Leadership and Innovation

How IT can effectively lead within the enterprise

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Innovation. Profitable Growth.

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iBusiness Innovation

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Business Innovation Conference

Wheaton, IL
October 5-7, 2009
Illinois Institute of Technology

Business Innovation Conference
2009

Business Innovator Certification

ILLINOIS INSTITUTE OF TECHNOLOGY
Transforming Lives.Inventing the Future.

The Objective

To explore opportunities for growth in the IT environment, learn performance tools, and understand innovation framework.

Outline:

- Understanding true needs of customers
- Developing innovative solutions
- Making IT a value proposition
- Measuring success
- Innovation framework
- Becoming part of the mainstream business
- IT growth through excellence and innovation

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Economic Look

Annual Percentage Change in U.S. GDP: 1990-2008
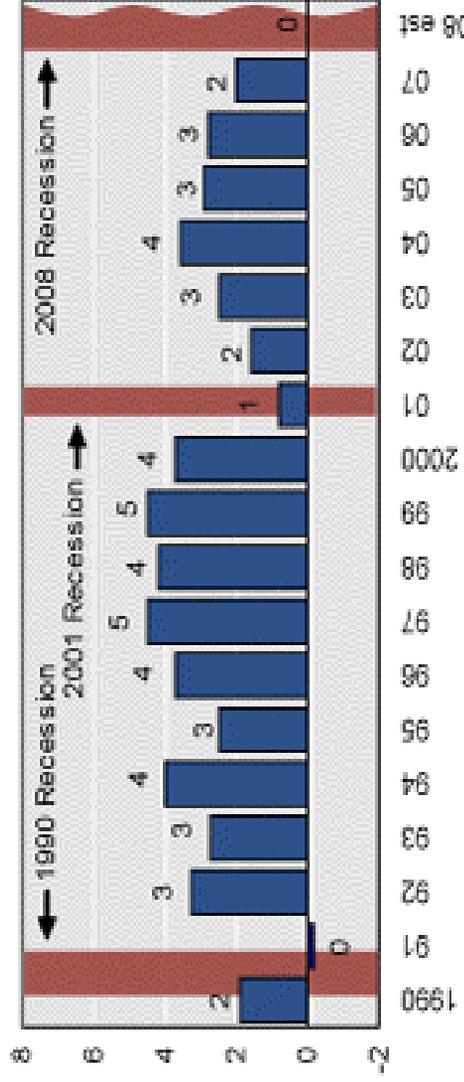
Source: U.S. BEA (estimate by Computer Economics), 2008

Figure 1
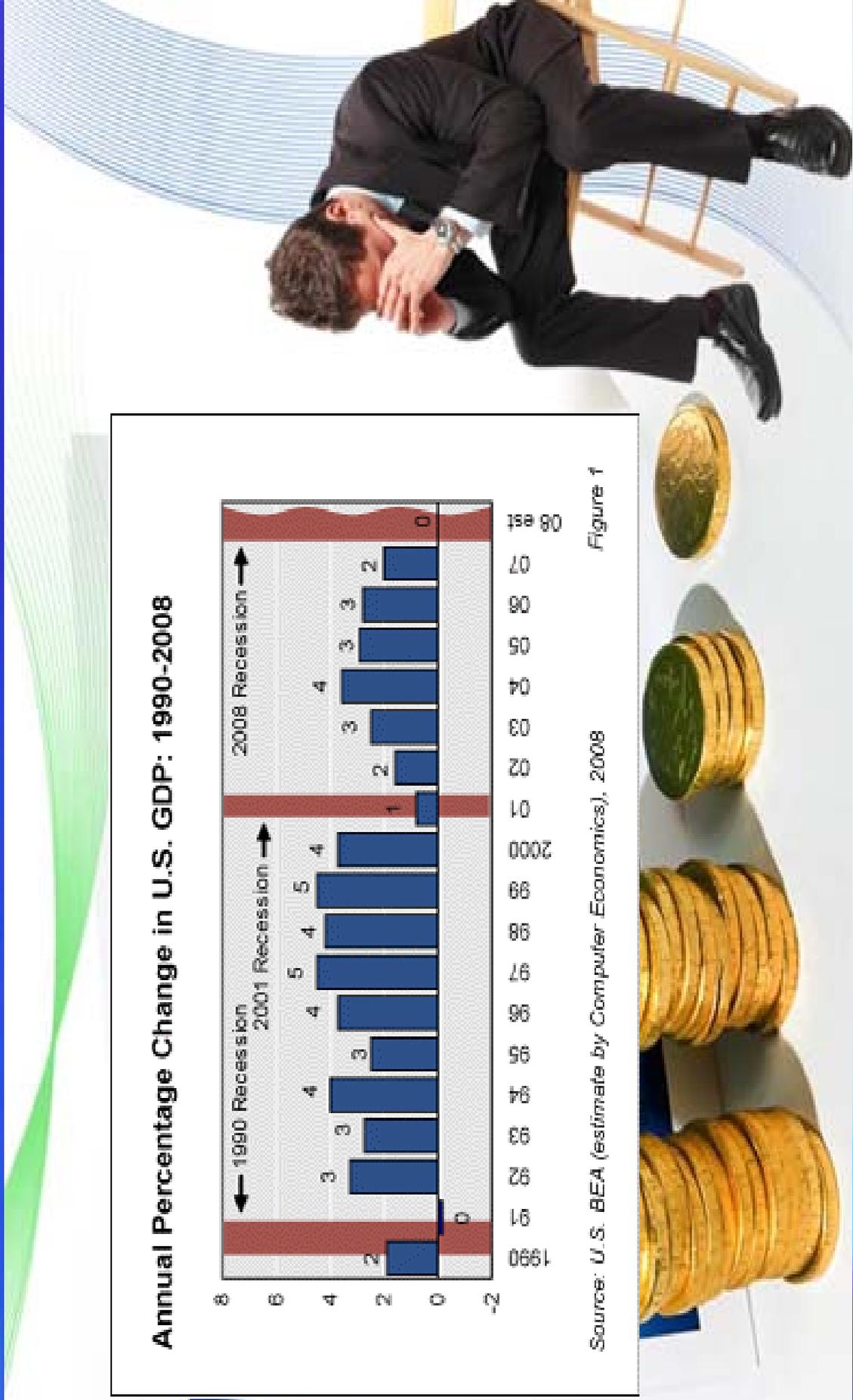
IT Challenges Today

- Perceived to be a cost center rather than a value center
- Boxed in a supporting role rather than a leading role in Information Age
- IT Departments react to employee needs rather than create needs for their value-add services
- Most IT departments are occupied in maintenance activities and been justifying their existence
- Not considered innovators even though many innovations come from IT departments
- There is always a lingering threat of outsourcing IT functions, and fear of being dismantled

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Typical IT Organization

```
        CIO/VP
          |
  +-------+-------+
  |       |       |
  1       2       3
Maintenance  IT      New Products/
& Support  Management  Solutions
```
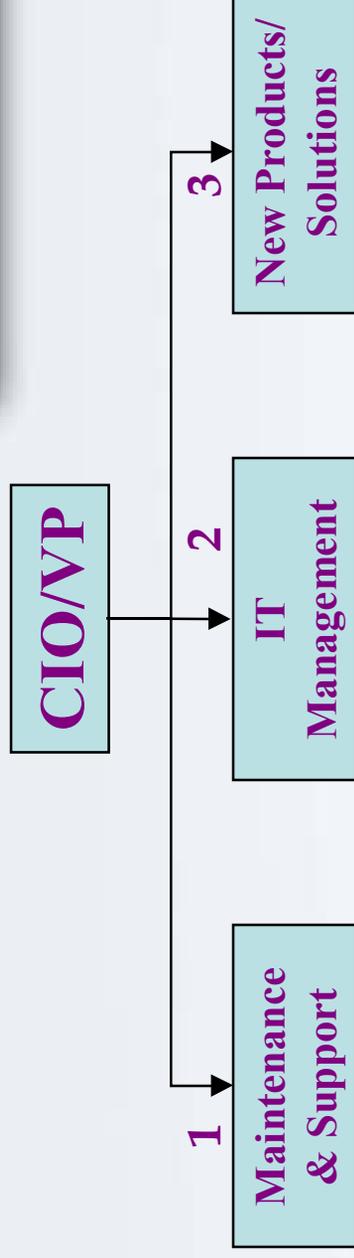
1. Reactive (Justify errors)
2. Sustainability (Resist changes)
3. Delivering value (Expect customer complaints)

The IT Opportunity

The leadership role meant for IT in the Knowledge (information, intelligence, and innovation) Age.

