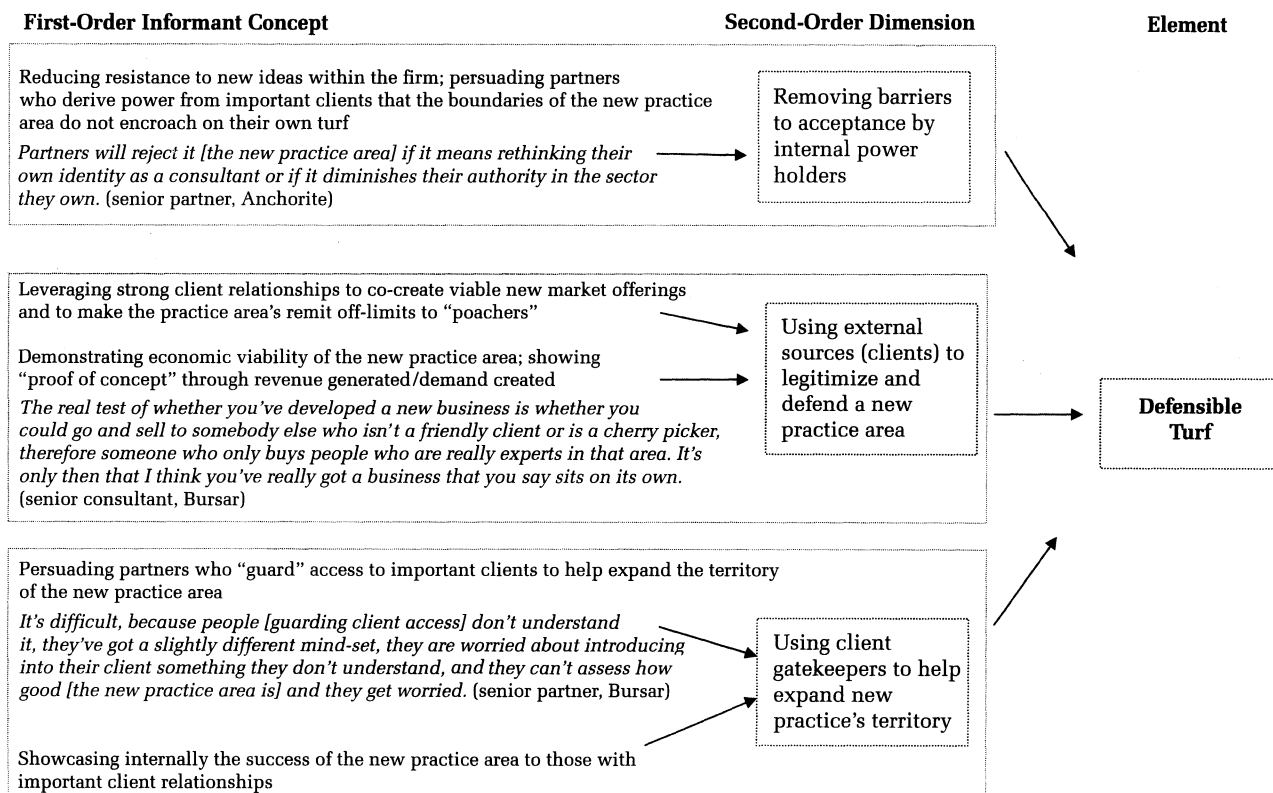. Therefore when you started the project [that would lead to a new practice area] . . . you knew there were steps you went through. (partner, Yeoman)

Although a group of professionals working to create a new practice area must develop their own identity and ways of working that are appropriate to a different area, they are strongly influenced by the hallmark practice of their firm. A new practice area requires innovative expertise that is different, but not so different as to seem alien to the rest of the firm. This argument also suggests that any form of new expertise that emerges in the shadow of existing practice areas is contestable.

Defensible Turf

The third element emerging from our data was creating defensible turf for a new practice area that indicates its utility in the client marketplace. We coded 79 statements (22%) into this category. Our findings show that successful turf creation comprises three dimensions (see Figure 3), all of which are aimed at constructing clear territorial boundaries around a new practice area and defending it from encroachment by other practice groups. The first dimension concerns the need to remove obstacles to the acceptance of a new practice area that

FIGURE 3
Exploratory Data Analysis for Generative Elements: Defensible Turf

First-Order Informant Concept	Second-Order Dimension	Element
Reducing resistance to new ideas within the firm; persuading partners who derive power from important clients that the boundaries of the new practice area do not encroach on their own turf *Partners will reject it [the new practice area] if it means rethinking their own identity as a consultant or if it diminishes their authority in the sector they own.* (senior partner, Anchorite)	Removing barriers to acceptance by internal power holders	
Leveraging strong client relationships to co-create viable new market offerings and to make the practice area's remit off-limits to "poachers" Demonstrating economic viability of the new practice area; showing "proof of concept" through revenue generated/demand created *The real test of whether you've developed a new business is whether you could go and sell to somebody else who isn't a friendly client or is a cherry picker, therefore someone who only buys people who are really experts in that area. It's only then that I think you've really got a business that you say sits on its own.* (senior consultant, Bursar)	Using external sources (clients) to legitimize and defend a new practice area	**Defensible Turf**
Persuading partners who "guard" access to important clients to help expand the territory of the new practice area *It's difficult, because people [guarding client access] don't understand it, they've got a slightly different mind-set, they are worried about introducing into their client something they don't understand, and they can't assess how good [the new practice area is] and they get worried.* (senior partner, Bursar) Showcasing internally the success of the new practice area to those with important client relationships	Using client gatekeepers to help expand new practice's territory	

firm insiders may not yet view as completely legitimate because it threatens the firm's established order or impinges on the boundaries of established practice groups. A senior partner at Anchorite observed this: "Our organization is defined by survivorship, you know, by the people who remain standing after the up-or-out process. The partners are all by that definition successful, and so there's strong resistance to things which challenge their view of the world." This dimension highlights the inherent tension that exists between members of existing practices and an individual seeking to create a new practice. Negotiating the emergence of a new practice requires the alignment of these otherwise opposed interests.

