Innovation Does Not Have To Be Innovative
Introduction

Innovation often features high on CIOs’ agendas because it is recognized as being an important means by which information systems and technology can contribute positively to the evolution and performance of the business. However, in practice the execution often falls short of the ambition. Reasons for this range from the mundane, such as there being insufficient time or capacity to devote to it, to the more fundamental, such as organizational or cultural barriers, or insufficiently defined processes and governance for capturing ideas and seeing them through to fruition.

This paper explores what the common inhibitors to innovation are and how to overcome them, and sets out some important principles that can help organizations establish innovation more firmly within their normal operations. It presents a pragmatic approach to embedding innovation within the corporate culture, and highlights ways that CIOs can counter the risk of investments in innovation not delivering the anticipated returns.

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In surveys of CIOs, innovation typically features high on their agenda as a means of enhancing the value that IT provides to the rest of the business. Yet in many organisations innovation through IT remains more of an aspiration than a habit. This can be for a number of reasons, of which the most common are:

- A lack of time and resource to pursue it due to pressing day-to-day matters
- A lack of a systematic process for capturing ideas and progressing them to implementation
- A perception that innovation is too risky
- An inappropriate funding mechanism.

Addressing each of these inhibitors is the subject of this paper. But first, let us establish what we mean by innovation.
Many organisations depend on innovation for top-line growth or even survival. Technology, Pharmaceutical, Consumer Packaged Goods, and Financial Services companies, for example, typically depend on it for developing new products and services. But all organisations should strive to innovate because the benefits can extend beyond revenue growth to efficiency improvements, cost reduction, and improved customer service.

Innovation is not absolute; it is relative. What is innovative for one organisation may be conventional for another. Some CIOs, because of the type of organisation they work in, will need to take a more bullish stance. Others can afford to wait and see how innovative technologies and IT services have been used elsewhere before taking the plunge.

Innovation is not necessarily the same as invention. Invention implies developing something completely new. By contrast, most cases of innovation within the enterprise are not about introducing cutting edge technologies or IT services. They are more often about using existing technologies or IT services in new ways so as to deliver incremental business benefit.

Let us look at two areas of enterprise innovation that are currently hot topics – cloud services and social media.

**CLOUD SERVICES:**
Cloud services exploit technologies in areas such as virtualisation and identify and access management to create new commercial models for sourcing IT services. However, these technologies have fundamentally been available for many years; how they are being used and managed is new, and they are enabling organisations to craft new commercial models for the provision and receipt of IT services.

**SOCIAL MEDIA:**
Enterprise social media is a direct derivation of consumer social media. However, it was quickly realised that the benefits of social media to the consumer – namely easier and faster communication and collaboration – are equally applicable to the enterprise.

Both cases exemplify how innovation is often a process of evolution rather than a revolution in the use of technology. What this evolution does is offer businesses new ways of working – either more efficiently, more effectively, or both.
Passive versus active innovation

At this point it is worth comparing and contrasting passive versus active innovation. Passive innovation is where a problem occurs and an innovative solution is identified to solve it. Active innovation, however, is where all operations are explored in the round and innovative solutions are specifically sought to improve them. It looks beyond immediate problems and identifies opportunities that organisations previously did not know existed. Forward-thinking IT functions, possibly in collaboration with their suppliers, have the opportunity to offer active innovation services to the business.

Research is fundamental to active innovation, and must focus on both the demand and the supply side. Demand-side research should focus on how similarly profiled organisations are using technology, but also explore ways to push the boundaries of how technologies and IT services are being used internally.

“If I had asked people what they wanted, they would have said faster horses.”

HENRY FORD

Supply-side research should focus on market trends, developments in software and hardware products and technologies, and the impacts on skills and processes, to gain a realistic understanding of the art of the possible. The totality of this information will offer insight into where innovation can be introduced most effectively.

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Innovation demands commitment

The first of the four barriers that often curtail innovation is a lack of available resource. What many organisations lack is an individual or team to conduct research, solicit ideas, and facilitate a process of developing the best ones into tangible solutions.

However, the commitment of resource is not just a CIO matter. Organisations must employ an enterprise approach to innovation, involving multiple different business functions. The CIO can provide supply-side resources, but the business needs to make available demand-side resources. This may include resources from Operations, Marketing, and Strategic Planning who understand how the business operates today and how it ought to operate in the future.

Commitment from Finance will also be needed as concepts are developed into solutions since they will be required to validate the return on investment and perhaps assist in the development of the business case. HR may need to be involved if innovative changes will have an impact on employees’ roles or positions.

Commitment is also needed for the generation of ideas. Whether ideas are sought from employees working in specific areas of the business, or from all employees regardless of function or location, a culture of contribution must be established. For example, some organisations are starting to solicit ideas through their corporate intranets. Often they will reward people whose ideas are developed into propositions. Requests for ideas may even be opened up to customers or other interested parties, typically through web sites and other customer-facing channels. Companies such as Dell and Nokia, for example, are advocates of open innovation. After all, who better than a customer to offer insight into how to improve the customer experience?

“When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It’s not about money. It’s about the people you have, how you’re led, and how much you get it.”

