Extreme Competition

Peter Fingar
Executive Partner
Greystone Group
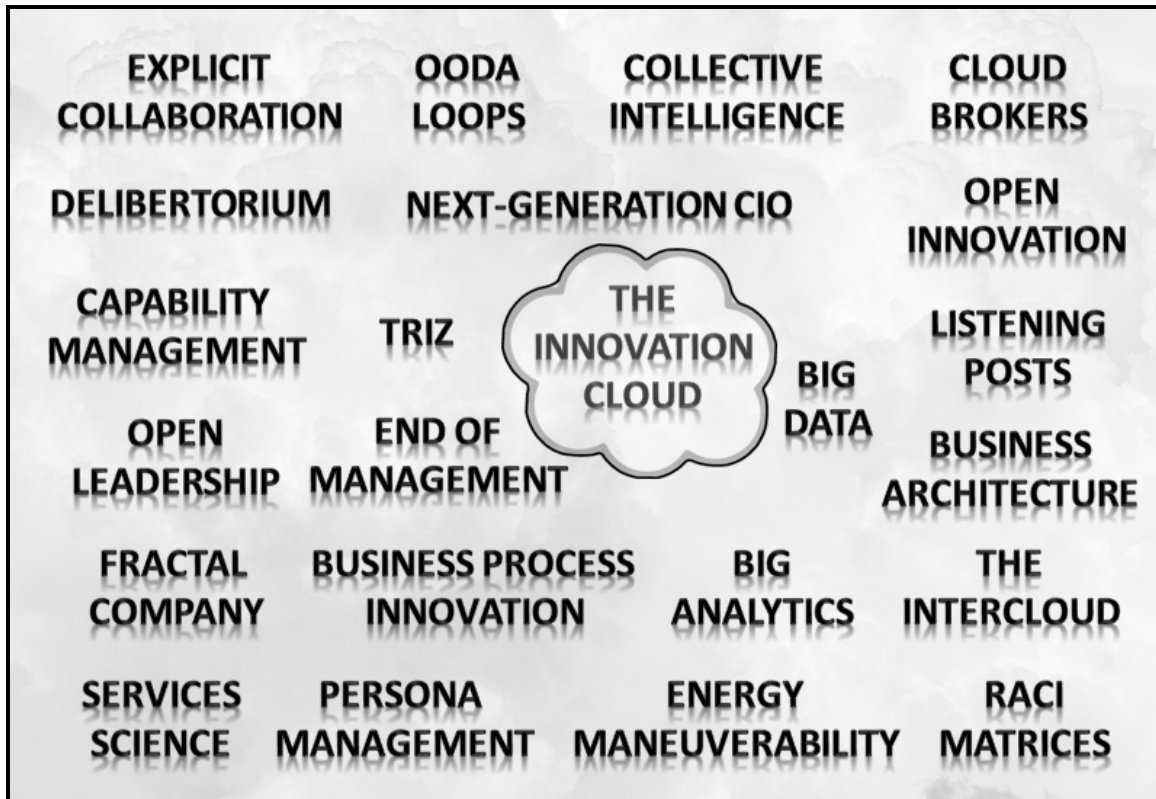
pfingar@acm.org
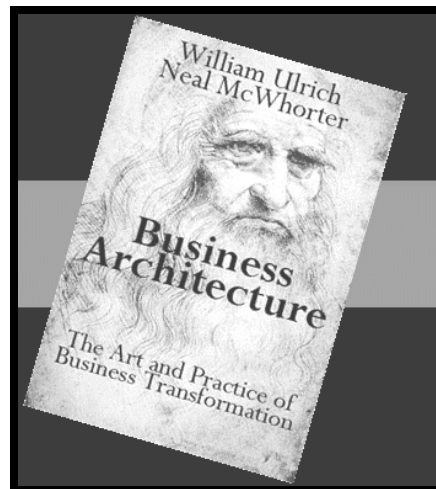
The Audacity of Innovation