A partner at Yeoman said that there was "a huge push-back" and "an uproar" that the new organization management practice deviated from the firm's standard frameworks, but the support of a large British oil company that was keen to sponsor the assignment provided respite from skeptical partners. Client power, the second dimension, is therefore a critical resource for an emerging practice: initially, it mitigates concerns that others might have about the new practice area lacking financial viability because, in the words of the Yeoman partner quoted earlier, it helps "demonstrate to your peers that it [might be] worth the cost." This informant also went on to say that the backing of high-power clients helps a practice area to defend its turf against "poachers" within the firm who may try to "pilfer our [intellectual] goods."
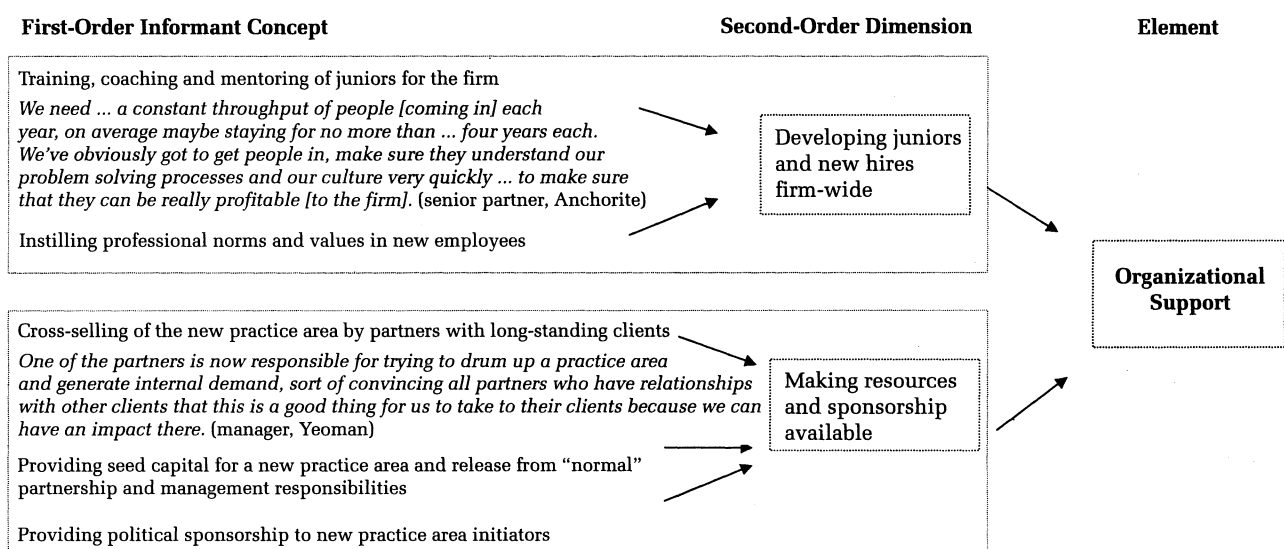
The third dimension, mustering the internal support of client gatekeepers, is equally important for helping a nascent practice expand its jurisdiction beyond the founder's narrow client base. The leader of Yeoman's organization management practice managed to persuade a senior partner with a strong client portfolio of the merit of the new practice; the partner then pitched for it at several partnership committees and client meetings to broadcast the success of the initiative. The founder noted, "There is nothing like success that gets communicated very fast. Word gets round the network remarkably quickly. . . . We got a lot of inbound calls from other practices that wanted to sponsor our work. People came to us." Creating and defending turf in a way that clearly enacts a territorial boundary, then, is an important aspect of the process, since a new practice area's claim to legitimacy in the marketplace is accomplished.

Organizational Support

The fourth element that we found is *organizational support* in the form of resources such as the trained personnel and political sponsorship that are necessary for a new practice area to take shape (see Figure 4). We coded 59 statements (17% of the data) into this category. Professional firms socialize and train juniors in order to grow and improve profitability through increased leverage. A senior partner at Anchorite noted, "It has historically [been] very important for associates to work with a variety of partners in the course of their progression so that they're exposed to different modes of problem solving and the biases of different partners." The supply of readily trained associates is an invaluable form of organizational support for a new practice area, but the new practice area group must

FIGURE 4
Exploratory Data Analysis for Generative Elements: Organizational Support

First-Order Informant Concept / **Second-Order Dimension** / **Element**

Training, coaching and mentoring of juniors for the firm

We need ... a constant throughput of people [coming in] each year, on average maybe staying for no more than ... four years each. We've obviously got to get people in, make sure they understand our problem solving processes and our culture very quickly ... to make sure that they can be really profitable [to the firm]. (senior partner, Anchorite)

Instilling professional norms and values in new employees

Developing juniors and new hires firm-wide

Cross-selling of the new practice area by partners with long-standing clients

One of the partners is now responsible for trying to drum up a practice area and generate internal demand, sort of convincing all partners who have relationships with other clients that this is a good thing for us to take to their clients because we can have an impact there. (manager, Yeoman)

Providing seed capital for a new practice area and release from "normal" partnership and management responsibilities

Providing political sponsorship to new practice area initiators

Making resources and sponsorship available

Organizational Support

work to secure this resource. A second dimension is sponsorship by well-connected partners who can provide introductions or referrals to long-standing clients. As one senior partner at Appraiser noted, "We needed the support of the rainmakers. We couldn't get [the new practice area] past square one without their blessing."

FINDINGS: EMERGENCE AND EMBEDDING

In this section, we describe the sequence in which the four generative elements of a practice come together. Within each exploratory case, we looked for patterns that allowed us to deduce the steps through which the four elements fitted together in a pathway for new practice area development. In all cases, we found that the same organizing element—socialized agency—served as a catalyst to kick-start the process, which comprises two steps that have a clear temporal sequence. The emergence step, which sees the addition of a second element to the catalyst, is the definitive one because by this time, a practice development effort becomes apparent and also takes one of three specific paths. The embedding step incorporates the remaining two generative elements needed for the new practice area to become established in a firm's existing structure.

Socialized Agency as the Process Catalyst

Our analysis demonstrates that individuals' ambitions to progress in their careers activate the process of new practice area creation, although it is important to recognize that professional firms socialize and bound such agency through expectations embodied in a career path. Creating a new practice area is seen as the crystallization of a consultant's intellectual capital and market reputation. "There's still a lot of kudos to be got by developing your own new approach which is different and better," said one Anchorite consultant, who then continued, "It's a sign that you've got what it takes [to succeed]." Although the process is fraught with risk, our practice founder informants all showed the conviction to make new practice areas succeed. For example, one Yeoman partner said,

> If you made the decision to jump ship from a highly legitimate practice to one that has a lot of risk involved in whether it is going to make it or not, then you are desperate to make a success of it. It's your personal reputation that's at stake. You want to be able to turn around to the rest of the consulting world and say, "I made the right decision [in jumping]."

In all four exploratory cases, we found that such expression of socialized agency was essential to spark the process of new practice area development.

In analyzing this aspect of the innovation process, we found that it is best explained as analogous to a chemical reaction in which a catalyst is required to activate the combination of other generative elements and ultimately produce a new substance. Here, agency is the active element that triggers a combinatorial process, thereby initiating a sequence of events that could not take place without it. Even when the suggestion for a new practice area is generated through a top-down process, say by a firm's partnership committee, the agency of the practice founder is the essential ingredient that kick-starts the actual process of structural innovation; without his or her ambition and actions toward mobilizing resources in the form of expertise, support, or turf, the idea would remain latent rather than progress toward a concrete structure.