STEVE JOBS

It is this dedication to fostering a culture of commitment and contribution that is hardest to achieve. It has to be led top-down and built into job descriptions and annual objectives, and rewarded on that basis. Filling certain roles to facilitate the innovation process will not be effective unless that culture exists.
Innovation requires a systematic process

Many organisations do not have processes in place for fostering ideas and turning them into reality. This is despite the top-level process of capturing, nurturing and testing ideas being relatively straightforward.

“Innovation is not the product of logical thought, although the result is tied to logical structure.”

Albert Einstein

Any organisation that is serious about innovation should have five clear steps in place.

**STEP 1 - Ideas capture:** This is the collection of ideas from an organisation’s stakeholders.

**STEP 2 - Ideas evaluation and selection:** Once captured, a cost/benefit analysis needs to be conducted on each idea. The IT function will then need to assess the feasibility of turning the most promising ideas into technical solutions.

**STEP 3 - Piloting:** Piloting is required to test the hypotheses that have been generated during idea evaluation. It is a way of gaining confidence in the idea’s validity and applicability prior to serious investment.

**STEP 4 - Implementation:** This is the transformation of the innovative concept into a production-ready solution.

**STEP 5 - Nurturing:** As innovation is usually achieved through evolution, services should be regularly re-evaluated to determine if they can be adapted to deliver new or improved benefits.

Again, the challenge for the CIO function in executing this process is to secure and sustain a culture of collaboration across the business and IT that balances creativity and pragmatism. It requires dedication and positivity as well as desire for openness and constructive challenge.

Tools to monitor innovation at each step in the process are also important, particularly in large organisations where the innovation portfolio is sizeable and complex. Such tools can help to catalogue and organise innovation concepts and projects based on impact, benefits, and other important criteria. They are an investment in the management of an organisation’s intellectual property.

It is essential that if CIOs are to deliver on their innovation agenda that they can sell the commercial implications of any innovations they propose, not just the innovations themselves.
The perception of innovation as being risky

Innovation is inherently about doing things in new ways. Invariably, new means untested, and untested means risk. It is for this reason that organisations can be hesitant when converting an idea into a tangible solution. Often they do not want to be early adopters; they want to see a new IT product or service proven elsewhere first. In many organisations, technology is adopted only once the experiences of other organisations are known.

It is because innovation is inherently on the cusp of what organisations have experience of that it is perceived to be risky. The rewards of success are high, but the costs of failure can also be high. In risk-averse organisations, particularly where failure is unacceptable and funding is tight, innovative ideas have to work harder and prove their worth more dramatically than other ideas that sit more firmly within the comfort zones of the senior stakeholders who hold the budget and are accountable for returns on investment. Therefore proposals for innovation services must show outstanding benefits, demonstrate commercial viability, as well as how risk will be managed to ensure a successful outcome.

It is essential that if CIOs are to deliver on their innovation agenda that they can sell the commercial implications of any innovations they propose, not just the innovations themselves. Moreover, it is important that innovative ideas focus on areas that can demonstrate early returns on investment because this will provide the basis for gaining confidence quickly that the investment was worth making.

Another important means to gain confidence and buy-in is through using appropriate controls during each step in the process. These will provide timely feedback on progress and allow go/no-go decisions to be made promptly. For example, the piloting stage provides a means of simulating the future state and testing the technical, financial, and commercial hypotheses expounded in the business case prior to deciding on the merits of investing in a full implementation.

However, companies have to accept that some ideas will turn out to be duds. Even the best innovators, such as Google and Apple, have had their failures.

“If you’re not failing every now and again, it’s a sign you’re not doing anything very innovative.”

Woody Allen

There are three important principles to take from this:

- By using pilots, the consequences of an innovative endeavour failing to satisfy its KPIs will be limited.
- A few failures must be balanced against the overall value that the successes have brought.
- Failures will often provide opportunities for learning that should be fed back into the innovation process.
A model for funding innovation

The final blocker to innovation covered in this paper applies to organisations where the business is expected to pay for IT projects. In these situations a common issue is that the first business unit to implement an innovative solution has to invest more in the IT than other business units that subsequently exploit the same solution once it is proven. The answer is to have a budget ring-fenced for innovation projects, separate to the operations budget. The level of the budget is set during the budget planning process and reflects all approved innovation projects in the demand plan.

There are three models for how this could be rolled out—centralised, de-centralised, and federated.

**CENTRALISED**: one option is to have a central fund for IT innovation projects which can be accessed on a first-come, first-served basis. However, it may be difficult to govern and manage the central fund, particularly in larger organisations and may blur lines of accountability where an organisation is typically de-centralised in other respects.

**DE-CENTRALISED**: this option involves each business unit having its own innovation budget. The drawback of this approach occurs when a project spans multiple business units.

**FEDERATED**: this model is typically the best because it allows local innovation projects to be funded and measured locally while providing a funding solution to pan-organisation projects.

Managing funding is addressable, as are the other inhibitors, by good governance and following a structured method.

These are both key to driving innovation in the enterprise, as is commitment across both the IT function and the business. This means cementing a culture that promotes and rewards the contribution of ideas and the drive required to convert those ideas into new products and services, or more efficient and effective ways of working. Once that mindset is established, an organisation is well on its way to being innovative.
Kurt Salmon

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