

Collaborative partnerships drive disruptive innovation

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Ovum view

Summary

CxOs, researchers, academics, analysts, and thought leaders recently gathered at the Tata Consultancy Services (TCS) Innovation Forum in London. Keynoting the conference, K. Ananth Krishnan, TCS chief technology officer, spoke of "re-imagining leadership, culture, and partnerships for the hyper-connected world," a message that was similarly expressed at Ovum Industry Congress a couple of weeks earlier. The content and insight of the case studies presented at both conferences were similar too, in that they served to highlight the primary challenge faced by all organizations today, that of sustaining and improving customer and market relevancy in an ever-changing world.

A customer-adaptive enterprise is an innovative enterprise

To remain persistently relevant, businesses and institutions must innovate and constantly improve their products and services. But business innovation and continuous improvement are not solo sports; they require partnership, cooperation, collaboration, and engagement. TCS clearly understands this, and has anchored its own innovation labs to what it calls a "co-innovation network," an environment for sophisticated IT research in leading-edge technologies across various domains.

Figure 1: The eight attributes of the customer-adaptive enterprise



Source: Ovum

Innovation is one of the key attributes of a customer-adaptive enterprise (see Figure 1: The eight attributes of the customer-adaptive enterprise), underpinning an organization's ability to remain persistently relevant to customers and the markets (or communities) that it chooses to serve. But as Ananth outlined in his keynote, business innovation has to be deliberate to be effective. This means

that business leaders must do all they can to harness the imagination, initiative, and ingenuity of the workforce, partners, and even customers.

Speakers at the TCS event approached the topic of innovation from a variety of angles and perspectives, but the question they were all trying to answer was pretty much the same: How do you take a business idea and turn it into something that customers will pay for? The follow-up question was similarly to the point: How do you go about creating an environment in which innovative ideas blossom and flourish?

Innovation is complex to manage and budget is no guarantee of success

In his book, *The Innovators*, Walter Isaacson describes how innovation appears to emerge in places with "the right primordial soup," and that new ideas tend to occur when a lot of random ideas churn together until they coalesce. But while there are plenty of useful theories, approaches, and illustrative anecdotes, there is no magic formula for successful business innovation. And as TCS points out in its presentation materials: innovation is complex to manage; budget is no guarantee of success; it has competing priorities; its costs are hard to control; and, not surprisingly, most innovations fail. Yet, companies that do not innovate become footnotes in history.

Speaking at Ovum Industry Congress, Tony Wakefield, training director at Informa Innovation Academy, offered his view on improving business outcomes, innovation, and becoming customer-adaptive: "For those businesses operating in markets that are driven by innovation, the volatile economic environment and the dawn of the second digital revolution has left them more than ever open to disruption and uncertainty. But it has also brought new opportunities and a chance to embrace change in order to thrive and prosper. Success requires a comprehensive and detailed view of the changing business environment, and the success factors that define it. Key organizational competencies include agility, ability to partner, customer-centricity, and innovative thinking across all areas of the business, from products and services to business models and culture."

Business growth clearly requires innovation across a range of business functions, and the attitudes and approach that an organization adopts in this regard are usually steered by the organization's leadership team. However, only a small percentage of business leaders and senior managers have any formal training when it comes to developing the strategies, procedures, and environments that are likely to maximize innovation and creativity, so help and assistance are required. Technology consulting firms, such as TCS, have developed business innovation service offerings and frameworks geared to a range of industries, technologies, and markets, and these are frequently being used to provide the stimulus for digital transformation programs.