Emergence Step

A pathway for new practice area creation takes a defining shape when socialized agency combines catalytically with one more element. At this step, the efforts of building a new practice area become apparent within the firm, and the nascent practice area emerges as a potentially discrete structure. If this step does not occur, there is no differentiation from a preexisting practice group. A new practice area cannot originate until this defining step is taken. Also, with this step it moves toward becoming a collective process, encompassing more than just the initial agent. Our exploratory cases indicate that the emergence step, which is temporally separated from the initiation step, manifests itself in one of three ways.

First, agency may combine with the consolidation of distinctive expertise. This consolidation occurs when an individual or a group of professionals working together have developed expertise that, although related to the practice area in which it originated, is distinct from that area. We saw this emergence step in Bursar's executive compensation practice, which took on a definite shape when the ambitious practice founder capitalized on the need to build differentiated expertise for an emerging market opportunity. The practice founder said, "Deregulation of managerial pay by the U.K. government signaled a gap in the market for executive remuneration advice. I took the view that our firm would have to respond to [that] market demand." She recruited a specialist to help her develop the appropriate proprietary knowledge that was a "very

distinctive and entirely different approach [from the canonical wage determination practice]" and that came to be recognized within her firm as having the potential to be hived off into a new practice area.

Second, agency may combine with defensible turf. This mode of emergence occurs when a professional seeks to deepen ties to an existing client by offering a significantly new consulting service. We found this situation at Yeoman. The senior partner noted that a professional typically advanced his or her career within the firm by demonstrating "a growing relationship with your client— you need to keep feeding the client machine . . . you've got to go and find things inside the firm that you can take to that client, that pass your filter tests, that are the right quality, and fit the client's needs." In other words, the slack afforded by a lucrative client relationship offered the opportunity to experiment with new services that were then legitimized more easily within the firm because of the client's significance. On the back of a major assignment with a large British oil company, the team was able to try out some ideas for a new service that eventually formed the basis for the organization management practice. The service was successful and lauded by the client, and hence it was recognized within the firm as something that could be sold to other clients as well. Had this step not been taken, the differentiated practice could not have evolved.

Third, agency may combine with organizational support; that is, a consultant may capitalize on the opportunity to grow his or her career by shouldering the responsibility for a new practice area that her or his firm has planned to develop. In this pathway, the firm's management committee typically generates the initial idea for the innovation top-down, but the ambitious professional provides the necessary catalytic energy to transform the firm's resources into concrete output. Despite the firm's early support, the process is fraught with risk for the practice founder: failure to build a viable new practice will lead to loss of reputation and impair his or her career prospects. Finding an ambitious consultant to lead an initiative is therefore often problematic. Unlike a corporation, where managerial roles can be assigned top-down, a consulting firm must often rely on its socialization process to encourage a willing leader to shoulder the risk by staking his or her career.

We found this to be the case in Appraiser's benchmarking and in Anchorite's organizational leadership practices. The partnership committee at Appraiser decided that it was opportune to start up a new practice area employing psychometric methods to benchmark the "depth, range, and worth" of

executive talent in a client firm. Appraiser hired a practice founder from outside the firm (since there was no resident expert in the area) as a senior manager, with an understanding that a successful initiative would lead to promotion to partnership. Similarly, when Anchorite's partnership committee decided that clients needed help implementing recommendations made by its strategy consultants, a partner took on the initiative. The committee provided him with a mandate to develop the organization leadership practice. Such a visible manifestation of the emergence step often includes the overt and formal allocation of resources in the form of budgets, personnel, and sponsorship.

Our data demonstrate that a new practice area development effort becomes visible during emergence. Although agency is a necessary catalyst for the process to begin, only when agency combines with another element does the actual process of new practice creation materialize. The emergence step also defines the particular pathway for the new practice area creation effort. We can state this argument formally as follows:

> *Proposition 1. A new practice area emerges when socialized agency combines with one other element: differentiated expertise, defensible turf, or organizational support.*

Embedding Step

Although the emergence step gives shape to a new practice area, that alone does not lead to the creation of a viable structure. We find that the sequence is completed following a second step, when the remaining—and, as we have noted, necessary—generative elements are added. Only with all four generative elements in place is a new practice area seen as sufficiently differentiated, legitimate, and viable to become embedded in a firm's existing organizational structure. In each of the four exploratory cases, we found an embedding step that incorporated the remaining two generative elements.[2]

The founder of Bursar's executive compensation practice noted that creating defensible turf for the new practice area was not problematic because, while her team refined the necessary expertise, the firm's principal clients, among them tax planners and top management executives, "were driving the

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[2] Our data do not dictate the order in which the remaining two elements are added, and we are reluctant to overspecify more than one step beyond emergence (see Stubbart and Smalley [1999] on the "deceptive allure" of complex stage models).

demand for advice on executive remuneration." She was able to obtain organizational support to staff the practice group with juniors who had been initially trained in the canonical wage determination practice.

The founder of Yeoman's organization leadership practice area was able to leverage the client turf he gained in the emergence stage by bringing in an experienced consultant to take a lead in devising methodologies to meet a client's needs. This consultant told us that the group created differentiated knowledge for the practice by recombining "off-the-shelf routines for the way we do things." They obtained organizational support in the form of capable juniors who were keen to conduct trial and error problem solving on the job. As one junior analyst observed, "I was in at a deeper end—I was told right from the beginning [that] people aren't going to come up and tell me what to do and how to do things."

Appraiser's partnership committee resolved to create the executive benchmarking practice area as part of a growth initiative. They recruited an experienced consultant from outside the firm who was willing to found the practice and provided him with organizational support in the form of sponsorship to enable the emergence process. The practice developed successfully when the remaining two generative elements were added. Distinctive expertise came from the practice leader's previous academic background. The practice area also obtained turf by fiat because client partners were mandated into cross-selling it. We found a similar sequence in the case of Anchorite's organizational leadership practice.

We should note that after the last of the four generative elements is added, firms undertake a more or less formal process to recognize new practice areas. In some cases, a new area's embeddedness is signaled by the bestowing of a formal budget code or inclusion in a firm's listing of practices on its Web site and in other marketing material. Elsewhere, a new practice area simply begins to operate as a fully established organizational subunit, meaning that over time the new practice group name begins to circulate in the firm's vernacular, and its founders are recognized as institutional leaders. Even in the more formal instances, however, our informants all considered the act of official acknowledgment to be administrative, rather than operational or strategic: once the new practice area is embedded through the coming together of the four generative elements, it becomes completely enmeshed in the structure of a firm. What is important is the interlinking of the generative elements

rather than formal acknowledgment per se. We can formally state the second step as follows:

Proposition 2. A new practice area is embedded when the four generative elements of socialized agency, differentiated expertise, defensible turf, and organizational support are all linked in a sequence.

