

Complete Renovation: Transforming Today's Business for Future Growth

By Rick Hutley, Cisco IBSG Innovations Practice

As technology creates new ways of doing business, companies are realizing that they must transform their processes. They need to work with partners all over the world, and they must be agile enough to keep up with changes that come at a dizzying pace. For many industries, new products generated by research and development aren't enough to drive growth, so innovation takes on an increasingly important role.

CIOs everywhere are challenged by the need to keep up with current and future technology trends, and to move quickly when unforeseen disruptions come along.

There are tried-and-true ways for CIOs to create an environment that fosters innovation. One is to develop a keen sense of where to apply innovation in an organization. Another is to enable innovation through collaboration tools that connect workers around the globe to make decisions quickly and smartly, with the input of colleagues, customers, and communities.

The Innovation Cycle

Innovation has always been a driver of business opportunity, but different types of innovation are needed at different stages of a product or service's lifecycle. By taking a step back to assess the fundamental role of a business and its value proposition, and then determining the type of innovation from which it would profit, a CIO can put business models and processes in place for the present and the future.

The phases of innovation include:

- **Product innovation:** Early in a product lifecycle, innovation is focused on adding features and functionality. Cell phones, for example, added memory, then applications, then one camera, and finally, two cameras.
- **Process innovation:** As a product matures, it reaches a limit of features for which consumers are likely to pay. At that point, innovation may shift to process: can it be manufactured faster or more cheaply? Should it be marketed differently?
- **End of life:** At the end of a product's lifecycle, the focus is on selling it quickly and cheaply, and perhaps reinventing it with a new business model and starting the innovation cycle all over again. Cell phones followed that scenario when they essentially became mini-computers and again started adding new features.



Cisco Internet Business Solutions Group (IBSG)

Most companies have products and services in various stages of maturity, so CIOs and their colleagues need to think about what kind of innovation is needed for each. Ideally, they would have a balanced portfolio of innovation: some areas that need modest changes to keep products refreshed, and some that call for fresh ways of doing things to address new opportunities.

Connected Innovation

One area that has provided new business opportunities is social media. The rapid growth of Facebook, Twitter, YouTube, and others is a major driver of business transformation.

Social media has already dramatically increased connectedness in social innovation and creative industries, where diverse groups of motivated individuals come together. In larger, more traditional organizations, however, innovation remains slow and unconnected. CIOs need to ask themselves how they can use that technology to enable their colleagues to market products differently or to capture market intelligence in this new way.

“Connected innovation” uses collaboration technologies to transform the way companies and organizations innovate. It is a vision of innovation that embraces technology to make the right connections—with the right people, at the right time, in the right medium. Connected innovation is faster way of doing business because it removes process delays, and it’s better because it includes a wider range of people.

In an ideal connected business environment:

- A diverse mix of people with the right skills and experience are included in the innovation team to find the best ideas, resolve issues, and make decisions.
- Rich media is used to bring ideas to life and to engage, link, and inspire people to innovate.
- Customer and citizen needs are central to the innovation process to make sure that what is designed and developed is what the customer wants.
- The extended team operates collaboratively to develop and implement ideas quickly and efficiently across boundaries, regardless of location.

The single most important benefit that this environment would provide is speed—speed to gather ideas from anyone, anywhere; faster qualification and selection of ideas by linking to experts and decision makers; technology-enabled rapid prototyping; and collaborative partnerships for implementation and delivery.

Faster innovation allows organizations to develop and test new concepts quickly with customers and citizens, and make their ideas operational sooner. Innovation inevitably includes an element of failure, but a rapid innovation process allows organizations to fail fast and improve.

The Case for Business Architecture

When a company’s products or markets hit “midlife” in the innovation cycle, leaders need to look ahead and plan for what is coming next. Examples abound of businesses that failed, or barely survived, because they couldn’t or wouldn’t respond to unforeseen competition or changes in consumer mindset. Sony, for example, created the market for portable music players with the company’s Walkman device, but missed the transition from hardware-only

solutions to an ecosystem of products that includes integrated hardware, software, and services. Encyclopædia Britannica has struggled with competition from search engines and Wikipedia because, for too long, it held onto the idea that its purpose was to provide information in print, even as readers moved online. Blockbuster, the world's largest movie-rental company, with about 3,000 stores in the United States, filed for bankruptcy in September 2010 after failing to adapt its storefront model to online technology pioneered by rivals.

Disruptive changes such as these often demand more radical innovation. Consumer preferences for green technology might mean that instead of building the world's biggest router, Cisco develops the "world's most energy-efficient router," thereby capturing a market segment that it wasn't servicing in the past.

When major changes in tastes or technology come along, companies need to ask what that means to them both positively and negatively, how the competition might use it, and if it poses a threat.

The best defense against the unexpected is for CIOs to have a business architecture that clearly maps to business goals. Companies with a vision and solid understanding of their value proposition are better positioned to shift priorities and resources when something new affects the market.

Following are some ways CIOs can build in the flexibility they'll need when disruptions come along:

- Understand the business, first and foremost. Align with colleagues on business goals, and strive to be just as knowledgeable about business issues as about technical issues.
- Have a plan in place for architecting the technology to keep pace with business goals.
- When disruptions come along, tweak the existing plan rather than creating a new one from scratch.

Jon Ann Lindsey of Cisco IBSG provided writing and editing assistance for this paper.

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV Amsterdam,
The Netherlands

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at www.cisco.com/go/offices.

 Cisco and the Cisco Logo are trademarks of Cisco Systems, Inc. and/or its affiliates in the U.S. and other countries. A listing of Cisco's trademarks can be found at www.cisco.com/go/trademarks. Third party trademarks mentioned are the property of their respective owners. The use of the word partner does not imply a partnership relationship between Cisco and any other company. (1005R)