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IT Can Help Accelerate Business Innovation

by Bobby Cameron
for CIOs



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Making Product, Business Model, And Process Change Sustainable

This is the first document in the “Making Innovation Sustainable” series.

by **Bobby Cameron**

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EXECUTIVE SUMMARY

Innovation has reached the level of near-meaningless cliché, with execs wishing they were engaged in more of it — even though these execs are unclear about what they want. For their part, CIOs want to create a greater role for IT in business innovation, but it’s no longer appropriate for IT to have a separate IT-enabled definition. Why? Innovation is a company challenge, given that technology is increasingly embedded in every aspect of an enterprise. Instead, CIOs should work with their peers to adopt a five-step innovation pipeline process to accelerate the pace of innovation, including: invention and discovery; validation of viability; incubation and investment; implementation and commercialization; and monitoring, measurement, and reward.

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Forrester interviewed 20 senior executives from such companies as Accenture, AT&T, Brooks Health, Capgemini, Con-Way, Dominic Barrow, Going Global Ventures, IBM, Kimberly-Clark, Konica-Minolta, Lionbridge, Merck, Security Benefit Group, Spectrum Health, and ZRG and experts from Carnegie Mellon University, the Harvard Business School, MIT Sloan School, Olin College, and the Society for Information Management.

Related Research Documents

[“The Three Archetypes Of IT”](#)

March 22, 2006

[“Make IT Matter For Business Innovation”](#)

November 3, 2005

[“Innovation Networks”](#)

June 17, 2004

CEOS AND CIOs WANT INNOVATION — BUT WORDS AND DEEDS DON'T MATCH

There seems to be an endless thirst these days for insights into innovation and how to get more of it, to the point where the word has joined the ranks of business cliché.¹ But behavioral contradictions among executives hamstringing this apparent strategic thrust (see Figure 1):

- **Top executives say one thing and do another.** Executives know they want more innovation. The term seems so well understood that surveys don't bother to define it. In McKinsey's 2007 "Global Survey on Innovation," 70% of corporate leaders named innovation among their top three priorities for driving growth, yet only one-third of top managers named it as part of their leadership team's regular agenda.² And where do they focus? In IBM's 2006 CEO study, CEOs ranked business model innovation — a new way to interact with customers or partners — higher than product or service innovation because it can boost profits without extensive time and physical plant costs.³ Unfortunately, firms don't emphasize business model innovation: The 2007 McKinsey responders focus primarily on product and service development within their business units.
- **Top executives say they want their people to help but look elsewhere for ideas.** Unfortunately, CxOs don't rely on internal staff for ideas: In McKinsey's study, 75% of top managers picked external discussion with peers, partners, or suppliers as the primary source for new ideas.⁴ And perhaps they are right not to look internally: The McKinsey study also noted that 32% of middle managers believe that their firms' culture inhibited innovation initiatives.
- **CIOs see technology as critical to innovation, but IT's focus is on efficiency.** IBM's 2007 survey of 170 CIOs shows that they believe "that technology is significantly or profoundly transforming their industries and enabling competitive advantage, but only 16% felt their companies were taking full advantage."⁵ And they see technology as core to the firm's products and services but primarily deploy IT for efficiency.⁶

Figure 1 Executives Say One Thing About Innovation And Do Another



What C-level execs say:

- Innovation is a top priority
- Want business model innovation
- Hope for internal innovation
- See tech as transformational



What C-level execs do:

- Omit it from executive team agenda
- Fund product and service invention
- Look outside as primary source
- Deploy tech for efficiency

Innovation Today Targets Value And Impact — But Is Always Tech-Enabled

Significant shifts in innovation strategy from firms like P&G and IBM — along with related media attention — have made firms aspire to innovation. But based on the surveys cited above, efforts to achieve innovation are confused, with the same organizations that want more innovation admitting that they lack requisite processes — constraining benefits from technology investments and preventing repeatability. So what is innovation and what role do CIOs and technology play in helping accelerate the pace of business innovation?

It's important to first understand business innovation — and although firms depend on technology to operate all aspects of an enterprise and its relationships with partners and customers, it's not about the IT organization. Forrester defines business innovation as:⁷

Transforming a business process, market offering, or business model to boost value and impact for the enterprise, customers, or partners.