Pathways of Emergence and Embedding

A pathway for the creation of a new practice area comprises the emergence and embedding steps. Given that socialized agency triggers the process and combines with one more element at the defining emergence step, three equifinal pathways are possible. Our data confirm that all three alternatives are equally robust. The first is the *expertise-based pathway*, which occurs when a consultant develops new knowledge or expertise that can serve as the basis of a new practice area. We term the second the *turf-based pathway*; in this alternative, a client opportunity provides a partner the turf and market power to develop a new service line that then grows into a new practice area. The third alternative, the *support-based pathway*, is enacted when the agency of an individual combines with organizational support, typically in instances in which the leadership of a firm nominates an individual to create a new practice area from the top down.

By implication, violating the embedding step results in the failure of new practice area development efforts. We can theorize that a pathway can fail when either or both of the remaining generative elements are missing; thus, there are three possible types of failure for each pathway. For example, the expertise-based pathway calls for agency to combine with differentiated expertise in the emergence step, and then for the addition of both turf and organizational support in the embedding step. The pathway fails if: (1) turf is missing, (2) organizational support is missing, or (3) both generative elements remain absent. Since each pathway can fail in three ways, there are total of nine ways (3×3) in which failure can occur at the embedding step.

To summarize, with four generative elements and three combinations identified in the emergence step, practice development effort can proceed through 12 theoretical possibilities: through three successful pathways and nine failed ones. To provide a comprehensive account of the pathways for new practice area emergence and embedding, it is important to test whether all of these possibilities, complete and incomplete, can be observed empirically. We validated this important insight in the second phase of our study.

VALIDATION ANALYSIS

To verify the robustness of the pathways that were uncovered, we revisited the four firms to seek further examples of our unit of analysis, new practice area development efforts. We sought cases of successful as well as unsuccessful attempts to build these knowledge-based structures. Applying a theoretical sampling guideline for collecting data, we stopped recruiting additional informants when we found enough cases to populate the 12 theoretical possibilities. In each firm we interviewed a senior partner who had been an informant for our exploratory phase and asked for referrals to additional interviewees; we ended up with a total of 12 informants for this validation phase. In free-flowing discussions lasting between two and three hours each, we asked informants to recall major instances of new practice area development with which they had been involved throughout their careers (see Table 1 for details about validation phase informants). These interviews generated 25 instances of successful and unsuccessful new practice area initiatives that helped verify our insights about pathways' emergence and embedding.

After informants had recounted the cases in which they had participated, we embarked on a "strong form" of qualitative validation (Seale, 1999: 62) by sharing with them our insights about generative elements, organizing steps, and pathways and inviting them to make sense of their accounts of new practice area development in terms of our framework. We made sense of the pathway used in each case with the active involvement of informants, as suggested by the Seale's validation protocol. We sought their help in the initial coding of each new practice area creation effort as to the generative elements it demonstrated and their order. To avoid informant bias, we also wrote a one-page account of each case and had an independent verifier in each firm read the apposite account (Golden, 1997). Our final validation analysis of the three pathways incorporated corroborating information provided by the verifiers.
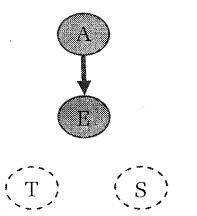
The Expertise-Based Pathway
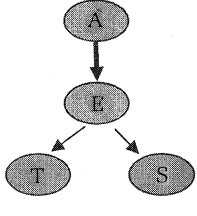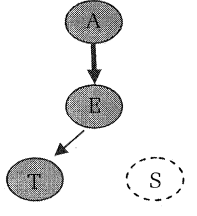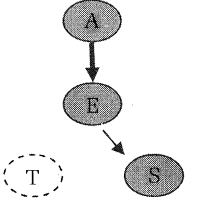
Successes. The trigger for this pathway is typically an ambitious consultant who seeks to carve out a personal niche by building up consulting knowledge in an area that is new to her or his firm. In the emergence step, this consultant identifies a market opportunity that could be targeted by creating a distinctive knowledge base. The embedding step of the pathway occurs when this professional—often acting in concert with colleagues—suc-

cessfully leads the initiative to acquire clients and draw support from the wider organization. We found this pathway validated successfully in Anchorite's retail banking practice. The practice was a vehicle for Jeremy, a junior professional, to make partner in the firm. Jeremy consciously sought to enhance his personal reputation by founding a new practice area. He explained that this effort fitted well with a "personal development program" mandated by the firm: "You have to come with a personal plan each year [about] what you are doing and there's a strong encouragement to say, 'I'm not just working on a project, I'm building a practice.'" The emergence step commenced when Jeremy decided to develop new consulting know-how in the area of retail banking. He observed, "I had begun to build expertise in banking and I took the view then that retail banks were several years behind in terms of their management expertise and we ought to be able to have a practice there." Jeremy conducted an early engagement for a prominent client to show that the knowledge he had developed was commercially viable. This led to sufficient consensus within the firm that retail banking held unique knowledge and insight that were distinct from those of the firm's canonical strategy practice. The emergence step successfully demonstrated the potential for the retail banking practice to differentiate itself. The next step, embedding, followed with the incorporation of the remaining two generative elements. The firm's leadership recognized that Jeremy's initiative should be "officially blessed" through a "general policy commitment towards building up the [retail banking] practice." With broader organizational support, the practice was able to negotiate turf within the firm to access clients and grow the business. We have visually mapped the temporal sequence of the three steps in Figure 5 (see case no. 1) to provide a clear understanding of how pathways constitute practice area development (cf. Langley, 1999).

In the sample, we found three other instances of successful new practice area development through the expertise-based pathway: Bursar's postmerger support practice and Anchorite's structured finance and health care practices. Interestingly, interviewees suggested that even these practice areas that were eventually successful faced political obstacles along the way. For example, rival factions within firms often contested both the legitimacy and the novelty of a practice area's foundational expert knowledge during its emergence. As one interviewee explained, "There may be exclusive groups of partners who already claim to be focused on that area who say, 'Well actually this is the way you should have done that [initial] engagement.'