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Love Thy Customers!

Feel their Pain☹

- – Complaints
- – Nagging problems
- – Indecisions
- – Repeat problems
- – Upset employees
- – Technical challenges
- – Stagnation
- – Circumstances
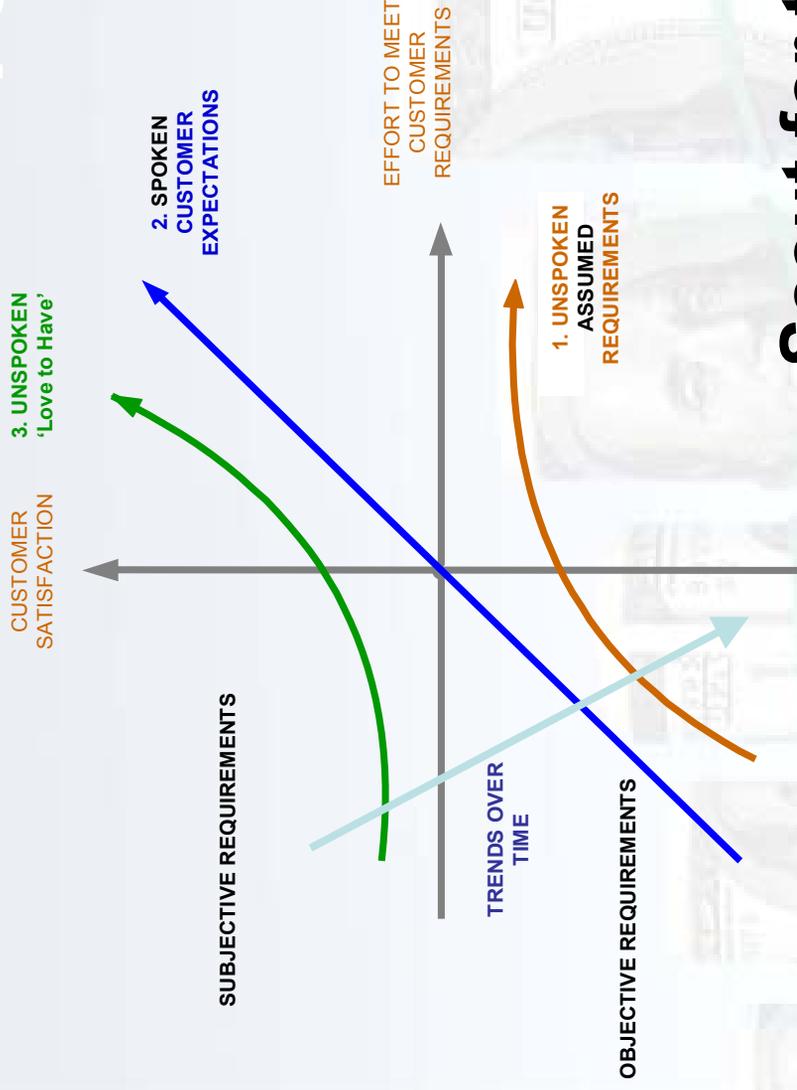
Scout for the opportunity!

CUSTOMER SATISFACTION

3. UNSPOKEN 'Love to Have'

2. SPOKEN CUSTOMER EXPECTATIONS

EFFORT TO MEET CUSTOMER REQUIREMENTS

1. UNSPOKEN ASSUMED REQUIREMENTS

SUBJECTIVE REQUIREMENTS

TRENDS OVER TIME

OBJECTIVE REQUIREMENTS

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Understanding Excellence

Shoot and Aim

Marginal Output

Acceptable

Just Do IT!

Marginal Output

LSL

USL

Marginal Output
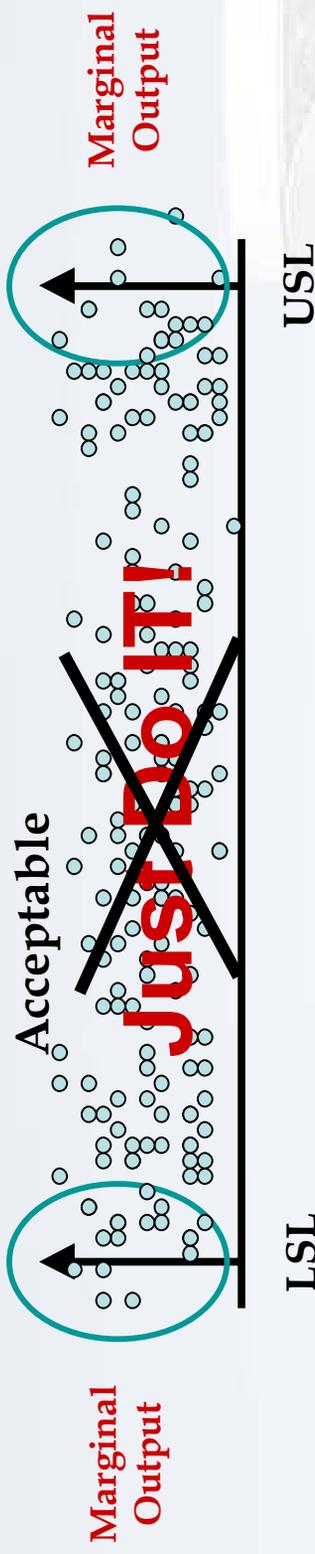
We build to limits, and check for acceptability through inspection within limits
Aim and Shoot

No Marginal Output

Do IT Well!