Innovation may not be about the IT organization, but it is about technology. Companies cannot design or introduce a new product or service or modify their business models without using technology. But in the emerging era of business technology (BT), an IT organization may not be involved.⁸ IBM CIO Mark Hennessy observed: “If you look at our blogs, *ThinkPlace*, *BizTech*, and *Jams*, the lines are becoming blurred between IT and business — these are really communities or networks of people who collaborate on problems.”⁹

Firms Seek Three Types Of Business Innovation

Business innovations do not have to be earth-shattering in scope, but they must transform the way something is done to create value. Innovations come in three types (see Figure 2):

- **Business process.** Firms innovate in the way work is done to lower costs, speed cycle times, or improve customer satisfaction. For example, AT&T has reduced the number of manual steps in its service ordering and provisioning process with the goal of making it fully automated or “zero-touch,” and Con-Way eliminated laborious data entry of trucker timesheets with an innovative use of OCR scanning.
- **Market offering.** Firms innovate by penetrating new or existing markets with new products or service offerings. For example, Security Benefit Group launched a new business process outsourcing (BPO) service, spun out of the firm's own best practice contract and policy administration services infrastructure.
- **Business model.** Firms can find a new way to interact with customers and partners, without necessarily recreating a new physical infrastructure. New business models are often technology enabled and may be the innovations that can most rapidly contribute to margin growth.¹⁰ For example, Kimberly-Clark reduced the time to introduce new products onto retailer store shelves by building an Innovation Design Studio in which retailers can try out the shopping experience.¹¹

Figure 2 The Three Types Of Innovation Create Value

| Type | Example | At the beginning ... | As produced ... | As measured ... |
|------------------|-------------------------------|--|------------------------------------|---|
| Business process | Con-Way OCR driver timesheets | Requested paper form scanning for data entry | Delivered OCR exception-only entry | Saved \$200K per year from freight cost |
| Market offering | SBG document management | Service that built on core capability | Document imaging workflow | Offshore execution, new revenue |
| Business model | Konica-Minolta | Request for device data feed | Delivered phone-home service | New revenue source |

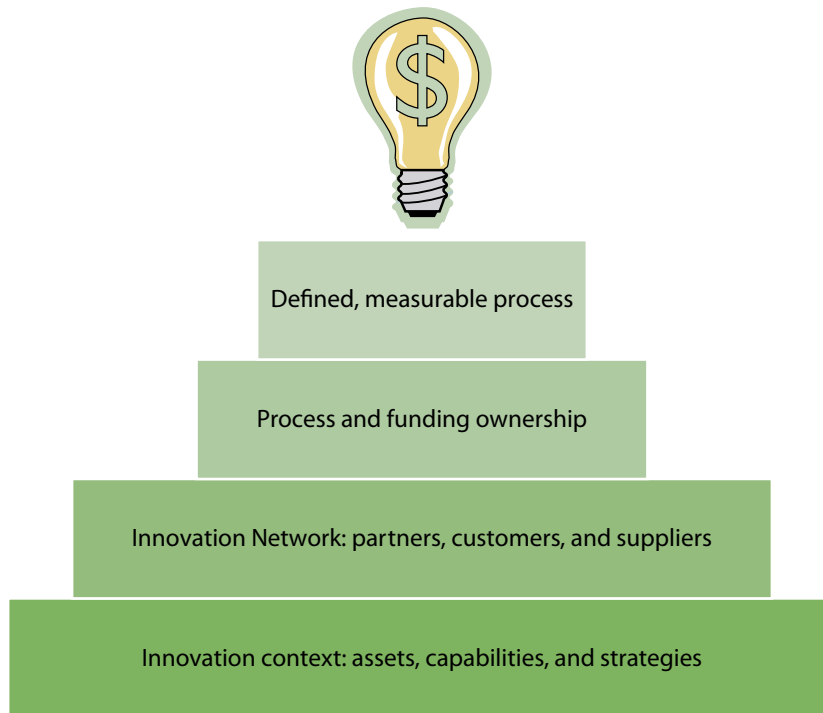
44967

Source: Forrester Research, Inc.

ACCELERATING BUSINESS INNOVATION REQUIRES A SOLID FOUNDATION

Firms with successful and sustainable business innovation work from a solid foundation that includes an understanding of the enterprise’s core capabilities; engages the company’s network of partners, customers, and suppliers; and follows a structured pipeline process (see Figure 3).