FIGURE 5

Expertise-Based Pathway

Pathway Steps	Coding of Embedding Step
Completed pathway Catalyst: Agency Emergence step: Add Differentiated Expertise Embedding step: Obtain Turf and Organizational Support	**No. 1. Anchorite, retail banking** *Obtained turf:* "It moved from episodic projects to a general policy commitment of building up a banking practice." *Obtained support:* "[My mentor] was very much in the inner sanctum of the firm's decision making, and gave just endless support and encouragement. It was very important to have a powerful friend at the center." **Additional cases: Bursar, postmerger support; Anchorite, structured finance; Anchorite, health care**
Incomplete pathway Embedding step violation 1: Fail to obtain Organizational Support	**No. 2. Yeoman, operations efficiency** *Obtained turf:* "We got the [practice] going in Europe, we had the big guys [clients] behind us … smooth sailing." *Violation—Failed to obtain support:* "Our global clients expect us to have a global view on which way we're going, so ultimately the [Yeoman] industry head made the call to say we're not going to support this [new practice area]."
Incomplete pathway Embedding step violation 2: Fail to obtain Turf	**No. 3. Yeoman, retail banking** *Obtained support:* "Ultimately, we got pretty much everything that we wanted. We were able to play on par. We were able to get changes to career structure, we got our own area in the building, we did get a lot of what we asked for, by constant pushing." *Violation—Failed to obtain turf:* "The main barrier to going after clients was an internal one. It's back to the issue of having a client partner who did not get off on the [new] practice. … If they didn't, they were suspicious, and would try and control access to your client. So there were some internal boundaries [that were barriers]."
Incomplete pathway Embedding step violation 3: Fail to obtain Turf and Organizational Support	**No. 4. Anchorite, organizational renewal** *Violation—Failed to obtain turf:* "We were unable to convince our North American colleagues that this was anything other than German sociology and it might work in one or two very odd German clients, but it was completely irrelevant elsewhere." *Violation—Failed to obtain support:* "The powers-that-be in the firm arbitrarily put a supremo in charge to knock [the competing practices] together and the knocking together process in effect led to the reassertion of dominance of the other one." **Additional case: Anchorite, corporate social responsibility**

Egos get in the way. People think it's a bit like Michelangelo telling Leonardo how to paint, you know?" Stories of overcoming political infighting and interpersonal rivalries were common even in discussions of successful practices.

Failures. We also observed the ways in which a practice area, using the expertise-based pathway, failed to become embedded after emerging. Despite his or her agency in creating distinctive knowledge or expertise, the practice founder was unable either to create sufficiently defensible turf or to obtain organizational support, or both. We found an example of the first type of failure in Yeoman's operations efficiency practice (validation case no. 2). In the emergence step, a consultant proposed to start this practice at the firm's London office by assembling a small team that had built up specialized knowledge in the area. The consultant even managed to get a major client interested and hence was able to legitimize his patch of turf in the London

office. However, the practice group stalled because the global top management of the firm was equivocal about supporting the initiative, and it lost out to an internal rival practice area that had started in the United States about the same time. The embedding step was violated because one key element, support, was not incorporated.

We recorded the second type of failure for the expertise-based pathway in Yeoman's retail banking practice (validation case no. 3). In the emergence step, a consultant attempted to get the practice up and running by codifying expertise on retail banking to compete with Anchorite's retail banking practice (described as validation case no. 1). Although he received support from top management in the form of resources and personnel, skeptical client partners who "owned the relationship" with financial institutions balked at the idea of cross-selling the incipient retail banking practice because they did not think it had sufficient merit: "The main barrier to going after clients was an internal one. It's back to the issue of having a client partner who did not get off on the [new] practice . . . if they didn't, they were suspicious, and would try and control access to the client." Without turf granted by client partners within the firm, the practice collapsed. The embedding step was violated because a necessary element, turf, was not included.

We observed the third type of failure for the expertise-based pathway in two instances. A partner in one of Anchorite's European offices tried to initiate an organizational renewal practice based on academic research but failed to convince others in the firm that it was practical enough to try with clients on a global scale. Without defensible turf and without organizational support the initiative died (see validation case no. 4). The corporate social responsibility practice initiative at Anchorite got underway when Michael, a partner, drew together the firm's thinking on the topic and began to activate a network of internal and external individuals interested in conducting original research. When he submitted a formal proposal to obtain resources to start up a practice, however, the partnership committee raised doubts about potential profitability and legal liability and refused to support him. In both cases, although the emergence step was taken, the embedding step was violated because two necessary generative elements for the pathway—turf and support—were absent.
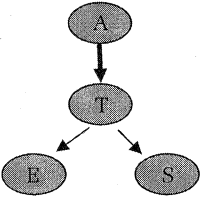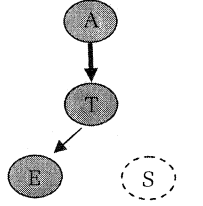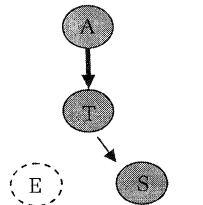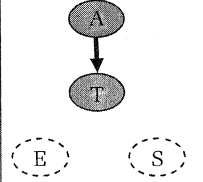
The Turf-Based Pathway

Successes. The turf-based pathway also starts with a consultant who expresses his or her agency via building a new practice area. In the emergence step, the consultant creates turf by leveraging an existing client relationship to develop and test new consulting ideas. The new practice area succeeds when experiments with the client lead to significantly differentiated expertise that, with the support of the consultant's organization, can be deployed on assignments with other clients. We found a successful instance of this pathway in Yeoman's postmerger support practice area (validation case no. 5, Figure 6). The drive to obtain what he called "bragging rights within the firm" led the founder of this practice to lean on a "friendly client" to enable the founder to experiment with a new consulting proposition. The move was risky because his firm had little experience in the domain, but the risk was mitigated because of that client's support during the emergence step. This informant said, "It was a big enough client relationship. A client that we'd worked with before so there was a degree of confidence that something would come out and back in. . . . We didn't really know very much about mergers and acquisitions, but we had a great relationship with the client and we went in and offered a 'diagnostic' that could be helpful." The experiment with the client was successful, and the incipient practice was able to develop the methodology further through multiple client engagements. Eventually the top management at Yeoman decided to commit organizational resources to training additional Yeoman consultants in the practice's methodology, for which there was increasing demand. We saw a similar pattern in Bursar's talent planning practice, where the practice founder's strong client relationship led to a successful new practice area. In both cases, practice founders managed to embed the new practice area into their firm.