Excellence

Target

No Marginal Output

LSL

USL
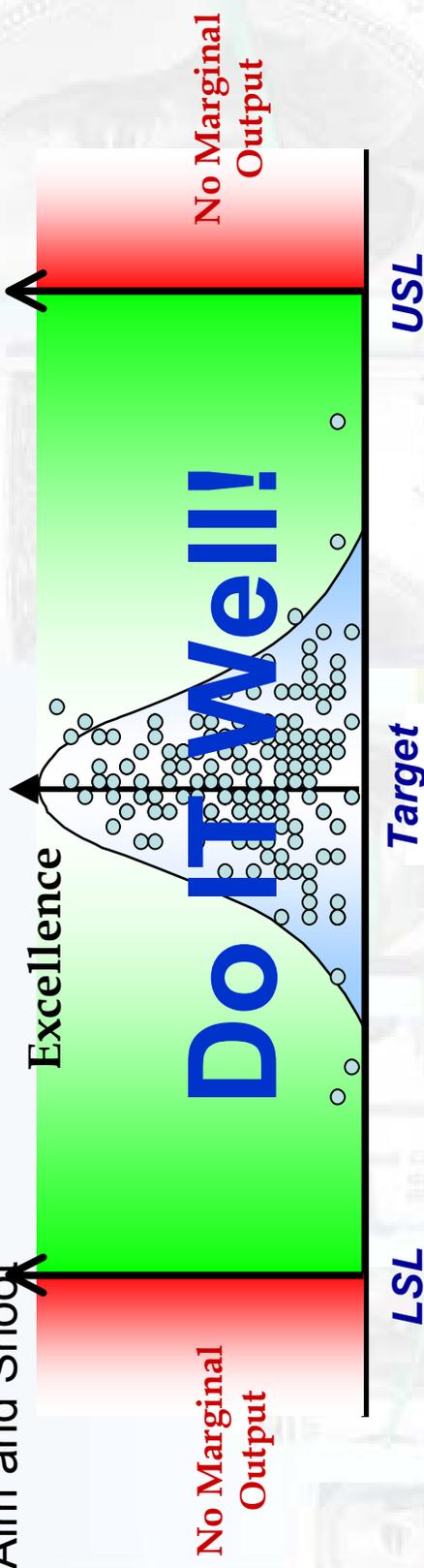
Service Scorecard and SPIn

Element	Measurements	Signifi-cance	% Score	SPIn Points
Growth	Revenue growth from new services	10	70	7
Leadership	Employee Recognition	15	40	6
	Return on net assets	15	70	10.5
Acceleration	Rate of improvement	20	50	10
Collaboration	Reliability of partners	5	80	4
	Cost of services	5	60	3
Innovation	Ideas (C) Satisfaction (D) Involvement (R)	10	60	6
Execution	Accuracy	5	85	4.25
	Responsiveness	5	90	4.5
Retention	Customer Loyalty	10	60	6
	SPIn			61.25

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Information Technology Index

Measurements	Score (%) (A)	Significance (B)	Net Score A x B/ 100
Employee Recognition		15	
Number of P/G Solutions		15	
Rate of Improvement		20	
Ideas per Employee		10	
Collaboration with Suppliers		5	
Cost of Supplier Services		5	
On-time Performance		5	
Error/Churn Rate		5	
New Applications Requests		10	
Employee Love		10	
IT Performance Index		Sum =	

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Innovation Framework
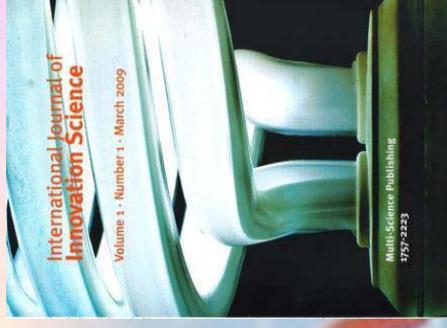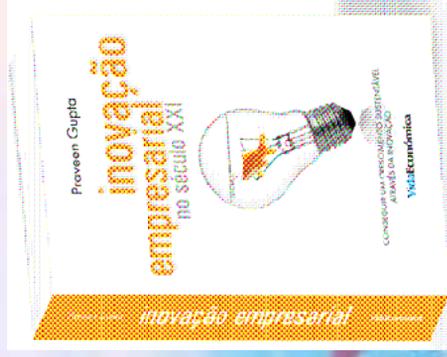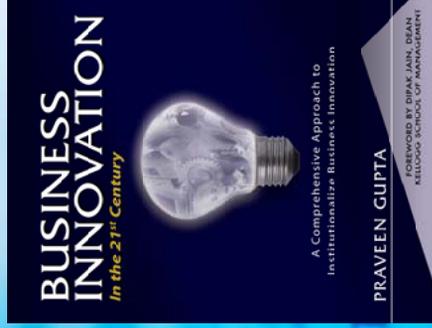
Business Issues

1. **Compete on cost-basis, not on value**

2. Need meaningful national strategic plan for innovations based on natural competencies instead of some standard approach to innovation

3. **Lack of education in innovation**

4. Lack of direct interaction with global customers

5. No specific funding and resource commitment

6. **Ineffective measures and management**

Words of Wisdom

"Constant reinvention is the central necessity... We're all just a moment away from commodity Hell"

- Jeffrey Immelt

"Intellectual property has a shelf life of a banana."

- Bill Gates

"When you innovate, you've got to be prepared for everyone telling you you're nuts."

- Larry Ellison

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Business Innovation Defined

- Continually and efficiently developing breakthrough innovations for offering higher value to customers, achieving profitable growth for businesses, and gaining competitive advantages in the marketplace.

- Breakthrough is defined as the advances that will significantly effect financials by changing the game using the Rule of 2.

Business innovation begins with strategy and ends with profitable growth for an organization.

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The Innovation Trend

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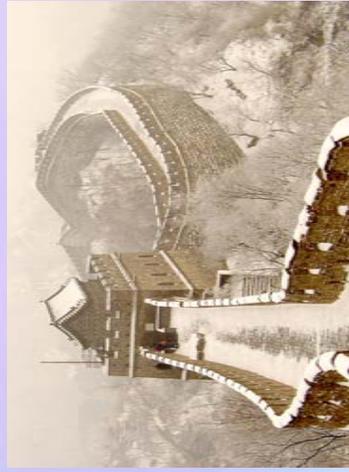
Thinking G.C.S.F

Thinking Time (min) Per Idea
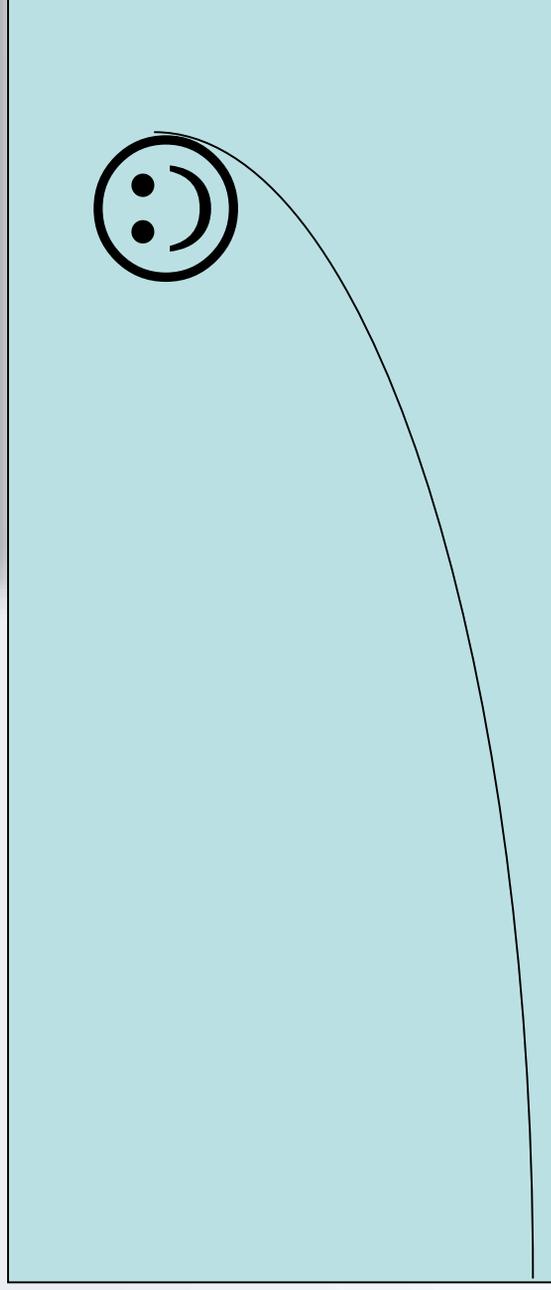
Good

Crazy

Stupid

Funny

Extent of Innovation

Create new opportunities by combining two or more ideas uniquely.

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Thinking Cards

Crazy Ideas	Stupid Ideas
Promote the organization amongst the high school students.	Attract members to meetings by having dancing ladies/men to entertain.
Good Ideas	**Funny Ideas**
Bring in recognized business leaders to speak at monthly meetings	Have a "Quality idol" competition for fundraising

Let's play cards!