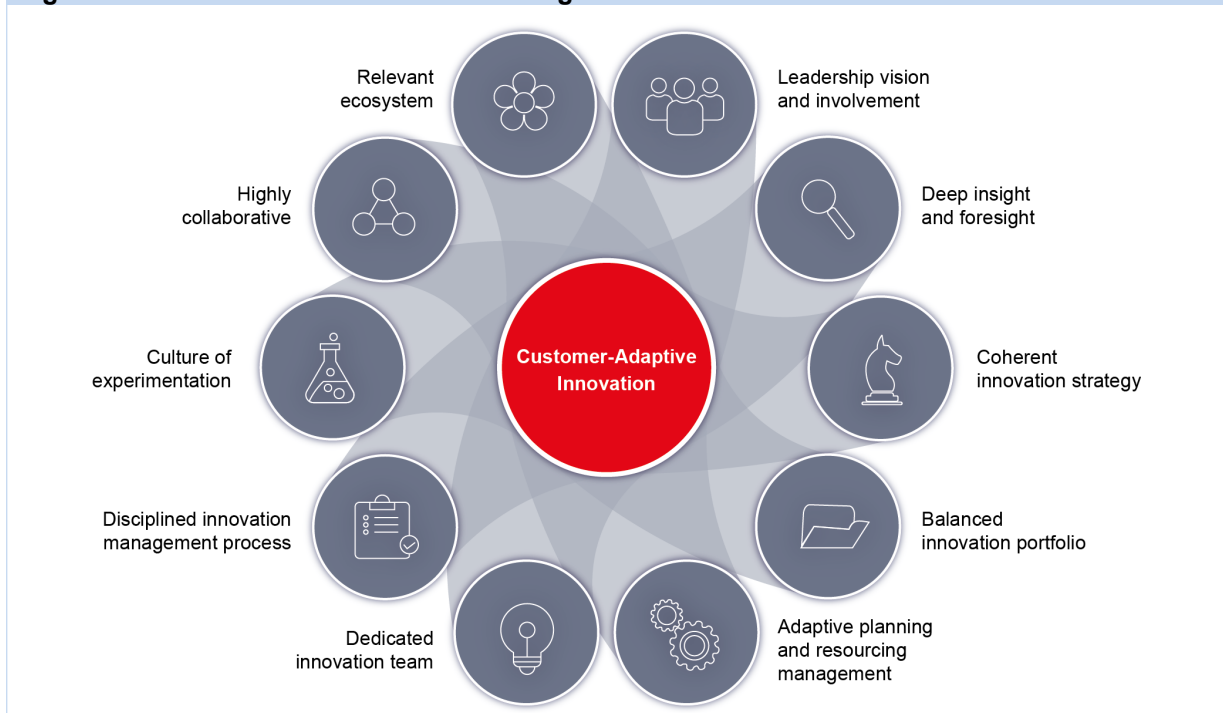
The TCS collaborative innovation timeline stretches back to the 1970s with academia. The strategic partner ecosystem model was developed in the 1980s, and the emerging technology ecosystem started in 2003. TCS officially launched the Co-Innovation Network (COIN) in 2007. This provided additional impetus that has enabled the company to develop its strong track record in the industry. But the most interesting aspect of the company's approach stems from the collaborative partnerships it forms, especially with start-ups. Start-ups are frequently at the forefront of innovation, either through business models, service offerings, technology adoption, or technology development. Occasionally we witness the arrival of a newcomer that embraces all of these, and if the timing is right, and venture support given, major disruption often results.

Engaged employees are key drivers of business innovation

At its core, leadership is all about building long-term trust and enduring relationships. Business leaders also set the tone for company culture and with it the development of an informed, fully engaged workforce. An engaged workforce is a productive workforce, and it's also more responsive to the needs of the customer, delivering a better customer experience as a result. Furthermore, well-informed, highly engaged employees tend to be more flexible and adaptable than those that have lost their connection with the business. And of course engaged employees are much more likely to share their innovative ideas and make process improvement suggestions, which is the ultimate key to organic growth and business development.

Studies of customer-adaptive enterprises reveal that they tend to have more mature and more sophisticated sensing and analytical capabilities. This is a significant factor in a world that is awash with "big data." This enables them to spot, capture, and use the signals of change that are present in the oceans of data that surround them, providing lift and buoyancy while competitors feel swamped and overwhelmed. Ironically, disruptive technologies, such as social, mobile, analytics, cloud, and machine learning techniques, actually provide the means to tap into the collective insights and capabilities of the organization and its ecosystem, helping it to deliver value and benefit to customers, communities, and stakeholders.