Failures. We also observed three types of failure along the turf-based pathway, where, despite strong client relationships, new practice area attempts did not succeed. In all of these cases, we clearly noted that agency combined with turf to crystallize the emergence step, but the embedding step was always violated. In other words, the practice founder initially carved out a patch of turf but was unable to muster resources and/or develop the differentiated expert knowledge required to support the young practice area. We noticed the first type of failure in Yeoman's resource scheduling practice (see validation case no. 6, Figure 6). The practice emerged when an individual consultant, Joanne, combined her agency with the turf provided by a trusting client. Although she was able to develop an innovative methodology for optimizing the costs of resource scheduling, Yeoman's top management perceived the effort as not sizeable enough to be a full-fledged practice and withheld resources and

FIGURE 6

Turf-Based Pathway

Pathway Steps	Coding of Embedding Step
Completed pathway Catalyst: <u>A</u>gency Emergence step: Add <u>T</u>urf Embedding step: Create Differentiated <u>E</u>xpertise and obtain Organizational <u>S</u>upport	**No. 5. Yeoman, post merger support** *Created differentiated expertise:* "We helped [the client] codify how they went about things [on the first project].... The next time we went through a slightly different version of the same sort of thing and refined some of the what works, what doesn't work, why does it work, why doesn't it work, experiences, going through the same thing a second time." *Obtained support:* "So we got a bunch of internal funding to develop some marketing stuff, to do some workshops with other clients. to see if our lessons went beyond a single company and also to do some education of people elsewhere round the world on here's how you go about it." **Additional case: Bursar, Talent Planning**
Incomplete pathway Embedding step violation 1: Fail to obtain Organizational <u>S</u>upport	**No. 6. Yeoman, resource scheduling** *Created differentiated expertise:* "Now we actually did some very detailed strategy work, which came up with a really innovative way of thinking about how to make these trade-offs in scheduling resources." *Violation—Failed to obtain support:* "There just wasn't enough scale to justify that it was a better use of everybody's time than the other things that the clients were banging down the door for."
Incomplete pathway Embedding step violation 2: Fail to obtain Differentiated <u>E</u>xpertise	**No. 7. Yeoman, capital projects funding** *Obtained support:* "Because we worked with [client 'x'] to develop a proposition the executive [firm board] was prepared to give it support. This was a client and a sector that looked like it had real mileage so they gave it the go-ahead. The resources to build the practice were there, they were not a problem and it fit with the overall strategy." *Violation—Failed to create differentiated expertise:* "When it came to it, we just didn't have enough expertise to look credible. We were just too thin on the ground, couldn't put together a service line that showed we really understood the dynamics of this business and how to make it work for the client as opposed to having some pretty generic know-how in the broader area of supply chain management.... It was too sketchy to get [the practice] going in its own right."
Incomplete pathway Embedding step violation 3: Fail to create Differentiated <u>E</u>xpertise and to obtain Organizational <u>S</u>upport	**No. 8. Anchorite, merger support** *Violation—Failed to create differentiated expertise:* "Practices need to have some functional knowledge of their own right, but mergers was something where any consultant with a finance background could have a sensible conversation with a CEO." *Violation—Failed to obtain support:* "Not a single senior partner would sign up to the idea that mergers is an opportunity-creating practice by itself." **Additional case: Anchorite, customer management**

sponsorship. Joanne stopped trying to develop it, and the practice area thus failed because she did not obtain organizational support in the embedding step.

We found the second type of failure in Yeoman's capital projects funding practice attempt (validation case no. 7). The founder, Andrew, had worked closely with a client in the utilities sector to develop a methodology for improving profitability through more efficient use of heavy assets. Andrew used the legitimacy conferred by his client during the emergence step to gain support in the form of organizational backing from the firm's governing board. He remarked, "This was a client and a sector that looked like it had real mileage so they [the board] gave it the go-ahead" for funding. When members of the fledgling practice attempted to sell the framework to more clients, however, it became clear that their knowledge base was not deep enough to be credible: "We were just too thin on the ground, couldn't put together a service line that

showed we really understood the dynamics of this business."

The third type of failure along the turf-based pathway results from the absence of both generative elements necessary for embedding (i.e., differentiated expertise and organizational support). This instance was noted in two practice endeavors at Anchorite. A consultant attempted to create a merger support practice (validation case no. 8) based on work at one large client site. The effort to consolidate it further failed because the expertise that had been developed was not perceived as sufficiently different from that of an existing practice, and the partnership committee therefore refused a request for dedicated resources. Anchorite's customer management practice initiative stalled for the same reason. The founder said to us, "Consultants who worked on these projects didn't really need a lot of specialized expertise. . . . Aside from me, there was nobody pounding the table in support of the idea, and I just couldn't go it alone." In this case, even the initial knowledge-building attempt was feeble, and clearly there was no support from the wider organization; the effort was therefore unsuccessful.

The Support-Based Pathway

Successes. This pathway kicks off when a consultant leads a new practice effort in an area that the firm's top management or partnership committee has clearly identified as a market opportunity. Without such an individual present, the process cannot be activated, and the idea fails to move along the pathway toward new practice area creation. After a consultant steps forward to lead an initiative, his or her firm provides organizational support in the form of political backing and tangible resources at the emergence step. A successful practice founder leverages this support to create the practice area's turf and to develop differentiated knowledge with which to tackle the market opportunity. The support-based pathway was successfully demonstrated in all firms. For example, the founder of Appraiser's leadership assessment practice (validation case no. 9, Figure 7) described how the firm's management board provided both political support and tangible resources that were "instrumental" in creating the subunit. Not only did the board play a critical role in "mediating potential conflict-of-interest issues" that arose from providing the new service along with the firm's core services, but also, they granted support in the form of personnel to staff the new venture. The embedding step saw the addition of both a differentiated

knowledge base that included an "entirely new framework" and a clear delineation of the practice's turf based on its potential in the marketplace. We found additional support-based pathways in Anchorite's technology solutions practice, Yeoman's marketing practice, and Bursar's top teams, organizational design, and public sector practices.
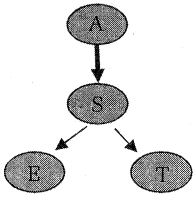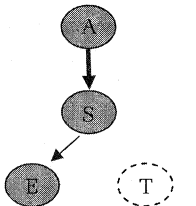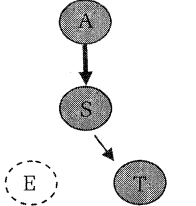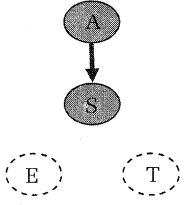
We should note that even these successful support-based practice areas typically generated considerable debate and political maneuvering throughout the emergence and embedding process. One informant described the difficulties he faced in establishing a new practice area despite having support from the managing partner: "Although there were a lot of interested people, it was quite countercultural so a lot of big hitters in the firm didn't necessarily believe in it. There were shouting matches. . . . It took arm-twisting and cajoling to bring [other partners] into line, but eventually our guys won out."

Failures. Our data confirm the three predicted types of failure along the support-based pathway. After initiating a practice by combining agency and organizational support, certain practice founders failed to secure either turf and/or differentiated expert knowledge. Several examples illustrate why a practice was unable to carve out its own turf despite receiving organizational support at the emergence step. In Anchorite's organizational learning practice (validation case no. 10, Figure 7), the founder suggested that others doubted the initiative's revenue potential (i.e., "It was never going to spin fees"). Bursar's energy practice failed to gain access to other partners' clients. Similarly, Yeoman's purchasing strategy practice was seen as "too aggressive" and was blocked by the "gatekeepers" to important clients. We observed the second type of failure in Bursar's telecoms practice (validation case no. 11). A partner in the firm's management committee identified a gap in the market, and a junior professional took on the task of building the practice. The practice emerged through the combination of agency and organizational support in the form of appropriate resources for starting client development. Turf was granted by sending a "heavy-hitting" partner to prospect for clients for the new practice area. The initiative ultimately failed, however, because its proponents were not able to obtain the fourth necessary element: differentiated expertise. A number of other competing firms had propositions similar to Bursar's nascent telecoms practice, and neither the market nor the firm's partners believed that there was sufficient expertise to warrant a stand-alone practice.