Portfolio of Innovations

Innovation ≈ Effort x f(Knowledge, Play, Imagination)

Brinnovation™ ------------→

Imagination

Play

Knowledge

	Triz		
Microsoft, IBM	Rubbermaid	Application Developer	
CoC	Motorola	Current work on innovation	
Edison			
Newton			
Einstein			

Speed of Thought →

Fundamental	Platform	Derivatives	Variations
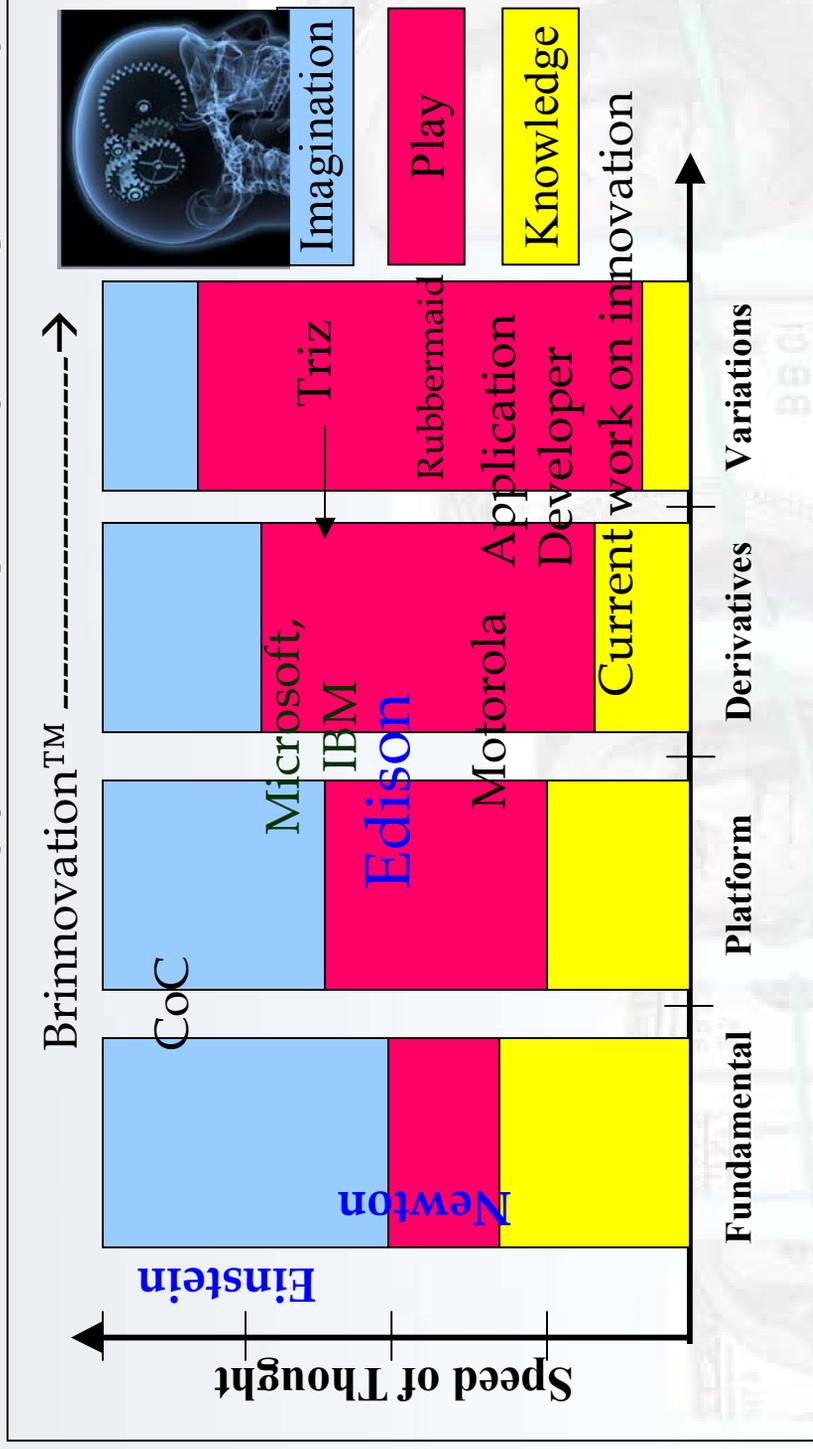
Have we defined our portfolio of IT innovations?

Portfolio of Innovations

Variation

Derivative

Platform

Breakthrough Innovation = Rule of 2
If less is better, at least 50% reduction (/2)
If more is better, at least 100% increase (x2)

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The T.E.D.O.C. Methodology

| Target (T) *Opportunity*	Explore (E) *ideas*	Develop (D) *Alternatives*	Optimize (O) *Solution*	Commercialize (C) *Innovation*
• Listen to customer for specific needs • Making customer's life easier, better, and richer	• Explore 'what if' scenarios • Research customer's customers for their value proposition	• Create innovative options for the customer, and customers' customers	• Optimize the solution for the customer giving the best value	• Close the deal – What – When – Value – Fun
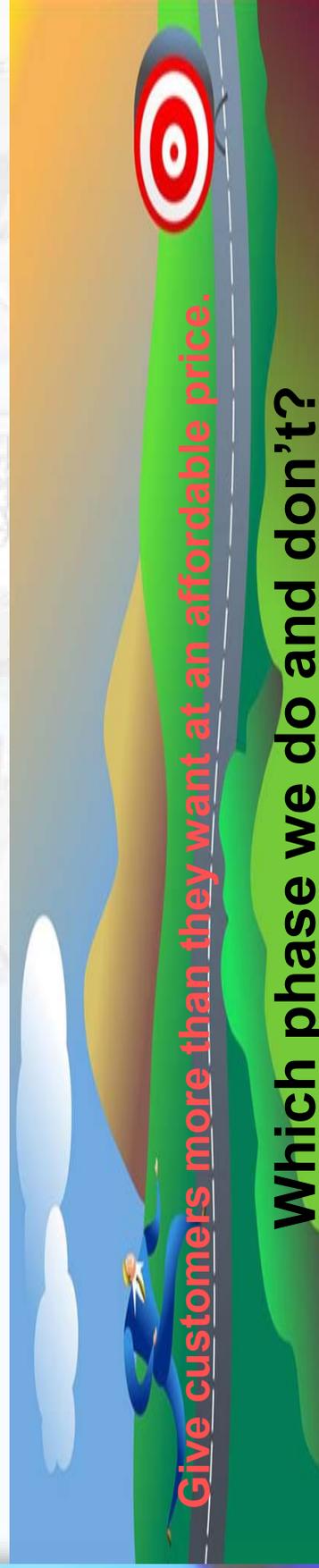
Give customers more than they want at an affordable price.

Which phase we do and don't?

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Easing Customer Pains

Potential ideas for growth	Effort x f (Customer Knowledge, Play, Imagination)			
	Fundamental	Platform	Derivative	Variation
Classify customer needs				
Categorize Customers' buying needs (Schedule for innovation)	5 - 15 yr. Long Term	2 - 5 yr. Short Term	1 - 2 yr. Near Term	Now – 1/2 yr. Immediate
Ideas to innovate now (What to innovate)				

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Capitalizing Opportunities

	Low —— Process Excellence —— High	
High	**III** Thought Leadership **Few Breakthroughs** **(Short-term Growth)**	**IV** Market Leadership **(Sustained Economic Growth)**
Low	**I** Me Too Products **Lost opportunities**	**II** Process Leadership Improvements **(Profit)**