Figure 2: The 10 attributes of innovative organizations



Source: Ovum

Customer-adaptive organizations routinely scan the horizon and use scenario-planning techniques to increase their ability to spot trends and anticipate meaningful market opportunities. These organizations identify potential futures and work out how to respond to each eventuality. But as David Mattin, global head of trends and insights at TrendWatching, pointed out at the TCS conference, horizon scanning can often be overwhelming, especially if one looks at consumer trends. The challenge for organizations is to look at trends and to process them in a meaningful way, and then be ready to act on the opportunities they present. But as Ananth explained in his brief to analysts, this is

much easier said than done. The real challenge is that of developing a clear view of how such opportunities fit together within the bigger picture. This, believes Ananth, is one of the company's core competencies.

Seek out collaborative partnerships to drive disruptive innovation

There is a plethora of business and economic "tech history" books available on Amazon today, covering various companies from Apple to Xerox. These histories often focus on the founders as innovators and the journey they take as their companies rise and, more often than not, fall. If one compares 1955 to 2014, then some 88% of the Fortune 500 companies have gone. The natural business cycle for software and tech companies has generally been much shorter than for other industries, such as banking, retail, pharma, energy, and engineering, but this is starting to change as companies in these sectors become more like, than unlike, their tech counterparts due to the impact of digital technologies and software models.

Research published by Professor Richard Foster of Yale University indicates that the average lifespan of a company in the S&P 500 Index has decreased from 61 years in 1958 to around 18 years today, and that the five-year company mortality risk in the US (based on approximately 35,000 listed companies) is now 32% compared to 5% risk 50 years ago. Many factors have contributed to this picture, but technology-based disruption has undoubtedly played a part.

It used to be said that big companies eat smaller ones, but as Jason Jennings, an authority on business leadership and innovation points out, today it's the fast that eat the slow. Ecosystems and networks have always played an important role in business and commerce, but as global markets become ever more accessible due to digital technologies, they are becoming more important than ever. However, no matter how large or well established a company is, one can never know who will be a partner one minute and a competitor the next. This uncertainty is unsettling for some companies, especially where size and market share are deemed to matter, but there's good business advice in the old saying "keep your friends close and your enemies closer."

We are entering a new era, where collaborative partnerships across geographic, economic, and industry boundaries will drive the next phase of disruption innovation. This era will present many examples of customer-led innovation, where companies react to explicit demands and market expectations, but long-term success for individual organizations is more likely to be found in customer-adaptive innovation. Customer-adaptive innovation is proactive in nature, and it is grounded in a deep, empathic understanding of customer needs, requirements, and expectations. This understanding must be holistic and should recognize the fact that such needs don't usually exist within silos; they are often conjoined or convergent. Because of this, organizations that are proficient in intercompany, cross-market, global collaboration and innovation are more likely to steal the advantage from those that are not.

Every new project or business venture is a bet on the future. But only those organizations willing to commit to the notion that the customer is central to their purpose, and that constant innovation is fundamental to creating long-lasting value, are likely to survive. Steve Jobs used to conclude his presentations with a slide showing a street sign depicting the intersection of *Liberal Arts* and *Technology*, so perhaps this is a good place to start looking for innovation in your organization.

Appendix

Further reading

"If you are not customer-adaptive your survival is at risk," IT0020-000178 (February 2016)

"Collective energy – making the most of an engaged, collaborative workforce," IT0021-000129 (November 2015)

The Customer-Adaptive Imperative in Knowledge-Intensive Industries, IT0020-000166 (November 2015)

The Customer-Adaptive Imperative, IT0020-000091 (March 2015)

Taking Control of Innovation to Drive Customer Relevance and Growth, IT0020-000041 (July 2014)

Creating an Environment for Continuous Innovation, IT015-001849 (April 2013)

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