Finally, we also uncovered a failed case in which neither differentiated expertise nor turf was incor-

FIGURE 7

Support-Based Pathway

Pathway Steps	Coding of Embedding Step
Completed pathway Catalyst: Agency Emergence step: Add Organizational Support Embedding step: Create Differentiated Expertise and obtain Turf	**No. 9. Appraiser, leadership assessment** *Created differentiated expertise:* "I created an entirely new framework for how consultants did the business ... so [that] they could do something different." *Obtained turf:* "I took it to the board of [Appraiser] and they recognized that what we had was a new product, premium product, capable of giving [Appraiser] a competitive edge in the marketplace. That defined our niche." **Additional cases: Anchorite, technology solutions; Yeoman, Marketing; Bursar, top teams; Bursar, organizational design; Bursar, public sector**
Incomplete pathway Embedding step violation 1: Fail to obtain Turf	**No. 10. Anchorite, organizational learning** *Created differentiated expertise:* "There was a whole set of materials developed around this idea—a value proposition, training guides for project managers, the whole deal." *Violation—Failed to obtain turf:* "It was too narrowly defined for anybody other than maybe one or two experts who devote their whole career to it; it was never going to spin fees." **Additional cases: Bursar, energy sector; Yeoman, purchasing strategy**
Incomplete pathway Embedding step violation 2: Fail to obtain Differentiated Expertise	**No. 11. Bursar, telecoms** *Obtained turf:* "When head office sent a senior manager who was a heavy hitter [with clients], it sent a signal to the rest of the organization that we are a force to be dealt with." *Violation—Failed to create differentiated expertise:* "One of my jobs is to educate the market. But truthfully, so far I can't say we've been able to hit on a formula that shows them how we're better than the [Bursar] clones that exist in this space."
Incomplete pathway Embedding step violation 3: Fail to create Differentiated Expertise and to obtain Turf	**No. 12. Anchorite, structured finance** *Violation—Failed to create differentiated expertise:* "They expected to draw on their finance backgrounds without spending any time creating new methodologies." *Violation—Failed to obtain turf:* "We didn't want a proliferation of these things [practices] and a lot of us really doubted whether this counted as a seperate sector."

porated after the emergence stage. Anchorite's structured finance practice (validation case no. 12) was established to match a competitor's similar offering, and the firm supported the two founders by providing funding and personnel. The founders failed, however, to develop sufficiently differentiated expertise. According to one partner, "They just boiled down their [corporate] finance frameworks—there wasn't a single piece of new thinking behind this [attempt]." Also, the founders could neither attract crucial new clients nor defend their turf against encroachment from colleagues in the financial services practice.

DISCUSSION AND IMPLICATIONS

Our findings on new practice area creation begin to shed light on the poorly understood process of knowledge-based innovation that is critical to today's firms. Because management consulting firms are exemplars of knowledge-intensive firms (Alvesson, 2004) and of communities of practice (Wenger et al., 2002), we build on these literatures in seeking to understand the process of knowledge-based innovation. We highlight shortcomings in these research streams that are evident from our study and draw out theoretical insights concerning the emergence and

embedding of knowledge-based structures. We also suggest how these gaps ought to be addressed in the further study of knowledge-based innovation.

Agency as the Catalyst for Innovation

Our analysis shows that the emergence of knowledge-based structures requires individual agency that is expressed appropriately as a catalyst for organizational innovation. This finding concurs with past research showing that professional firms employ various socialization tactics, such as commitment to long working hours (Landers, Rebitzer, & Taylor, 1996), intense loyalty (Alvesson, 2004), and values inculcation (Covaleski, Dirsmith, Heian, & Samuel, 1998). One important outcome of such socialization is the shaping of agency that urges individual professionals to develop and grow new practices in the service of their firm (Galanter & Palay, 1991). Although we acknowledge that consulting firms supply strong incentives for individuals to take risks to develop new practice areas, it is important to recognize that such incentives are highly relevant to all knowledge-based organizations. The partly self-serving role played by practice founders that we observed in our setting is analogous to that of product champions in conventional corporations. Burgelman (1983) implied that some individuals take a chance on championing new internal corporate ventures to gain visibility with senior management. Similarly, Huy (2002) noted that change champions combine personal career aspirations with their organizations' strategic concerns.

The key difference in our sample is that such individuals, rather than championing tangible forms of technology or product, took leadership roles in creating organizational structures that comprised people embodying new types of expertise. The literature on knowledge-intensive firms emphasizes the role of exceptional individuals and their expertise (Starbuck, 1992), yet it does not fully elucidate their role in the creation of innovative structures. The literature on communities of practice, which does focus on knowledge-carrying structures, is curiously silent on the agency of founders and leaders (Fox, 2003). The important insight that we uncovered in the present research is that it is critical to identify the key actors in the initiation of a knowledge-based innovation and specify how their motives are shaped in this process, given that the initiation of such structures requires the alignment of individual agency and organizational interests.

Pathway Emergence

Emergence is the outcome of a relationship between individual agency and another critical element. This is the defining step as a new practice area emerges. Broadly speaking, the three emergence pathways that we identified capture the pluralistic sources of innovative knowledge: networks, markets, and hierarchies. University academic departments, research laboratories, and interorganizational learning networks are one source. In such contexts, new knowledge emerges out of learning within networks of expertise-based communities of practice (Powell, Koput, & Smith-Doerr, 1996). Markets provide a second source of new knowledge. Innovations can result from interactions with customers whose needs indicate market demand (von Hippel, 1986). Thirdly, mechanisms of hierarchy and coordination unique to firms result in the sharing and transfer of information that leads to new knowledge (Kogut & Zander, 1996; Schulz, 2003). These distinctive sources correspond to our three pathways. In the expertise-based pathway, the seed of knowledge-based innovation is emergent knowledge developed by a group of professionals. The turf-based pathway originates from the experience of the external client marketplace. The support-based pathway is more top-down in nature because it follows from firms' top-level goals and plans.

Although individual agents can tap any of these sources of innovation, our findings suggest that without resolving the process dynamics associated with knowledge emergence, the embedding of new structures is problematic. To illustrate, a consultant of an academic bent at Anchorite proposed a new practice initiative that was based on a theoretical model of organizational renewal he had developed as part of his doctoral dissertation (see Figure 5, validation case no. 4). Although firm colleagues accepted his thinking as academically rigorous, he failed both to attract clients that were interested in applying it and to convince his colleagues that the ideas merited further organizational support.