Figure 3 Foundation Stones For Sustainable Innovation



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Source: Forrester Research, Inc.

Build An Innovation Context Through Enterprisewide Self-Inspection

Sustainable innovation occurs within the context of explicit desires and strategic guidance from top executives of the firm — and within a culture that both welcomes new ideas and forgives failures. As a starting point for getting the top execs on board, work with other execs across the enterprise to:

- **Assess the firm's portfolio of assets and capabilities.** Business model innovations will capitalize on the capabilities that a firm already possesses and that executives believe make it unique compared with its peers. Innovation can — and sometimes will be accidental. And accidental innovations may turn out to be more significant than deliberate initiatives, as in the video game industry.¹² But to provide sustainable innovation, it is important to go through the introspection to understand these capabilities.
- **Develop and articulate a strategy for growth and excellence.** Potential innovations that support articulated strategies will be more successful — and easier to identify — than ones that are orthogonal to these strategies. Companies, therefore, need to decide whether they want to use their assets and capabilities to achieve operational excellence as a differentiator, to grab additional market share, or to enter entirely new markets.

Cultivate Your Firm's Network Of Partners, Customers, And Suppliers

Business innovations don't come from any single source — no matter how good that source may be. That's why P&G and IBM are making significant investments in looking across their business networks for new ideas. Houghton Mifflin defines its network as, "An extended group of people with similar interests or concerns who interact and remain in informal contact for mutual assistance or support." To pursue their networks, top executives will push beyond their busy schedules, comfort zones, and assumptions to ensure that they:

- **As CxOs — look inside as well as outside.** In addition to their long-established practice of talking to customers, consultants, and suppliers, CEOs and other CxOs should exploit the innovation potential that exists inside the firm. For example, could regular brainstorming sessions with senior staff from IT, marketing, and sales focus problem-solving about gaps in the current portfolio?
- **As CIOs — look outside as well as inside.** IT executives must always be vigilant about becoming too insular in terms of ideas and possibilities for their enterprises. Instead of thinking of their vendors and consultants as merely suppliers, they should engage with them in regular brainstorming and thought leadership exchanges built on frank sharing of both assets and gaps in the enterprise's portfolio.¹³

Clarify Funding And Process Ownership

Firms should not wait to invent or discover a great idea and then scramble to find ways to fund it and get it developed. They may discover that they have no processes to vet the idea, build the

business case, and resource and develop it. Or they may marshal all the critical elements for success once — but find they are unable to sustain a stream of promising ideas. Instead:

