

Systematic Improvisation for Digital Age Sustainability

Abstract

A potent cocktail of digital technologies has truncated the time that businesses have to bring new products to market, respond to competition, or deliver their change agendas. Amid the disruption, the majority of senior executives continue to apply management practices designed for the industrial age when response cycles were more predictable.

Traditional development approaches are long tailed, and focused on resource allocation and risk elimination. Uncertainty and failure are feared.

It's no surprise that many companies struggle to deliver the continuous pipeline of innovations needed to remain dynamically market relevant and fiscally viable.

The Crisis of Prioritization

Business leaders tell us they understand that innovation, or what TCS more broadly calls 'competitive adaptation,' is key to their long-term success. But they say their organizations are not designed in ways that will let them create or deliver enterprise-sustaining changes continuously. Most executives, like the majority of people, are linear thinkers who struggle to address what organizational theorist Geoffrey Moore calls a 'crisis of prioritization.'¹ Incumbent enterprises, says Moore, struggle to decide which opportunities to pursue. High levels of complexity and seemingly unlimited options can paralyze even the most experienced leaders. Hit by inertia, they focus on the familiar rather than radically reimagining what it does, how it does it, and with whom it does business.

Systematic Improvisation: A Sustainable Innovation Model

At TCS, we speak of 'Systematic Improvisation,' a strategic management framework to drive the right mix of decisions to secure the enterprise's long-term sustainability.

Comprised of six elements, Systematic Improvisation delivers incremental changes while simultaneously identifying and taking more radical decisions (see Figure 1).

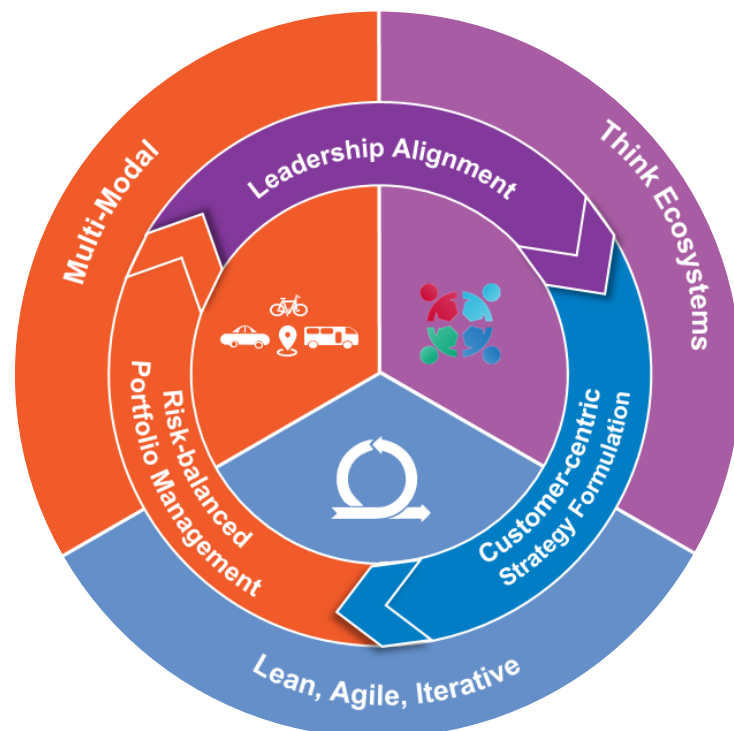


Figure 1: The DNA of Systematic Improvisation

1. Enterprise-wide Leadership Alignment and Collaboration

Survival in the digital age requires executives from across the enterprise to collaboratively master the 'discipline of innovation,' which Peter Drucker, a management thinker, describes as the "the effort to create purposeful, focused change in an enterprise's economic or social potential."² They are required to imagine future market scenarios, articulate new opportunities, identify unseen threats, and create novel responses.

Using Geoffrey Moore's Four Zones Framework³ to illustrate complementary positions, we see the Performance Zone as the starting point for 'running the business'. As the 'core business,' this zone generates the vast majority of revenues and profits. The Productivity Zone is essentially a shared services provider to the core business to optimize efficiency, which can throw off profits to fund and free up capability for 'changing the business.' The Performance and Productivity Zones primarily generate incremental innovation. The Incubation Zone focuses on breakthrough innovation. Proven incubations move to the Transformation Zone, where 'business builders' fully implement and scale them.

2. Dynamic Customer-centric Strategy Formulation

When leaders are aligned and geared to collaborate, they are able to create and continuously refresh the enterprise's long-term strategy, which is not to be confused with static budget planning.

Executives must put customers front and center and identify their valuable 'jobs to be done'⁴ with a focus on both what is changing in the world and what is not. In addition, they should not be constrained by what the enterprise can do on its own. For the Performance and Incubation Zones, 'customers' are the consumer or buyer, while for the Productivity and Transformation Zones, 'customers' are employees of the Performance Zone (users) and investors in the Incubation Zone (shareholders and Board of Directors). This perspective helps get beyond the traditional boundaries startups fear not to blur.