We are on the home stretch of a new book, *Business Innovation in the Cloud* (www.mkpress.com/bic). Because the great minds that read BPTrends are well informed on many of the topics we cover, let's break the rules and go straight away to the ending of the story. But, you guessed it; nothing is free, not even giving away the conclusions. We'd like to ask you to do the work and use the following checklist to test your knowledge of the new taxonomy for business innovation. After all, today's reality is innovate or die, and you are no doubt in some part responsible for your organization's ability to innovate. So, rate your knowledge of the following 21 perspectives and key variables to be included in the work of business innovation:

- OODA Loops as the Basis for Business Agility
- Open Innovation
- Social Networks as a Source for Business Insights
- Collective Intelligence and the Delibertorium
- Explicit Collaboration
- Process Execution in the Intercloud
- Business Process Innovation
- Business Innovation as a Business Process
- Innovation as a Team Sport and RACI Matrices
- Big Data and Big Analytics as the Basis of Business Insights
- The End of Management
- Open Leadership
- Services Innovation
- Persona Management Systems
- TRIZ
- Calling on IT Services Organizations
- Cloud Brokers
- The Next-Generation CIO
- The Fractal Company
- Business Architecture for the Innovation Economy
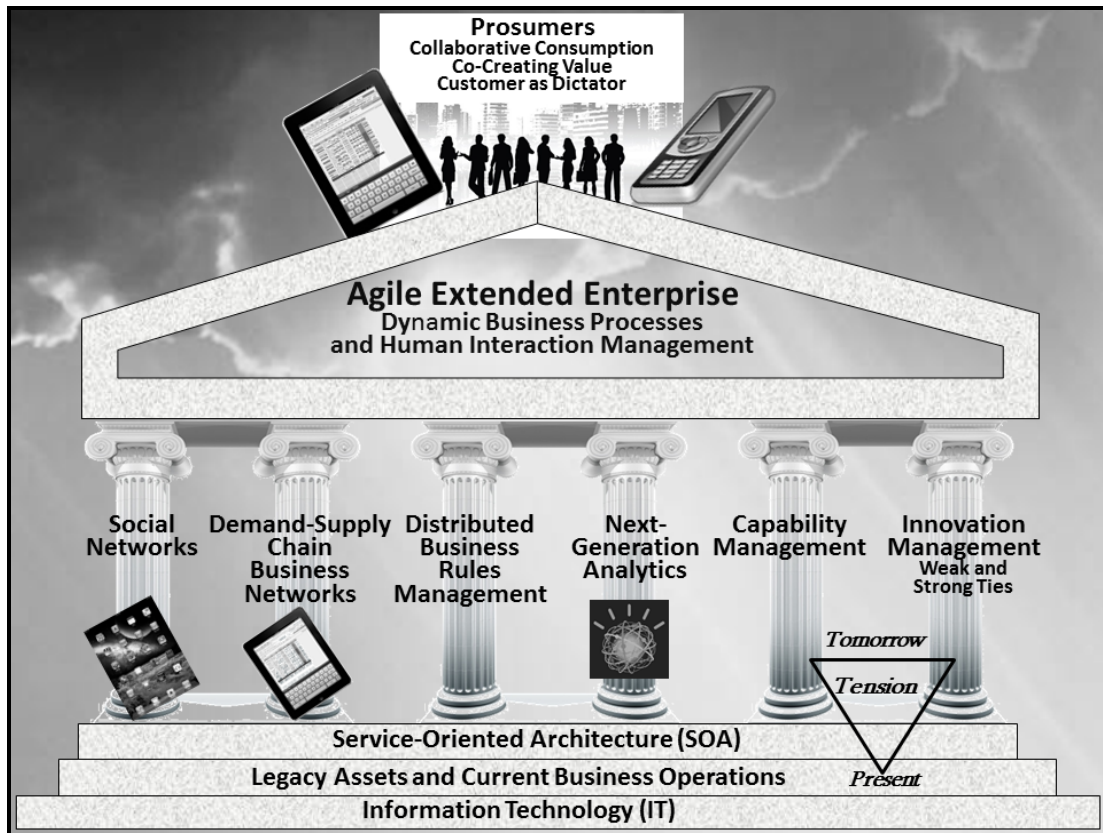- Energy Maneuverability