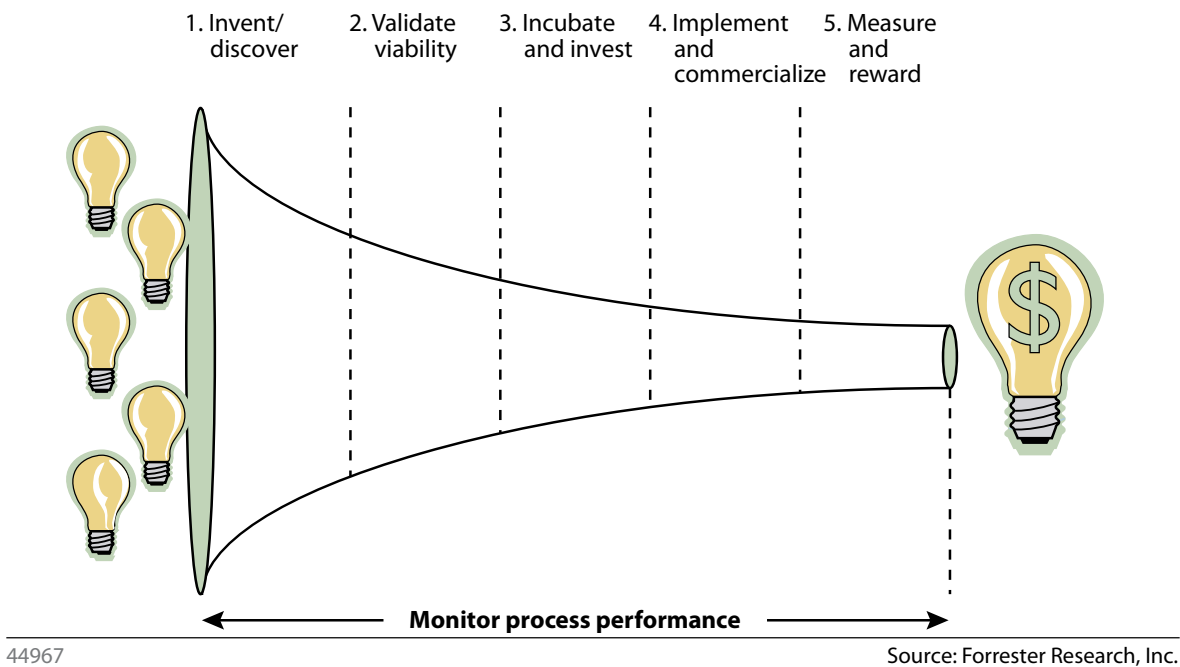
- **The executive team should nominate a virtual process leader.** Especially for firms that are just ramping up innovation efforts, someone needs to propel them forward. That person can be the CIO, even in situations where the IT organization may not be directly involved. This is particularly appropriate when the CIO is the individual who first detects an opportunity or one who has the prior track record to successfully drive a cross-functional initiative.
- **Cross-functional resources should be made available.** To innovate, research has shown that people with a variety of skills and backgrounds, including individuals unfamiliar with the “old” way of doing things, need to be assembled. This includes outsiders, described in a recent book by Cynthia Barton Rabe, as zero-gravity thinkers.¹⁴ So executives should be willing to give up valuable and busy staffers to participate in innovation initiatives.
- **Corporate and business units should budget nonspecific innovation funds.** For some firms, funds are too easily diverted into the day-to-day operations of business units. In that case, cross-functional “third-party” oversight/governance at the C-level should ensure that top execs have budget “kitties” set aside to fund prospective innovations that match the firm’s strategic context and executive desire for improving a current capability or making a business model change.
- **The executive agenda should regularly revisit budget, project, and leadership.** One reason innovation initiatives are not sustainable is that senior executives pay little attention to them. As the McKinsey study noted, 70% of the time, innovation is not on the leadership team’s regular agenda. If the organization is committed to creating a sustainable innovation process, the executive team needs to regularly revisit whether budget levels are adequate, how projects are proceeding, and whether the leadership is appropriate.

Formalize An Innovation Pipeline Process

Bursts of executive enthusiasm about innovation will not produce successful results over the long term. Instead, firms must craft a structured process that is scalable and repeatable over time, including five steps (see Figure 4):

- Invent and discover.
- Validate viability.
- Incubate and invest.
- Implement and commercialize.
- Measure and reward.

Figure 4 The Innovation Pipeline Process



BUILDING A SUSTAINABLE INNOVATION PIPELINE PROCESS

Process repeatability differentiates a firm that can produce viable innovations again and again from a firm that produces a viable innovation one year and nothing the next. Firms should examine their own innovation process and ensure that it addresses the essence of these five steps.

Step 1: Invent And Discover

The purpose of the inventing step is simply to come up with ideas that can be assessed. As part of creating a culture that values and cultivates innovation, innovations will result either from a well-managed funnel approach or they will be opportunistic, enabled by repeated appropriate context and culture framing the normal course of doing business or projects. Either way, to create an active portfolio of ideas to work with, firms should create the environment by:

- **Crafting contextual themes at the executive level.** Beyond the lip-service of “wanting innovation,” CEOs set the context to propel ideas forward and foster a culture of idea contribution. As Toni Langellais, head of Accenture’s Growth and Innovation practice, noted: “To innovate consistently means knowing where a firm intends to dominate and grasping its distinctive capabilities.” For example, at Kimberly-Clark, the strategy is to “become indispensable” to retailer customers, setting a context for their innovation design studio and virtual shopping environment.