Legitimacy of Knowledge-Based Innovation

Change in knowledge-intensive professional firms is driven by experiences of learning from client interactions that are "appropriated into" new forms of expertise (e.g., Fosstenløkken, Løwendahl, & Revang, 2003). Researchers have viewed expert knowledge as if it were unitary at the level of a firm (e.g., Morris, 2001); instead, our analysis accommodates pluralistic areas of expertise. In multiple communities of practice, a canonical, legitimate, or

dominant community may exert considerable influence over how members interpret and acknowledge new forms of knowledge that emerge from ongoing work in various other communities. It is important to realize that emergent organizational knowledge cannot surface on its own but only through social recognition (Alvesson, 2004) involving appropriate discursive and rhetorical legitimizing strategies (Gherardi & Nicolini, 2002; Suddaby & Greenwood, 2005). This process parallels that of innovation in traditional production-based organizations. New technologies that emerge in the face of existing dominant technologies are considered problematic and tend to be interpreted as illegitimate (Dougherty & Heller, 1994) or irrelevant (Christensen, 1997).

As we show in our study, although the body of expert knowledge associated with every practice area is somewhat distinctive, firms have overall approaches to client work that serve as common frames of reference. When emergent knowledge is interpreted either as too differentiated or as insufficiently differentiated, a new practice area is unlikely to succeed. A resulting insight from our study is that it is crucial to understand how the creators of innovative structures legitimize emergent knowledge with respect to an existing frame of reference in an organization.

Politics of Emergence and Embedding

The concept of organizations as constellations of communities of practice (Wenger, 1998) closely parallels the model of organization as a set of multiple coalitions. Cyert and March (1963) argued that the political dynamic between the dominant coalition and other subgroups in an organization forms the backdrop against which structures and processes unfold. Although Lave and Wenger (1991) noted that power relations are crucial in keeping communities of practice in balance, the political dimension of community emergence is largely missing from this literature (Contu & Wilmott, 2003).

The paramount role of politics in successful new practice area emergence is clear in our analysis of turf issues. Practices exist in environments in which expertise-based jurisdictional rights may be subject to challenge from competing groups (Abbott, 1988; Suddaby & Greenwood, 2001). Indeed, organizations that comprise multiple communities of practice become arenas of competition and contention to such an extent that a dominant community may even try to suppress and retard innovations championed by another (Ferlie et al., 2005). An emerging community of practice is likely to

disrupt existing patterns of territoriality in an organization (Brown, Lawrence, & Robinson, 2005); therefore, it needs to be sustained through turf-creating activities that help gain recognition internally from colleagues in dominant practice areas, and also through ties to important external actors (Gluckler & Armbruster, 2003). Considerations of turf make explicit the aspects of competence, power, and identity that determine the boundaries of new practice areas (Santos & Eisenhardt, 2005). Another insight from our study we can contribute to theory on knowledge-based innovation is that one must explicitly consider political relations and competitive interactions between dominant and other coalitions to understand the emergence and embedding of innovative knowledge structures. Although the role of politics is clearest when organization members defend turf for a practice area, politics is equally and perhaps more subtly present when members shore up claims of differentiated expertise (cf. Alvesson, 2004) and mobilize organizational support in the form of sponsorship and firmwide resources.

Seeding Knowledge-Based Structures

A romantic reading of Orr's (1996) classic study of communities of practice might suggest that these configurations develop organically and bottom-up. However, more recent research has highlighted the role of top-down processes in structuring communities of practice. So, to what extent should organizations encourage communities of practice or leave them alone? Thompson (2005) ruled out direct structural intervention and prescribed the use of top-down initiatives that are indirectly and loosely structured to seed collaboration between likely members of an incipient community. Our study, however, presents a more nuanced picture of the interdependence between an emergent knowledge-based structure and a firm as a whole. In our analysis of the different pathways, we found the use both of loose structural influence (the expertise-based and turf-based pathways) and of tighter control (the support-based pathway) resulted in successful practice area creation. In a bottom-up context, organizational support in the form of political sponsorship and access to firmwide resources that help seed new knowledge structures might be appropriate. In a top-down context, direct intervention through goal setting and deployment of skilled or formally powerful people might be more fruitful.

Implications for Future Research

Although we recognize the limitations on the range of insights that we can draw from a study set in management consulting firms, we suggest that these provide interesting opportunities for future research on innovation in the knowledge economy. For example, highly accredited expertise sectors such as law, accounting, and architecture, in which the profession exercises control over the codification of expert knowledge, may constrain the extent to which a firm can claim differentiated expertise in the marketplace. This constraint could indirectly impact a firm's opportunity to create innovative knowledge-based structures, and consequently such efforts may follow one pathway rather than another. Also, pathways that are used frequently in an organization might well be established managerial recipes (Spender, 1989), whereas pathways that are not taken might be particularly informative of constraints that impede the emergence of new knowledge-based structures. Future studies need to compare processes of knowledge-based structure creation across industry sectors to confirm the viability of the pathways that we have identified.

We have focused on individuals' agency as the starting point for innovation in knowledge-based organizations. This focus allowed us to locate individuals' or groups' innovation initiatives at the level at which they occurred, but we did so at the expense of deemphasizing exogenous factors. For example, institutional theory has highlighted the role of exogenous forces at the field and population levels in inducing change in professional firms (e.g., Freidson, 1986; Greenwood, Suddaby, & Hinings, 2002), and resource dependency theory has highlighted the role of external labor markets in determining internal firm dynamics (e.g., Sherer & Lee, 2002). We do not discount exogenous forces entirely but realize that at our level of analysis, external forces tend to get filtered through the lens of those whom such forces directly impact. A more nuanced research design is required to explain fully how internal and external forces interact in the creation of knowledge-based structures, as well as in their destruction. An appreciation of how such structures are disbanded, which was beyond the scope of our inquiry, would be especially useful in explaining how the intraorganizational ecology of distinctive expertise-based subunits determines change in knowledge-intensive firms.

We close by noting that we have made a start in articulating the key theoretical issues implicated in the innovation of knowledge-based structures. Research on knowledge-intensive firms, commu-

nities of practice, and professional service firms all share an interest in the phenomenon of knowledge-based structures. We have provided a foundation that articulates the key theoretical issues in researching this type of innovation. Equally, the notion of pathway that we propose here is a simple yet powerful way of understanding the process by which such structures emerge and then get embedded in organizations. Studying process in this way also has practical relevance because it can help managers appreciate why certain types of knowledge innovation efforts fail where others succeed.

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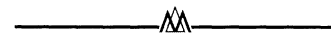
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