Apple stands out as an established company that's been able to forge highly effective customer-centricity. Rather than chasing customer views to predict requirements, Apple builds and brings to market products that customers didn't know they wanted.⁵

3. Risk-balanced Innovation Portfolio Management

A clearly articulated, customer-centric strategy is the cornerstone of ensuring market relevance and fiscal viability. It should be used as the basis for decisions on the right assortment of strategic adaptations or 'innovations' to sustain the enterprise.

Figure 2⁶ illustrates one way to sort innovation initiatives along such dimensions as 'what, where, when, and how,' and target a different mix to manifest the enterprise's innovation-driven business goals.

Innovation Type		Requirements						
		Portfolio Mix(%)*		Knowledge of Market			Knowledge of Technology	
		Current	Target	New Market	Existing Market Not Served Now	Existing Market Served Now	New Technology	Existing Tech Not Used
Horizon	3							
			10	X			X	
			10	X				X
	2					X	X	
		30	20			X		X
			20		X			
	1	40	20			X		X
		30	20			X		X

*% are illustrative and will vary for each company based on their innovation strategy goals

Figure 2 – A Balanced Portfolio Impacts the Near and Long Terms

GE, a manufacturing giant, plans to be a top ten software company globally by 2020. It is achieving this with a mix of organic and inorganic growth. It has complemented its acquisitions and partnerships with internal investments to develop home grown competencies. Some of its innovation investments are focused on immediate needs. Others, such as innovation partnerships in simulation, are expected to give it an edge in the future.⁷ The result is a risk-balanced innovation portfolio.

4. Multi-modal Innovation Model

A multi-modal innovation model includes the right mix of structures to 'run the business' and 'change the business' concurrently, to manifest the target risk-balanced portfolio. For most enterprises, the structures are already in place to support the generation and conversion of the incrementally adaptive ideas that improve process performance and optimize customer experience. Few enterprises, however, have the structure needed to transform capability, revolutionize experience, disrupt industries, and create new markets.

To fill this gap, we recommend building upon capabilities that sit outside the enterprise with one or more of the below:

- An innovation center, such as a:
 - Listening or scouting outpost to identify innovation enablers
 - Incubator or accelerator to rapidly test, evolve, and ready promising ideas for the 'Transformation Zone'
 - Lab or R&D center to invent new technologies and other capabilities,
 - University residence to build talent and extend the 'innovation ecosystem'
- Corporate venturing to experiment 'from a distance'
- Mergers and acquisitions to close gaps, including culture

5. Lean-Agile Approach

A 'build, test, and learn' approach allows leaders to isolate promising new and novel concepts, and evolve them based on facts and validated hypotheses. This improves the chances of achieving desired outcomes and reduces executives' investment uncertainty. TCS calls this Lean Startup-style approach a Rapid, Iterative Experimentation Process (RIEP). RIEP helps enterprises 'rehearse for the future' by converting good ideas into great innovations – or in the case of 'failures,' great learning.

Samsung's position as the world's leading smartphone manufacturer is built on its adherence to these principles of build, test, and learn. At the core of its Open Innovation initiative is research done to understand how people mesh with products which is extensively tested at Samsung's User Centered Design Lab.⁸

6. Ecosystem Thinking

There is a growing recognition that organizations embracing 'open innovation' outperform those that do not. Putting open innovation into practice requires leaders to first visualize all the stakeholders involved in the 'ecosystems' or strategic arenas in which the organization currently competes or the market scenarios that might unfold. The 'usual suspects,' of course, are customers, supply chain partners, and competitors. The 'unusual suspects' inside these ecosystems include startups, academics, venture capitalists, governments, and NGOs. Executives must actively curate networks of possible collaborators and co-innovation partners that could advance Systematic Improvisation. Figure 3 is an illustration of stakeholders in autonomous vehicles ecosystem.



Figure 3 – Autonomous Vehicles: Stakeholder Ecosystem

Together, various combinations of players can formulate competitive insights, ideate novel concepts, and provide newly needed capability more quickly and cost effectively to test and translate their nascent ideas into meaningful business outcomes. For instance, TCS' Co-Innovation Network™ (COIN™) helps amplify and accelerate our own strategic responses to the changes in the industry with innovative technology-driven solutions.

Tesla Motors made its intellectual property available to anyone interested in using it to ensure electric vehicle adoption soars and more.⁹

Think Big, Start Small, and Learn Fast

Using Systematic Improvisation to manage innovation and gain competitive advantage requires changes to people, processes, and technology. Barriers to its success appear in many shapes and forms.

Organizations that 'think big' are able to conceive an array of possible future scenarios. By managing a risk-balanced innovation portfolio, aligned executives are able to deliver both incremental improvements and radical to disruptive change.

While thinking big is to be encouraged, leaders need to balance their ambition with pragmatism. 'Start small' may well require the establishment of an incubator or accelerator with a mandate to search for 'outside in' innovation. Ecosystem thinking enables this. Focused nimble accelerators allow large organizations to park their complexity for some time and understand how to overcome their crises of prioritization.

By embracing the principles of lean and agile development, a business increases the speed at which it tests ideas, learns, and makes investment decisions. 'Learn fast' cuts down wasteful spend and quickly focuses business leaders on the innovations that have transformative potential. Increased certainty of assumed risk helps them overcome the fear of failure and paralysis that are holding them back.

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