- **Orchestrating innovation networks of partner and customer collaborators.** Firms clearly recognize that partner relationships are sources of innovation today but may not have explicitly set roles, expectations, and regular contact. Instead, firms should segment partner roles and levels of engagement, even to the point of formalizing them contractually, then manage and oversee progress, and deliberate methods for accelerating the pace of innovation, as Spectrum Health does with its partners.¹⁵
- **Encouraging corporate employees to visit day-to-day work.** Firms always have opportunities for headquarters staffers — like IT or R&D — to go out into the field with customers, visit employee locations, or brainstorm with product developers and innovation network partners.¹⁶ Results can lead to creation of prototypes that transcend a request or specific problem, as happened at Konica-Minolta, when a simple engineering request for data transfer from product devices turned into a phone-home predictive service solution.
- **Refreshing employee perspectives through internships, job swaps, and rotational hires.** Firms may find that too stable a staff calcifies ways of working — one CIO trying to introduce social networking tools into the firm faced stiff resistance from his own long-time IT managers. Firms will refresh ideas by bringing in entry-level hires, doing periodic job swaps, and intentionally rotating senior management roles, as AT&T is now doing, bringing in former Network Operations Manager Michele Macauda to be the SVP of Enterprise Systems and Software Engineering in IT.
- **Providing a global idea-funneling platform for employees.** Large enterprises especially must look beyond the four walls of any one business unit or headquarters group and host an idea funnel that solicits broadly. Global organizations can flatten a perceived hierarchy by linking multiple idea funnels with a structured review process and systematic communications. Mature firms that depend on a regular flow of nominated ideas create an online portal environment with well-documented requirements for employees to submit ideas or patent nominations (like AT&T) or for outsiders to use (like Procter & Gamble's Connect and Develop portal).¹⁷

Step 2: Validate Viability

The purpose of this step is simply to see if an innovation idea is worth investigating — and to begin to manage innovation ideas as a portfolio. The challenge? An idea with potential is fragile. Lack of funds, nonresponse, day-to-day distractions, or missing process mechanics will derail both the ideas nominated within a business process or as part of a funnel system. Firms must:

- **Cultivate submissions.** Idea management systems and portals die a quick death from overload unless there is a process to nurture the nominated. IBM operates processes and associated metrics for each stage of idea evolution. These include *ThinkPlace*, an online forum that runs 24x7 and engages thousands; time-boxed *Jams'* topic-specific discussion sessions; *BizTech*, small,

temporary cross-discipline assignments that take people out of their day-to-day roles to test ideas with clients, researchers, or financiers; and later, the Technology Adoption Program (TAP) to further test the viability of proposed technologies with a defined set of contributors and testers.

- **Mentor contributors.** Firms with patent processes must ensure that new nominators are assigned a senior individual to help them navigate the process and understand the criteria format for a submission. For any submitted idea or outside innovation, nominators must be provided with some sort of how-to guide, FAQ, and the mechanics for getting answers to questions, or prospective nominators will quickly give up. Spectrum Health has a program called “What If?” in which individuals are trained on how to take a concept and turn it into a product.
- **Vet inventions.** Innovation investments, whether the outcome of a funnel process or a project proposal, need to be aligned with the overall enterprise strategy and relationship to the portfolio of capabilities identified at the most senior level. The virtual leader for the innovation process will make sure that proposed innovations have the appropriate review for fit and portfolio positioning.
- **Make linkages.** Firms should be careful to not lose track of the unselected or too narrowly define the purpose and usage for selected ideas. While an organization may not be able to use an idea today, the technology or concept could be viable tomorrow or in another part of the company. For example, Kimberly-Clark’s Chief Marketing Officer, Tony Palmer, looks across the Kimberly-Clark enterprise to determine whether innovations that are successful in one product area could also be useful for another.

Step 3: Incubate And Select For Investment

Even when good ideas are vetted as potentially valuable, transforming an idea from concept into reality depends on the firm providing the foundation for cultivating and proving value. Firms must:

- **Clarify decision-making process.** Firms need to set proper expectations with prospective innovators. For example, in P&G’s Connect and Develop process, the Web site enables third parties to not only browse P&G’s needs, assets, and the submission process, but also expect a typical response time frame of eight weeks.¹⁸ Within a project, empower contributors to be creative, as at Con-Way: When the steering committee evaluated putting scanners into warehouses, the project team suggested augmenting them with OCR, enabling a much cheaper, exception-based process.
- **Communicate selection criteria.** For funnel-based innovation processes that depend on online portals for a high volume of nominations, the criteria for selection should be clearly determined in advance and outlined, as with patent processes, where a firm seeks protection of unique

intellectual property. In addition to inclusion on the portal, the criteria should be well-marketed through internal publicity, executive advocacy, and cascaded management goal-setting.