Innovation

Process Excellence

The IT Business

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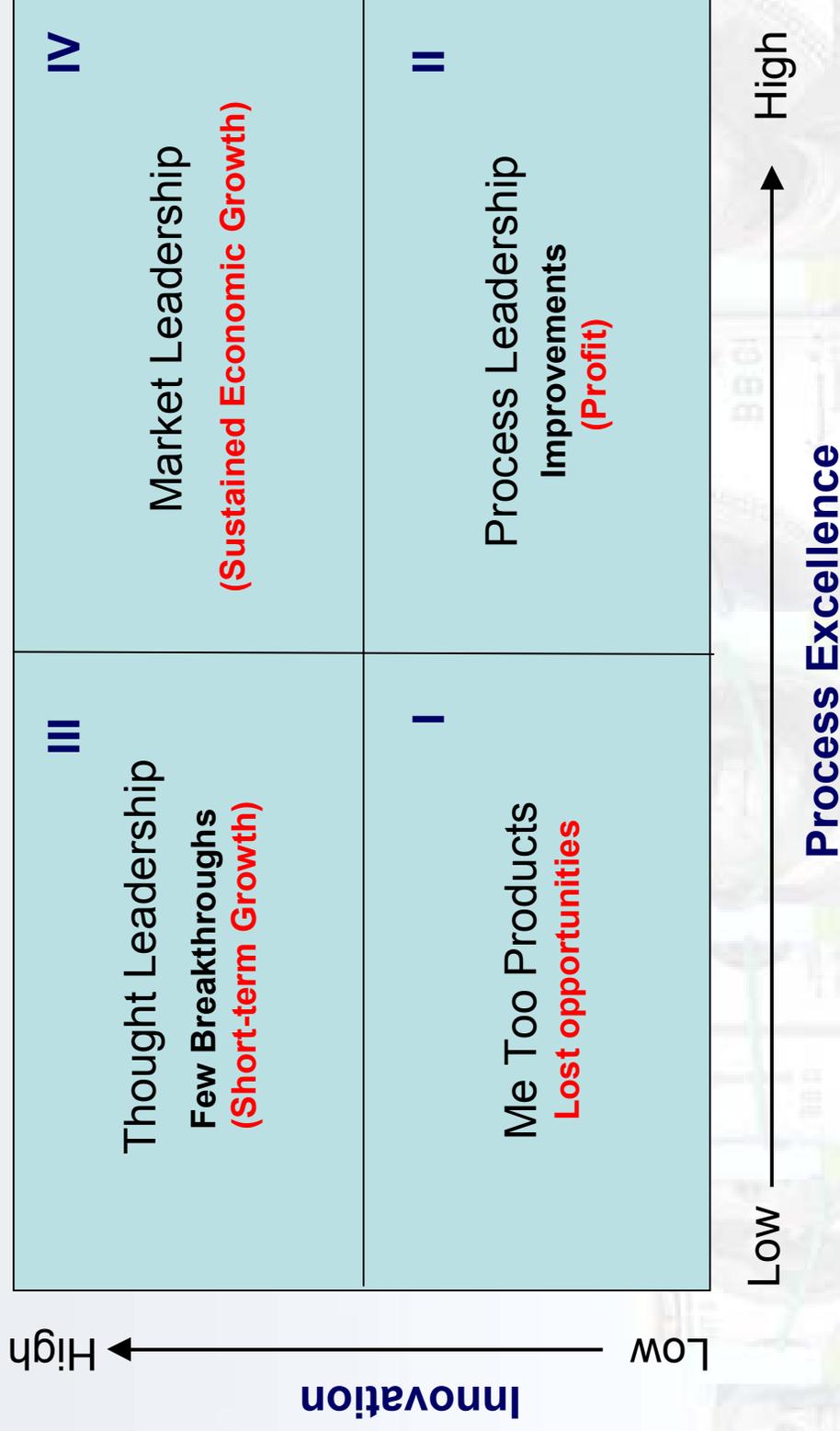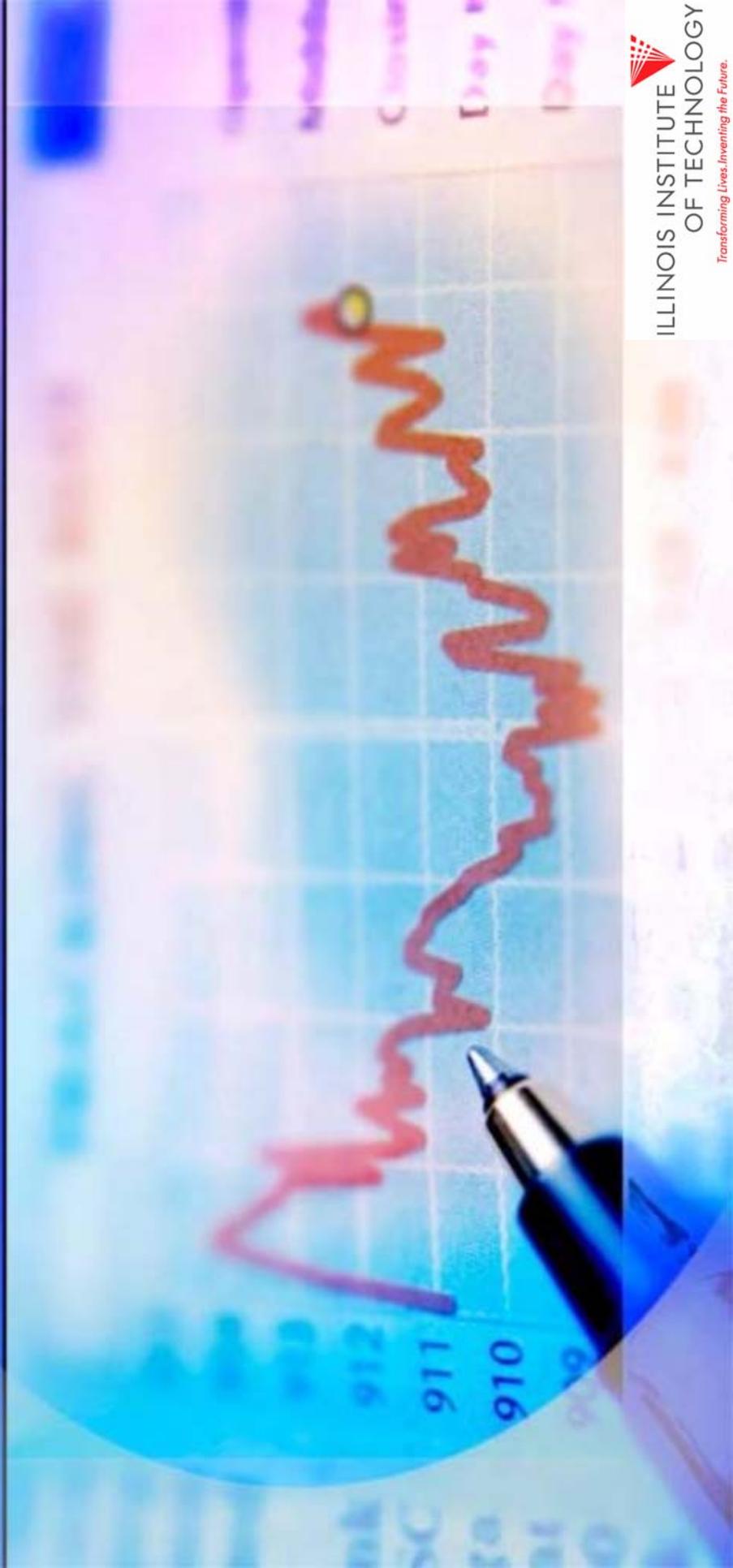
Case Study: Infosys

(Ref: Service Scorcard, by Tyagi and Gupta, 2007
www.infosys.com

Framework	Sample Objectives	Performance Measures
Values and Ethics	Be a responsible corporate citizen	Contribution to Infosys Foundation
Financial Performance	Improve profits Achieve revenue growth Reduce operations cost Improve return on capital	% improvement margin Revenue Accounts receivable Return on capital employed
Client/Market Focus	Grow large accounts Enhance client satisfaction Strengthen brand position Broaden business footprint	% revenue increase from large accounts Annual client satisfaction index # of significant client references % of revenue from services introduced in last two years
Operational Excellence	Improve quality and productivity Optimize resource utilization Strengthen internal collaboration Leverage intellectual property	Rework cost as % of total effort % utilization % of revenue using re-usable components
Talent Management	Recruit quality talent Develop and retain competencies Strengthen performance ethics Develop workforce diversity	% of recruits receiving A grade in a comprehensive test % of annualized attrition Variable payout as a % of budgeted payout % of female employees
Scale Infrastructure	Scale infrastructure	% of schedule slippage of critical projects

