

# Beyond Survival – Thriving on Innovation in a Down Economy

Laura Mooney, Metastorm

## Introduction

Not everyone is affected equally by economic crisis, but regardless all organizations are facing a wealth of challenges and unpredictability as a result of the dynamic market environment that lies ahead in 2009. The initial and logical reaction is to hunker down, cut costs, and just get through it – survival at the expense of anything else. However, recent research by Gartner Inc. analysts Betsy Burton and John Rizzo echoes the need to continue to move toward the future. In their October 2008 report entitled, *IT Innovation Will Be Key to Turn Economic Crisis Into Opportunity*, they state: “Innovation is crucial as we transition from short-term crisis management to recovery.”

As many organizations struggle to control costs, increase revenue, and maintain their competitive status, it is easy to look at the perceived cost of IT and business initiatives and cut, cut, cut. But to do so without an eye to the future blinds many organizations to the opportunities that do exist to selectively expand and enhance their ability to meet future challenges. It is critical for organizations to find the balance between controlling costs, spending smartly, and continuing to create opportunities for growth. Innovation may seem counterintuitive during lean economic times, but it is during these times when it is most important, as innovation not only generates opportunities for new revenue, but can also be a key to creating value and controlling costs. This is also the time when the competition is in survival mode, and you have an opportunity to leap ahead.

## Innovation

Innovation—it is often cited as a top priority of senior management to expand markets, grow revenue, and increase the competitive edge; however, it often falls to the bottom of the priority list. During down economic times, the focus may change from growth and innovation to downsizing and efficiency. But innovation and efficiency do not have to be mutually exclusive. Innovation leads to new ways of thinking which in turn can lead to controlling costs by creating more efficient ways to develop products, fostering creative ways to collaborate with outside resources, or improving business processes in ways that reduce spending while also improving performance and outcomes. While reducing costs, all of these examples can also lead to growth and set an organization up for accelerated success when the economy recovers. The secret is in knowing what to focus on, making the right decisions with the right information, and continuing to look forward.

It is important to understand the kinds of innovation that an organization may undertake in order to understand how it can be used as a growth engine that can reduce cost.

- **Process** – Organizations can innovate their business processes to find more efficient ways to do things, lower costs, increase productivity, speed time to market, or enhance customer service.
- **Market** – Organizations can innovate to engage in a new market with a new or existing product or service, leveraging existing assets to drive new revenue.

- **Business Model** – Organizations can look for new ways to engage with customers and partners that can enhance relationships, foster collaboration, and optimize the extended value chain with the least cost and disruption to existing infrastructure.

Those organizations that have successful and sustainable innovation activities also have a solid foundation that includes: an understanding of their strategy, core capabilities, and business processes; active engagement of the company's network of partners, customers, and suppliers; and adherence to an effective set of repeatable, effective business processes.

Today's environment provides the perfect opportunity for organizations to look beyond cost cutting and instead look for ways to be both more efficient and more effective while capitalizing on select opportunities to grow the business and position for future success.

### **Refine Business and IT Strategies**

Innovation is often spurred by trying to do something in a new or better way. Ford's assembly line, the first iPod, and the Toyota production system are all examples of innovations that borrowed from processes or solutions that already worked. Each brought new revenue, new markets, and greater efficiency with limited risk and faster time to value. By looking at existing business strategies, organizations can take a fresh look at their goals, objectives, and the underlying people, processes and technology that support them to find ways to create efficiency and improve business performance to address today's issues while preparing for tomorrow's opportunities.

To do this, companies need to be able to "see" the whole of the enterprise and its underlying infrastructure to understand how it works. A series of questions needs to be asked in order to expose the relationships across the business:

- What are the top organizational goals and objectives?
- How are these tied to business processes and metrics?
- What systems support these processes?
- What will be impacted if a change is made to any of these corporate assets?

The best tool to provide the answers to these questions and to model a complete understanding of the enterprise is Enterprise Architecture (EA).