- **Set aside resources — virtual or real, inside or vendor.** To transform an invention/idea into an innovation, the idea needs to be developed collaboratively, although not necessarily in-house. This could result from forming cross-functional teams and include vendor partners, for example, to provide prototypes. Spectrum Health has contractual relationships with a set of innovation vendor partners who do preliminary designs of prototype technology for them.
- **Cultivate climate of respect for the non-selected.** Without participation, innovation funnel programs are pointless and without recommendations for solving problems, firms are stuck with them. Instead, consider the model of IBM's online global Jam sessions, like its Innovation Jam held in 2002, which invites feedback on ideas, including reasons they may not work or superseding them with better ideas — thus spawning a self-regulating environment. Per CIO Mark Hennessy: "Anyone can contribute an idea that is taken seriously and explored with respect."

Step 4: Implement And Commercialize

There is no point in keeping commercialization decision-making a secret — lack of information leads employees to think that ideas get to market based on politics and whimsy. While an organization's "standard project approaches" might work for these innovations, since these are likely higher risk, hurdles will remain. To surmount these risk-based hurdles:

- **Encourage rapid prototyping.** Organizations with the best innovation track records are open to new ideas and the possibility that they may not work. To push ideas forward, these organizations create prototypes, including Web-based content mashups, to demonstrate viability. AT&T IT staffers craft a prototype based on their observation of problems in work centers and then present it to business execs as part of their process improvement recommendations.
- **Test with actual customers or constituents.** Prior to transformation into innovation, an idea must be tested with the targeted recipient — and against the targeted objective or context. To prove they can cheaply simulate in-store aisle concepts, Kimberly-Clark brought test shoppers into its virtual shopping environment, helping product teams understand that if the baby care aisle were designed in a certain way, shoppers might spend more time there.
- **Reassess portfolio of assets.** A well-tested innovation concept provides an opportunity to re-examine the enterprise's overall competitive arsenal. In addition to looking at other product areas, are there other customer segments or adjacent markets that could benefit from the new capability, perhaps with repackaging or through a new channel? Adding social sites like Toyota did with the Scion could create a new market.

Step 5: Monitor The Process; Reward The Results

Throughout successful innovation processes, an undercurrent of cultural openness persists, reinforced by the deliberate effort of top executives to:

- **Provide a metric and bonus based on measurable business value.** As part of the sustainability of innovation, firms should provide incentives and cash bonuses based on patents, successful nominations, or successful process improvement projects. Motivate employees to seek and take advantage of career development opportunities that enable them to step outside of the day-to-day and work on a new initiative. Use newsletters and company meetings to talk about innovation's importance. For example, AT&T uses internal communications to reinforce and remind employees why innovation is an important market differentiator, encourage creation of new value, identify what is patentable, and identify how many patents were processed during the past year.
- **Provide and seek awards that acknowledge achievement.** Smart firms use a wide variety of formal and informal recognition mechanisms, including ways for employees to move into more senior "fellow" roles. To market and reinforce future innovation, they should submit a write-up of their work to public awards programs, as Con-Way did with its OCR project, winning the Information Week 500 award for "top innovator of the year."

Build Innovation Process Effectiveness By Monitoring Process Performance

It may sound paradoxical — firms want "out-of-the-box" thinking, but the way to make this a pervasive cultural attribute is to manage it as a process with a portfolio of ideas. But without the right kind of visibility, organizations have no way of knowing how well they are doing or if they can get better. And when circumstances turn management attention elsewhere, innovation becomes "last year's fad." To avoid this fate, firms should:

- **Monitor the process with metrics.** To track how effective the organization is at soliciting ideas and filtering them, innovation process owners will set metrics for each process step and stage. For example, IBM records the amount of participation (employees and customers) in each of its idea solicitation programs. According to CIO Hennessy: "We track both the early metrics, like the numbers of participants in Jam sessions to the numbers of ideas that went on to become products or how much productivity and/or revenue was generated."
- **Communicate and publish the portfolio.** By publishing the portfolio of selected ideas, organizations can communicate successes, clarifying the expansion of the enterprise's capabilities so that employees are aware of them. But a published portfolio also identifies gap areas where more ideas are needed, as the P&G Connect and Develop Web site makes clear with its "Browse P&G assets" and "Browse P&G needs" sections.