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Competitive Situation

Convergence causing disruption to legacy business models

Need to:
- Replace resources
- Overcome "offshore-is-cost-center" mindset
- Combat revenue cannibalization
- Provide seamless sales and delivery
- Reduce SG&A
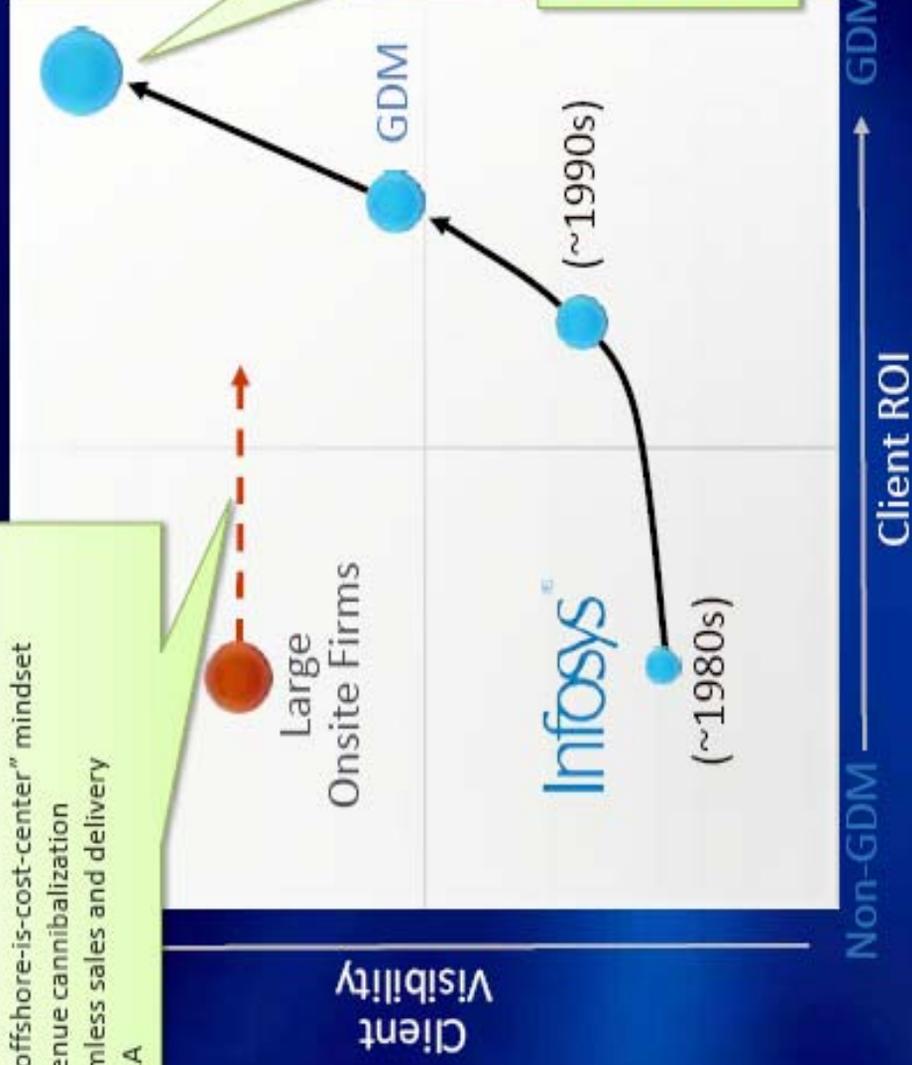
GDM + Consulting

Next Generation Business Model:
- Consulting + solution mindset
- Continue to strengthen brand
- Strengthen Board-level relationships
- Thought Leadership

Client Visibility

Large Onsite Firms

GDM

Infosys

(~1990s)

(~1980s)

Non-GDM — Client ROI — GDM

Next Generation Business Model

2008
- SaaS
- Learning
- Consulting
- Business Process Management

2001
- IT Outsourcing
- Systems Integration
- Independent Validation Services
- Infrastructure Management
- Product Lifecycle Management

1996
- Technology Consulting
- Technology-enabled BPR
- Enterprise Solutions

1981
- Application Development and Maintenance
- Software Re-engineering

People | Organization | Infrastructure | Process | Quality

Infosys Global Delivery model

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Infosys Innovative Way

As Infosys penetrates every entry point in the product lifecycle, it experiences a close working proximity with various stakeholders in the value chain. Kris (Even changed the name) Gopalakrishnan, Chief Operating Officer, Infosys Technologies Ltd., said, "Infosys works with the creators and end-users of technology. Our engagement with the creators of technology - usually product engineering companies - helps us gain early visibility into technology and aids us in co-creating new products and services in their industries. As a result, Infosys enjoys better understanding of the needs of the ultimate end-users of technology." .

CEO's View of CIO's

CEOs rate an inflexible infrastructure and insufficient access to information as two of the top ten obstacles to innovation.

CIOs need to develop the right climate for business model innovation within the IT organization

Adopting a customer-centric approach will increase IT's ability to innovate in ways that positively impact the business.

When technology is combined with business and market insights companies can achieve their highest innovation potential.

CIOs figure prominently in effecting the changes that will enable companies to realize the promise of business model innovation.

Ref: IBM Global Technology Services, May 2006

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# The New IT Organization

CIO/VP

- IT Scorecard/Financials
- Innovation Management
- Employee Relationships
- IT Management
- Partner Relationship Management
- New Products/Solutions
- Maintenance & Support

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Be a Leading Officer

Executive Officer

Financial Officer

Operating Officer

Growth Officer

Innovation Leadership

Idea Management

Creativity Culture

Where is the IT Guy?