The New Taxonomy for Business Innovation in the Cloud

Get your house in order. Without going into the technical details, companies must embrace a new "business architecture" enabled by cloud computing: a Cloud-Oriented Business Architecture (COBA).

As shown below, the foundation for a refreshed business architecture rests on existing, legacy assets and current business operations which are in turn supported with current information technology. These assets and modes of operation aren't going to be torn up and discarded any more than the Interstate highway will be torn up and discarded in any new era of transportation. They are the current lifeblood of any organization. They will, however, be integrated into the new house of business via service-oriented architecture.

There are six new pillars organizations will need to place atop this foundation in order to have the structures and mastery needed in the Cloud Economy: Social Networks, Demand-Supply Chain Business Networks, Distributed Business Rules Management, Next-Generation Analytics, Capability Management and Systematic Innovation Management.

Capability Management is of particular concern as a means of balancing the current way of thinking and operating with tomorrow's way of thinking and operating. Here's why. In *The Other Side of Innovation*, professors Vijay Govindarajan and Chris Trimble note that there are two kinds of teams in most firms: 1) the Performance Engine, which is the portion of the business focused on the day to day execution of the business and focused on earning profits, doing things consistently and efficiently, and 2) a Dedicated Innovation Team which is typically in direct conflict with the Performance Engine. The Innovation Team talks about breaking all the rules which "sounds like breaking the Performance Engine." There is direct conflict between the goals and expectations of the two teams. To achieve breakthrough innovation, the Dedicated Innovation Team must act as though it's building a new company from scratch. For the Performance Engine to do that would require forgetting and unlearning two nearly impossible tasks for humans. Anyone who has created a new project and attempted significant change within an ongoing organization knows about this conflict. Hence, a strong focus on capability management is needed to manage the tension between the present and tomorrow, between the as-is and the to-be.

The Innovation Team must leverage the capabilities of the Performance Engine, else it would be stripped down to the resource level of a garage startup. Capability management is key to forming a partnership between the two teams. Pioneered by the military, capability management aims to balance current operational requirements, with the sustainable use of current capabilities, and the development of future capabilities, to meet the sometimes competing strategic and current operational objectives of an enterprise. Accordingly, effective capability management:
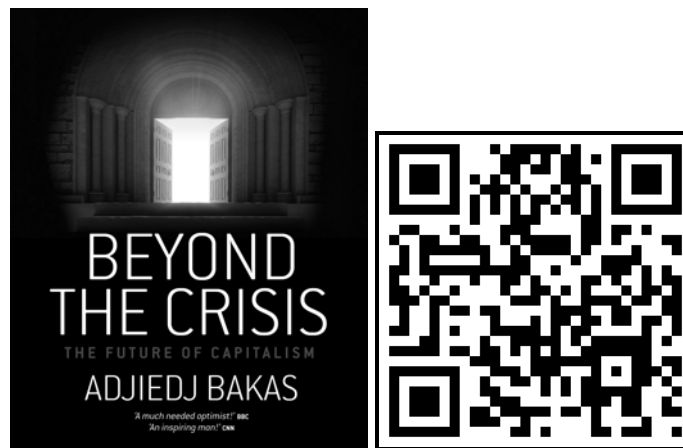
▪   Assists organizations to better understand, and effectively integrate, re-align and apply the

total enterprise ability or capacity to achieve strategic and current operational objectives; and
- Develops and provides innovative solutions that focus on the holistic management of the defined array of interlinking functions and activities in the enterprise's strategic and current operational contexts.