RECOMMENDATIONS

CIOs: YOU HAVE A ROLE TO PLAY

It is a sad state of affairs that CEOs may be mostly looking outside for new ideas, especially new business models that capitalize on the existing products and services. IT has the broad knowledge of the firm's existing processes, products, services, and ways to interact with customers and partners. Ask yourself and your team to:

- **Model the process and invite business people to participate.** For some firms, it may not appear feasible for either the CIO or IT to play a prominent role in driving business innovation. However, IT can build the foundation with its technology work — and offer itself as company pilot for the innovation process, mapping its work to company strategies, sending people out to observe how work is performed, establishing a network of partners, refreshing its own management and staff with “zero-gravity thinkers,” and communicating across the firm about ideas. When IT can show how this works, invite business execs to participate and expand the scope.
- **Look at the data that you're stockpiling — and make a recommendation.** Firms with the most repeatable cycles of innovation are smart about data. Even if the business doesn't ask, IT staffers should analyze data they manage for possibilities that match the firm's strategic direction. Service call history can lead to exception-driven process improvement; ramping up a new market can begin with analysis of growing order volume in a region or segment.
- **Think constantly about business models.** The way firms do business — interacting with partners and customers — is the most fertile ground for IT contribution to innovation. For example, the face of the company today could be the front of a number of providers in other regions that can deliver a service. Or as with H&R Block, it could be the front office of mom-and-pop tax preparers.
- **Find the best young people.** As you add twenty-something interns and new hires, cultivate characteristics like those used to interview candidates at Olin College, a new engineering college seeking to “produce engineers who become exemplary innovators.” CEO Richard Miller describes the goal of its program to develop engineers who combine creativity with entrepreneurial thinking, bringing in candidates to its tuition-free program who can think in three dimensions and exhibit “vivid thinking” — the ability to describe in words environments that don't yet exist.

WHAT IT MEANS

ARE YOU AND YOUR FIRM READY FOR INNOVATION?

Innovation is an enterprise, not an IT-specific, theme. But IT can play a varied role, from providing supportive infrastructure for an innovative initiative (as with Kimberly-Clark) to contributing ideas to the front end of the innovation funnel (as at AT&T). Ask yourself:

- **Is your firm ready?** The desire and capacity to become more innovative varies widely from firm to firm. On the one hand, do the senior execs appreciate the opportunist or unexpected innovation — or are they trying to change the corporate culture, spend the money, and produce repeatable and sustainable innovations?
- **Is your technology ready?** Have your IT systems been evaluated for the degree to which they inhibit or facilitate the introduction of new products and services to market more quickly and effectively? Have your people spent time with R&D organizations to see if they can provide tools that shorten the time it takes to iterate proposed innovations or lower the cost of experimentation? Have you evaluated simulation technologies for the role they could play in R&D?
- **Are you ready?** Does your organization have a culture that embraces business results, not just IT results? Do you have relationship managers who are senior staff, not junior analysts? Do you have a business architecture that is based on capability maps? Do you regularly bring in technology vendors to learn about their new ideas and capabilities and tell them about problems and opportunities in your firm?

ENDNOTES

- ¹ A cliché is a phrase, expression, or idea that has been overused to the point of losing its intended force or novelty. Source: The American Heritage Dictionary (http://education.yahoo.com/reference/dictionary/entry/cliche;_ylt=AjRp63U9Ap3dUTN1RfAQmJisgMMF).
- ² Source: “How companies approach innovation: A McKinsey Global Survey,” *The McKinsey Quarterly*, October, 2007.
- ³ IBM’s 2006 CEO Study of 750 global CEOs, in which business model innovation is named as higher on the CEO agenda than product, service, or operational innovation, based on analysis that showed that those companies that put more emphasis on business model innovation experienced better operating margin growth over a five-year period than peers. Source: “Expanding the Innovation Horizon: The CEO Study 2006” (http://www-935.ibm.com/services/uk/bcs/html/bcs_landing_ceostudy.html).
- ⁴ Mark Minevich, founder of Going Global Ventures noted: “Innovating how to do business with customers is critical. But multinationals view innovation as public relations. They say that they are passionate about it, but other issues take priority.”