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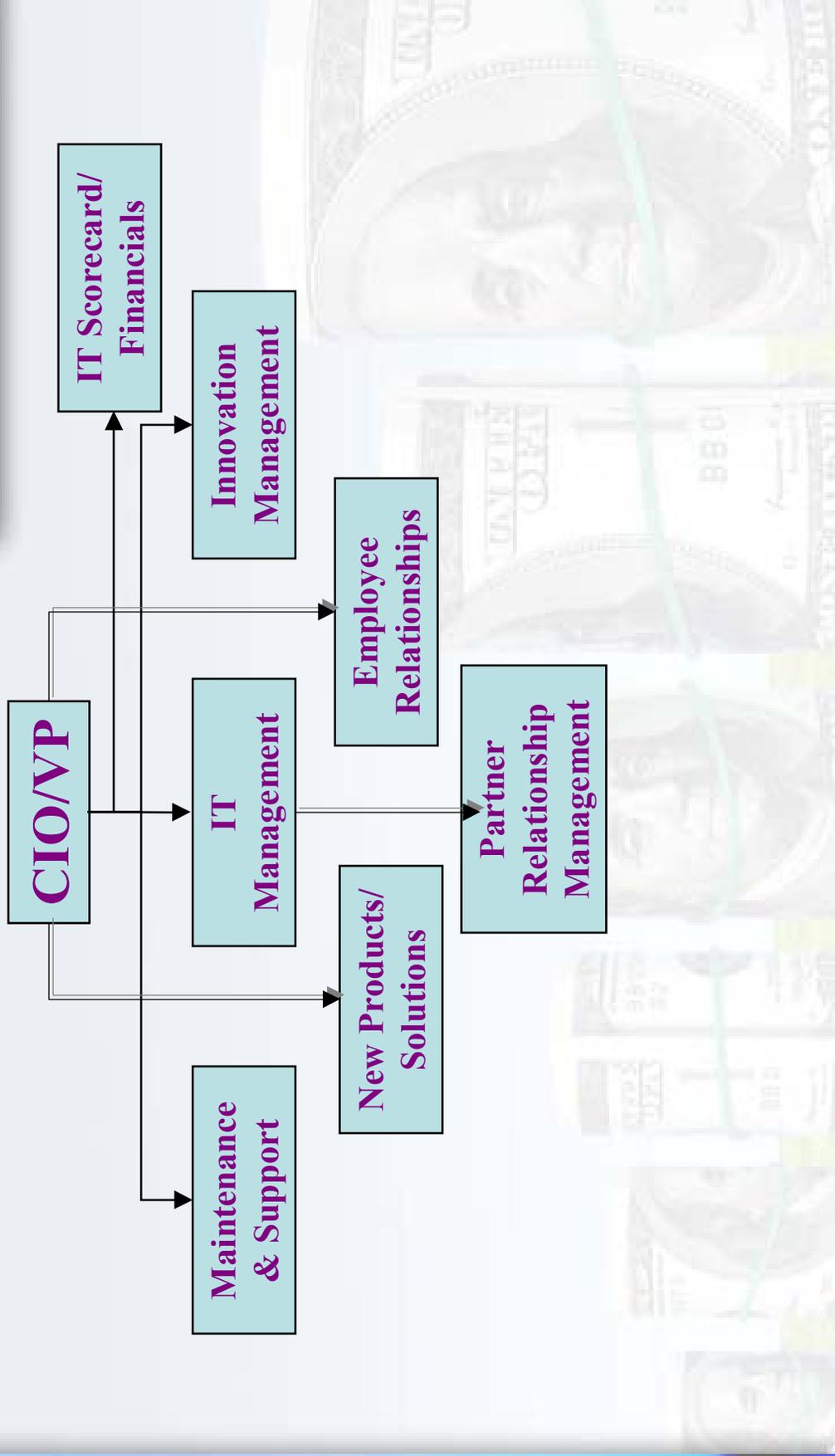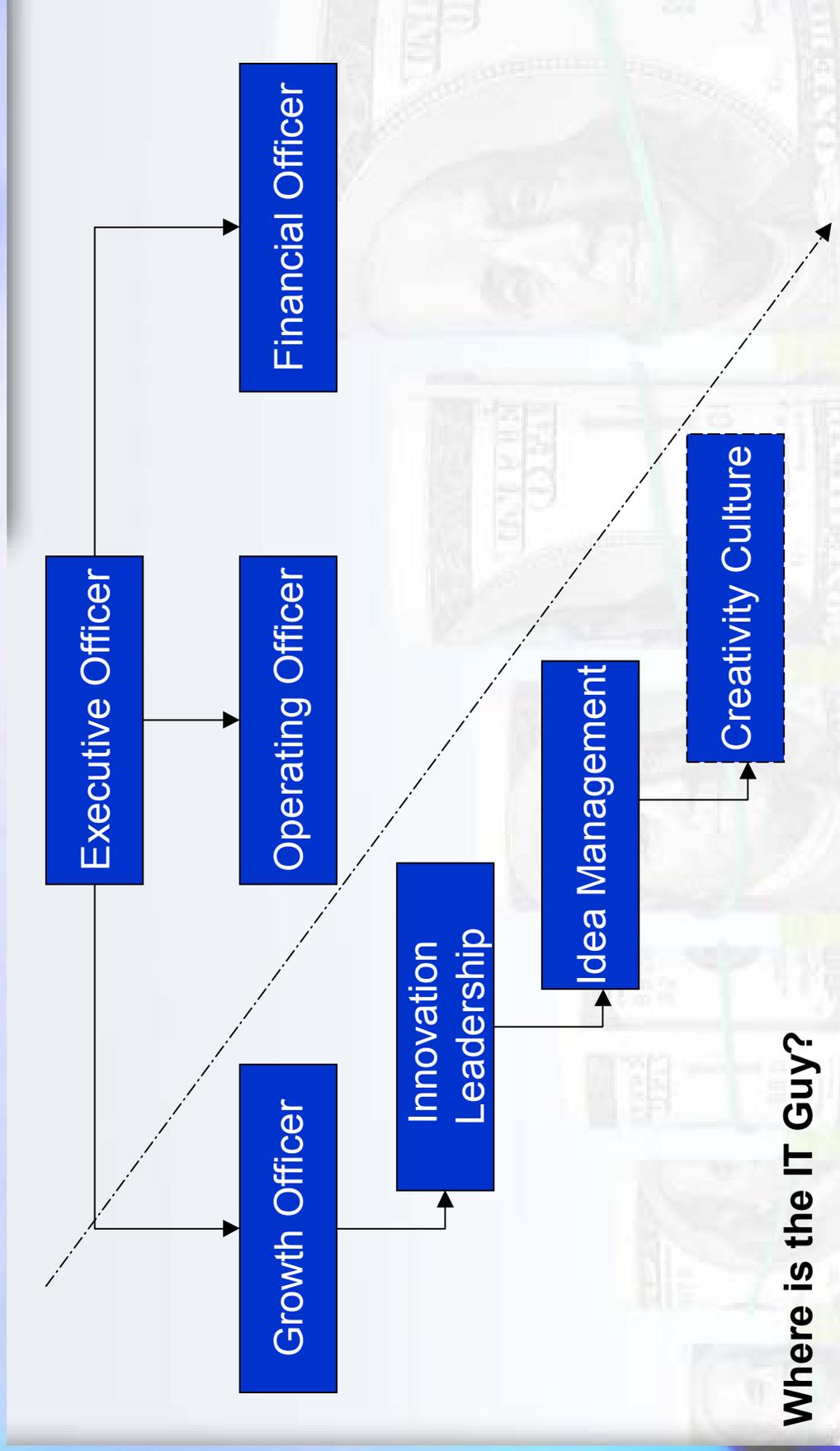
Launching Innovation

- Need ton of ideas to get one new business product
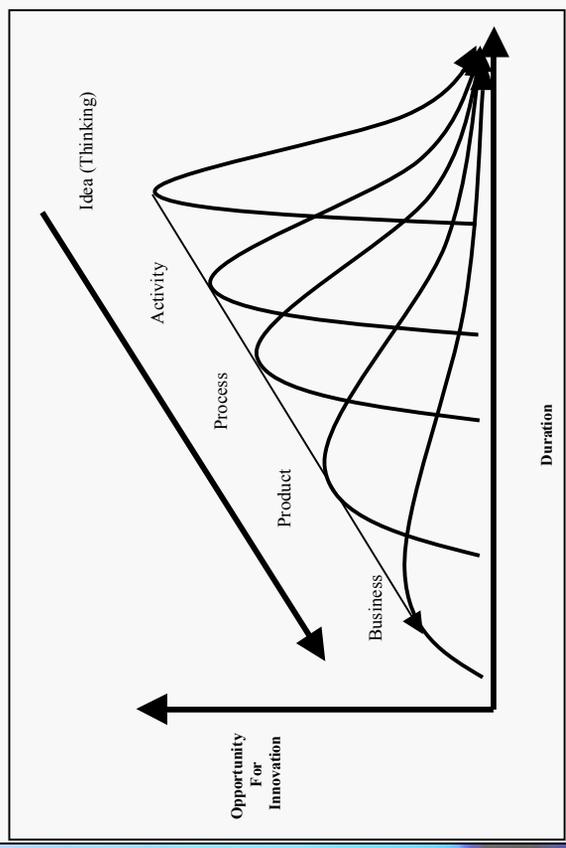
1. **P**romote innovation - **R**ecognize and reward employees for innovation

2. **A**ccelerate intellectual involvement - Excel in listening to all ideas

3. **C**ollaborate to grow sales through innovative solutions

Opportunity
For
Innovation

Idea (Thinking)