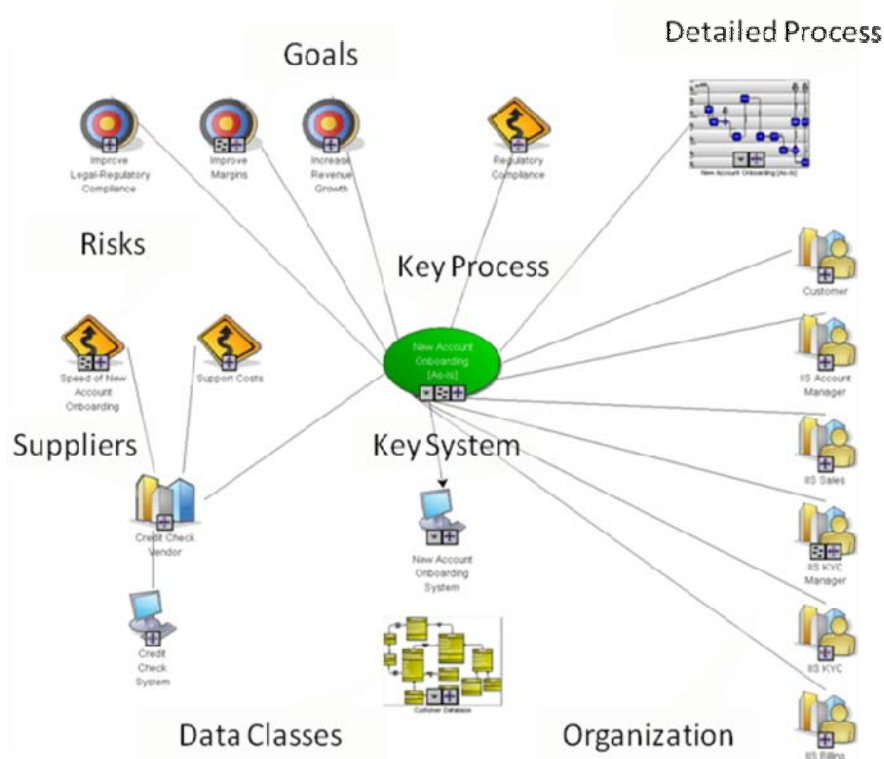


Figure 1- A view of relationships

Using EA and Business Process Analysis (BPA) tools to model the strategies, people, goals, information, and technology of the enterprise presents a picture of the business that can be refined, manipulated, and analyzed to create new ways of doing things – optimizing use of the resources you have today and identifying the resources you need to support future objectives.

EA and BPA tools allow the analysis of how well processes are supporting the business strategy and how well the strategy is meeting goals. A view of the relationships across people, technology, and information is made very clear and is a means to refine models and simulate “what if” scenarios to gauge the impact of any change prior to implementation. The business is spared radical shifts until the right scenario is found, thus lowering risk and increasing the likelihood of success. New business strategies and goals can be assessed and virtually implemented to gain the understanding of the value an innovation will actually bring.

### Look Ahead

Once strategies have been reviewed and refined, it is necessary to plan for the transition to move from where you are now to where you want to go. As organizations rebound from the challenges of the current economy, the ability to react quickly and smartly to take advantage of new opportunities will propel well-prepared organizations into a leadership position. Planning, innovating and optimizing the use of your existing resources now will allow stronger companies to quickly take advantage of new opportunities and prosper when the economy rebounds. Those that concentrate only on survival cost reduction will be forced into a maintenance and rebuilding effort that leaves them behind.

Looking at the state of your enterprise via models, roadmaps, application portfolios, and impact analysis reports allows decisions to be made quickly and more accurately. These decisions may include a change in IT direction, retirement of legacy system, consolidation of data centers, the creation of an enterprise service from an existing capability, elimination of duplicate functions,

streamlining of product lines, or simply analyzing the impact of ongoing change to the business. EA and BPA tools and disciplines provide the most complete view of the whole enterprise, which provides information needed to develop new sources of revenue and/or to cut and control costs.

This is also a good time to reassess how use of technology and IT services can be improved to create a flexible a platform that can accommodate or anticipate change while minimizing disruption to daily activity. As the recovery takes hold, there will be a need to comply with new regulations, develop new opportunities, and respond to new market pressures. Business Process Management (BPM) technology can be leveraged to develop a flexible platform that provides automation, visibility, audit ability, and the ability to quickly respond to changes in business strategy, goals, and objectives.

BPM technology is a quick way to automate and respond to internal and external change. The use of BPM software in conjunction with Business Process Analysis allows an organization to model, simulate and execute a business process in a matter of days or weeks with minimal disruption to underlying infrastructure. When a process is changed in response to a regulatory requirement, a new strategy, or a competitive pressure, this change can be modeled, simulated and implemented quickly.

**Control Costs but Prepare for Growth**

Most organizations are looking for ways to control costs, do more with less, and minimize disruption caused by reduced budgets. In most organizations, it is the CIO who is asked to cut IT initiatives and spending. While cutting would seem to be a simple task in down times, it must be done with an eye toward future growth and innovation. CIOs should rely on their Enterprise Architects to provide the big picture needed to understand the short-term and long-term impacts of any cuts not only on IT, but also on the business. Using this big picture, Enterprise Architects understand how to simplify and streamline the IT environment and how to reduce system overhead while avoiding impact to current and future business opportunities.



Figure 2 - Portfolio view of IT projects

Enterprise Architects have a view across the portfolio of business processes and the applications that drive them. These applications are instantiations of business processes. Using this view provides the means to rationalize processes, applications, and systems and reduce redundancy and cost. EA and BPA tools provide a means to analyze the impact of any proposed changes. While this is seen as cost control, innovation is also possible as there is the opportunity to create new ways of doing business or new ways of using existing assets that will reduce cost, increase maintainability, and enhance business performance.

Enterprise Architects can analyze data regarding application complexity, underlying data stores, frequency of access, performance and capacity considerations, backup requirements, and a host of other factors that inform the planning process. Much of the discussion regarding how IT can provide value to the business can be centered on how the application portfolio will enable the business strategy and deliver the foundation for growth as the economy moves toward recovery.

### **Make It Happen**

If there is a silver lining to the economic downturn, it may be the resulting need for aggressive change – change that in turn can lead to innovations in products, services, and the way an organization operates.

You can make it happen. By aligning your newfound understanding of the business and all of its resources and assets with the effective execution of your core business processes, you will deliver results, improve performance, drive smart cost reductions, and enable game-changing innovations. You will do more than just survive this economic downturn – you will help your organization to thrive and be strategically positioned to take advantage of the better days ahead.

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