- ⁵ See IBM's May 2007, "The New CIO: Change Partner and Business Leader" (http://www-935.ibm.com/services/us/cio/outsourcing/wp_new_cio.pdf?ca=rss_igs).
- ⁶ Forrester conducted an IT excellence survey and found that CIOs are marginalizing themselves. We found that IT is doing a great job of managing IT operations and aligning investment budgets and portfolios with business organizations and strategies. See the July 24, 2007, "[CIOs: Avoid Marginalization On The Path To BT](#)" report.
- ⁷ Incremental process improvements or streamlining of IT's own operations are necessary but not sufficient to drive business innovation — and can sap IT's resource and energy if not tightly controlled. Instead, firm should recognize the capabilities inherent in the IT organization and capitalize on those for business innovation. See the November 3, 2005, "[Make IT Matter For Business Innovation](#)" report.
- ⁸ BT capabilities — from collaboration, to workflow, to content management — will increasingly be acquired as business services driven by business users and not just by traditional tech staffers. In a BT world, selecting components and technologies at the top of the tech stack will increasingly be handled within the business organizations. See the May 7, 2007, "[Business Technology Defined](#)" report.
- ⁹ The relationship between IT and the business must change, with roles previously held only by IT now residing within business organizations. CIOs face a fork in the road — either keep on the traditional IT path of maintaining tight control over technologies or work more closely with the business to ensure BT users' success. See the February 21, 2008, "[New IT-Business Partnership Enables BT Success](#)" report.
- ¹⁰ The Center for CIO Leadership conducted a survey of 175 CIOs to examine the CIO role and its relationship to IT and business performance. See the October 2007, "[The CIO profession: driving innovation and competitive advantage](#)" (http://www-935.ibm.com/services/us/cio/pdf/2007_cio_leadership_survey_white_paper.pdf).
- ¹¹ Innovative initiatives cascade from corporate strategies down to action. Example? Kimberly-Clark (K-C) advanced its enterprisewide strategy "to become an indispensable partner to [its] customers" with a virtual reality system that helps its retail customers like Kroger, Safeway, and Target visualize their store layouts with K-C products displayed as they would appear in the real stores. CIOs should learn from the K-C example to make sure they are structured to stay close to business idea creation and execution: including assigning staff to work with R&D organizations, cultivating a broad pool of talent, engaging in cross-functional teams, and actively seeking and participating in innovation networks beyond the walls of the firm. See the December 12, 2007, "[CIOs Can Learn From Kimberly-Clark's Innovation Design Studio](#)" report.
- ¹² Robert Austin of the Harvard Business School notes that almost all hit video games that were huge hits were killed in the innovation funnel process, and programmers got them completed by working on them in secret.
- ¹³ Business is looking toward innovations in products, services, and business models to drive growth and profits. Because technology is embedded in many of these innovations, this should be an opportunity for IT to increase its contribution to the firms' business goals. Enterprise architecture (EA) groups are best

positioned to lead IT's efforts in this area — but they should not try to do it all themselves. Instead, they should help develop the firm's Innovation Network — a formal web of internal and external resources to identify promising new applications of technology, assess their potential, and transform them to produce the desired business impact. See the June 2, 2006, "EA Groups Should Architect Their Firm's Innovation Network" report.

- ¹⁴ Outsiders force experts to go back to basics and look at their world differently to bring outsiders up to speed, enabling new solutions to old problems. Cynthia Barton Rabe, *Innovation Killer: How We Know Limits What We Can Imagine — And What Smart Companies Are Doing about It*, AMACOM, 2006.
- ¹⁵ Profit-hungry IT providers like IBM and Oracle are hoping their service innovations will expand their margins and boost customer loyalty. But hype-wary clients are skeptical about how their business performance will be affected, positively or negatively, by their providers' service innovation efforts. To overcome clients' skepticism, IT providers must classify their service innovation initiatives based on their strategic impact on clients' business performance and better articulate the business value to targeted stakeholders in client organizations. Winners among IT providers will continually calibrate a dynamic portfolio of service innovations. See the July 3, 2007, "Demystifying IT Service Innovation" report.
- ¹⁶ IT must forge an understanding of what's important for business outcomes to craft a deliverable vision for how to enable them. This business-focused enterprise architecture (BFEA) must be championed by the CIO. See the December 27, 2006, "Moving From Reactive To Strategic IT" report.
- ¹⁷ Source: P&G Connect and Develop portal (<https://secure3.verticali.net/pg-connection-portal/ctx/noauth/PortalHome.do>).
- ¹⁸ Source: P&G Submission Review Process, (https://secure3.verticali.net/pg-connection-portal/static/helpdocs/Submission_Review_Process.pdf).

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