Activity

Process

Product

Business

Duration

Corporate Growth

Invest in leadership development

Educate managers in innovation

Capture key value growth ideas

Allocate resources for innovation

Develop new innovative solutions

Monetize and Institutionalize Innovation

Start before you need to

Appoint a senior leader

Designate a team of experts

Train the troops

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Be a Leading Officer

CIO - Information, Intelligence, Improvement, and Innovation

Executive Officer

Financial Officer

Operating Officer

Growth Officer

Innovation Leadership

Idea Management

Creativity Culture

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CIO - Information, Intelligence, Improvement, and Innovation
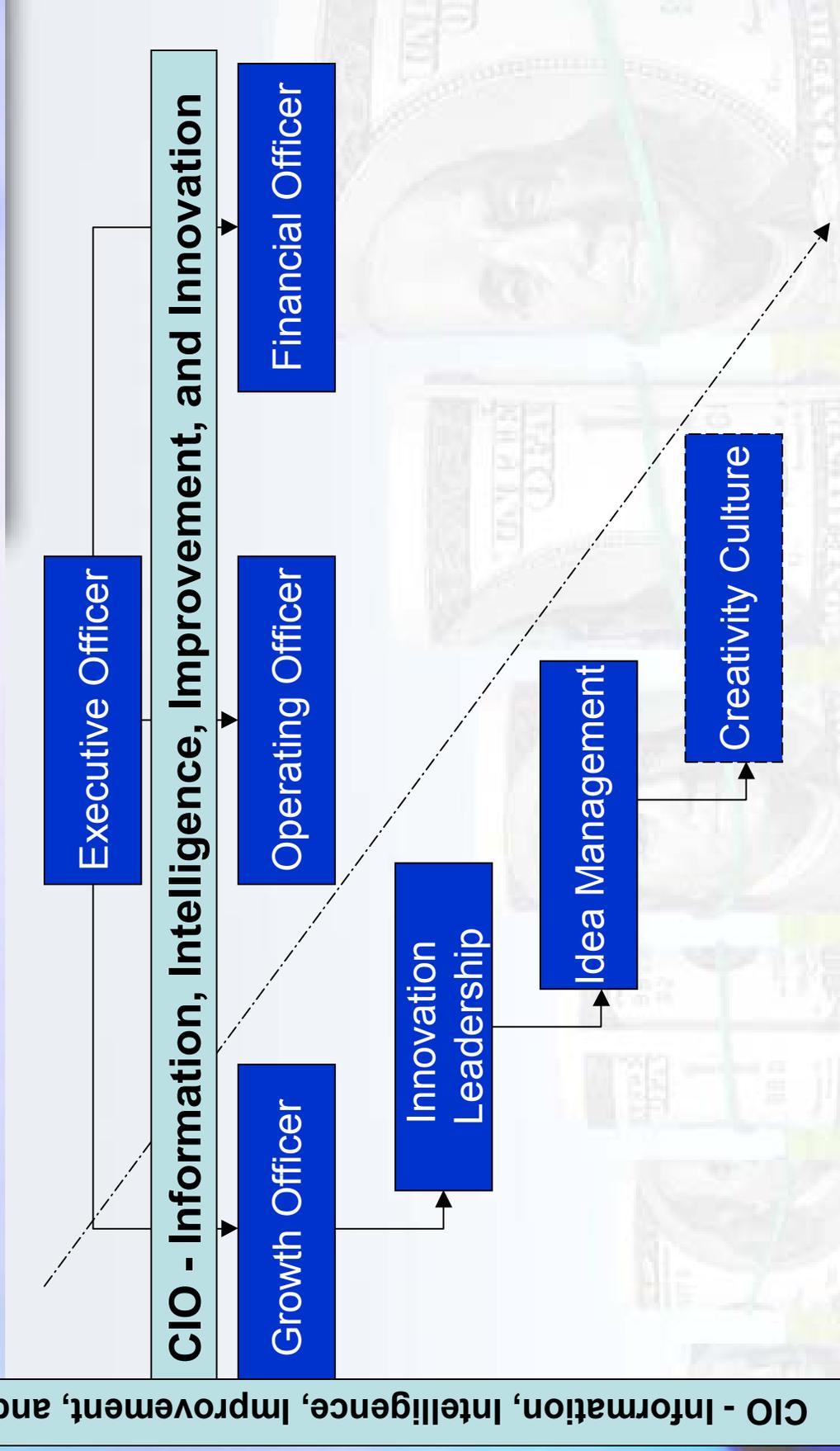
The Task at Hand

1. IT is your business
2. Run like a business, not like a shop
3. Information and technology are your competitive weapons
4. **LEARN TO EXCEL AND INNOVATE**
5. Love and serve your customers
6. Create value-add services
7. Service your solutions
8. Sell, lead, and enjoy!

The IT Opportunity

The leadership role meant for IT in the Knowledge (information, intelligence, and innovation) Age.

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Summary

1. Be an opportunist - visit customers, feel their pain
2. Recognize changing customer profiles
3. Instead of pushing technology, pull your customers for information, intelligence, and innovation
4. Think innovative (G.C.S.F.) for creating options
5. Maintain a portfolio of innovations (F.P.D.V.)
6. Practice disciplined innovation process (T.E.D.O.C.) for profitable revenue
7. Innovate for customers' immediate or near term needs

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Business Innovation – Training and Certification

Welcome to the Business Innovator Certification launch. By learning to be more innovative and achieving the Business Innovator Certification you will gain the confidence in innovating solutions for personal and professional growth. In this knowledge age, innovation competency has become an evolving necessity at individual and corporate levels.

Given the state of the economy, and challenges faced by everyone, innovation skills will enable us to create new opportunities either as an entrepreneur or as an employee. In either case, we must maximize utilization of our intellectual resources.

The Business Innovation class offered at IIT, Chicago is an unparalleled course offering the participants a comprehensive approach to learning a reproducible methodology, from identifying an opportunity to monetizing a creative solution. After all, innovation is applied creativity.

Encouraged by exceptional feedback over six semesters of our Business Innovation Course (IT 582), we are launching our innovation programs for industry. The programs include:

SC 824 Business Innovator Training and Certification (Innovation for Professionals)

SC 825 The T.E.D.O.C. Training (Innovation for Managers)

SC 826 Master Business Innovator Certification (Train-the-Trainer in Innovation)

SC 827 Innovation Overview for Executives (Innovation for Executives)

The participant must pass the Business Innovator Certification test to become a certified Business Innovator or a certified Master Business Innovator.

Praveen Gupta

Praveen Gupta, a management consultant, has authored several books including Business Innovation in the 21st Century, Stat Free Six Sigma, Six Sigma Performance Handbook, and Service Scorecard. Praveen is Editor-in-Chief of International Journal of Innovation Science, and writes a monthly column Manufacturing Excellence in the Quality magazine. Praveen frequently speaks at conferences internationally.

Praveen has been recognized as a thought leader in areas of excellence and innovation. He has developed Six Sigma Business Scorecard, the 4P model of excellence, Breakthrough innovation, and Stat Free Six Sigma methods that have been translated and used worldwide.

Praveen, the founding president of Accelper Consulting (www.accelper.com), has worked at Motorola, and AT&T Bell Laboratories, and consulted with about 100 small to large size companies including CNA, Abbott Labs, Superior Essex, Dentsply, Hexel, Experian, Sloan Valves, Weber Markings, Wayne State (Ford), and Telular. Praveen taught Operations Management at DePaul University, and Business Innovation at Illinois Institute of Technology, Chicago. He has conducted seminars worldwide for over 20 years.

Accelper Consulting provides training and consulting services in the area of innovation, Six Sigma and business performance for achieving sustained profitable growth. Praveen can be contacted at praveen@accelper.com.

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Have a Good Day!