While a *capability* represents the "what" that a company needs to execute its strategy, a *business process* represents "how" the capability is brought to life and executed. It's also useful to distinguish between *Sustaining Innovation* for the Performance Engine versus *Disruptive Innovation* as it relates to the Dedicated Innovation Team. As we discuss in Chapter 4 of *Business Innovation in the Cloud*, both types of innovation are needed by the Agile Extended Enterprise to meet the challenges of 21st century competition.

These six pillars are needed to build the Agile Extended Enterprise where 20th century IT centered on *productivity* is superseded by 21st century business technology (BT) centered on *collaboration* at both the human and business process levels. This new house of business will serve prosumers that directly participate in the co-creation of value—and where the customer as king gives way to the customer as dictator.

Before we close this book let's turn to Dutch futurist, Adjiedj Bakas, author of *Beyond the Crisis: The Future of Capitalism*. Bakas writes, "The Chinese phrase for crisis consists of two words danger and opportunity. The current economic crisis marks the end of an era, and the start of a new one. During the current crisis we finally say goodbye to the 20th century and transit into the new, post-industrial economy with new economic pillars and the mixture with digital collaboration powered by 'cloud computing,' the next generation Internet. This transition period offers tremendous opportunities, for out of the current crises, a new economy will emerge."

www.mkpress.com/beyond

Taking on the work of *cloudy* business transformation is scary stuff, to say the least, for we have no prior frame of reference. Take the advice of David Allen, author of *Getting Things Done*, "Our productivity is directly proportional to our ability to relax. Only when our minds are clear and our thoughts are organized can we achieve effective productivity and unleash our creative potential."
So, "relax" and get on with doing the audacious work of business innovation in the Cloud. Your business, your family and the whole world; they are all counting on you!

We will be on the home stretch of the book when you read this Column in BPTrends. Practicing what we write about in the book, we'd like to "crowd source" the great minds that read BPTrends and incorporate your wisdom and insights. Below are the topics. Please send your inputs and suggestions to peter@peterfingar.com.

Part 1. The State of Business Innovation

1. Questioning Innovation
   A Takeaway

2. Do the Work
   Going from "Ideas" to "Executing on Innovation"

3. Change Itself is Changing
    Macro Trends Affecting the Workplace
      Work Mobility
      The New Normal: IT Consumerization
      The New Normal: Unexpected Economic Change
      Cloud Computing: A Technology Game Changer
      Cloud Computing: A Business Model Game Changer
      Security
    Putting the Macro Trends All Together

4. What Exactly is Business Innovation?
    Where Does Innovation Come From?
    Creative Destruction 2.0
    Tenants of Innovation
    Innovation's Relationship to Creativity
    Two Core Types of Innovation
    S-Curves and Innovation
    Why Innovate?

Part 2. Getting There: Innovation Taxonomies and Strategies

5. Business Innovation is a Dogfight in the Cloud
   Takeaway

6. Innovating Innovation Itself
   Takeaway

7. Open Innovation: Cast a Wide Net
    GE's Ecomagination
    Dell's Ideastorm
    Procter & Gamble's Connect and Develop
    IBM's Global Innovation Jams
  Weak Ties and The New Polymaths

8. Innovation and Social Networks
   Listening Posts
   Persona Management Systems

9. Collective Intelligence:
   The Deliberatorium & Argumentation Systems

10. Process Innovation in the Intercloud

11. Business Innovation: The Process
   I. Building Blocks for Sustainable and Systemic Innovation
   II. Plan of Intent
   III. Plan of Record
   The Innovation Team View of the Innovation Process

BPTrends Linkedin Discussion Group
We recently created a BPTrends Discussion Group on Linkedin to allow our members, readers and friends to freely exchange ideas on a wide variety of BPM related topics. We encourage you to initiate a new discussion on this publication or on other BPM related topics of interest to you, or to contribute to existing discussions. Go to Linkedin and join the **BPTrends Discussion Group.**