



## Innovation – Core Business Reformation

Your core business model is affected by many sources of influence. These influencers are pressures and enhancers that impact a viable core business model and its performance. A core business model is how your organization uniquely serves its customers within an industry in a profitable way. Influencers directly affect your core business and operational performance of your organization (see also “Influencers” white paper). The most impactful influencer is *innovation*.

Innovation is the company’s ability to utilize technology, methods, or procedures to improve its operation. A new technology, process method, or updated procedure can drive innovation and discover a new way of developing products, improving business process, or enabling pioneering operations.

### **Innovation drives companies:**

- Sustain competitive operation within their industry and market
- Create new business models
- Start new ventures
- Organizational reformations

Innovation in a company is typically needed when market forces, competition or customer demands influencers create such pressure that an organization’s current core business model is neither serving customers nor operating in a profitable way. When company leaders detected this situation an intervention is required. This intervention will most likely be innovation resulting in new operations, products and service for your customers.

### **Innovation Intervention**

Executive leadership needs to understand the level of innovation intervention. This will include a review of the organization’s core business as it relates to influencers and market forces. As part of the strategy evaluation, an organization will determine how much change is required. This change delta determines the amount of innovation and in turn the level of intervention that is required. There are two levels of innovation intervention: Continual Innovation or Radical Innovation.

Continual Innovation is when an organization has determined that their core business model and influencers require constant innovation implemented into its operation that

is beyond the current incremental strategy and business improvement operation. Radical Innovation is when an organization has determined that their core business model and influencers require a significant restructure of at least 25% or more of their organization's operations. Each of these interventions require an explicit review of all aspects of their organization to make sure a correct course is take for their as it will cause an organizational reformation.

### **Steps for Innovation Review**

*First*, appropriate amount of innovation needs to be evaluated. A misnomer is that all companies need a constant process of innovation. Not true. Companies need a constant process for evaluating improvement. Most of the time that is a strategic approach with incremental improvements. Innovation is when there is a significant amount of technology, methods or procedures that with alter a company's current core business model. Company needs to understand if a major innovation or intervention is required.

*Second*, a company's innovation need is measured by the ability to digest the innovation within the organization's core business model. If a company does not have the ability to change, an innovation will have the opposite effect and even lead to an organizational failure. This is inclusive of internal or external innovation developed for new products or operations.

A well evaluated innovation will not only alter the organization but will cause a core business reformation. There are key aspects that need to be considered for your organization to produce the desired results.

### **Aspects for Core Business Innovation Reformation:**

- Know your organization's core business model and influencers
- Understand your organization's propensity toward innovation
- Honest with your company's technology innovation ability

Start by knowing your organization's core business model. Fully understanding what your customer needs and how your organization does that in a profitable way. When that is understood than include what influencers are causing the most change. Plus, review is your core business model still viable today and validate the future. These aspects need to fully understood.

Plus, your need to understand what is your organization's current propensity toward innovation. This is all about culture in your organization. If your culture is adverse towards innovation or sizable alteration than any large change will be resisted regardless if your core business model is in jeopardy. Believe it or not, companies have folded because the culture resists a major innovation.

Then you need to be honest, really honest if your company has the current ability to perform a major innovation. This is where many technology and Information Offices need to take a good look at themselves. If your organization has not performed many medium to large innovative changes, it is most likely that you do not have the skills or ability to perform such a major change to your enterprise or your technology department. To begin an innovation reformation your organization needs to also understand your enterprise innovation acuity.

### **Enterprise Innovation Acuity**

Once you have fully defined and understand your organization's core business model, influencers, innovation propensity and innovation ability, you are ready to define your organization's enterprise innovation acuity. The enterprise innovation acuity is the velocity of business functionally vs technology enablement needed. The components are:

### **Innovation Acuity Components**

- Business Functionality
- Technology Enablement
- Implementation Velocity

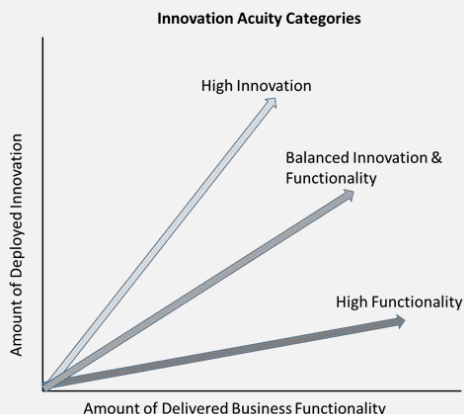
*Business Functionality* – The volume of business functionality to be implemented to maintain your organization's core business model. Typically this will be directly impacted by influencers and your organization's core business model. Leadership will with clarity of the core business model, will direct this and unless there is some impactful technology, method or procedure that might alter the business functionality.

*Technology Enablement* - The volume of technology absorbed to achieve your core business model objectives. This is part CBM culture and part IT's ability to enable new technology within the organization. IT leadership will manage along with skills within the IT organization.

*Implementation Velocity* - The rate of technology vs business functionality implementation absorbed to achieve your core business model objectives. This is a cross section of your organization's culture to implement new operations and technology improvements into production. It is directly impact by your organization's culture and core business model. Basically, how much is required of business functionality and technology improvements to maintain your core business model performance (including costs and capital expenditures).

**Innovation Acuity Categories and Types**

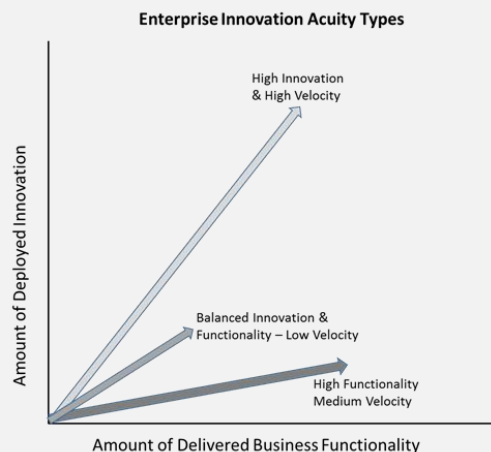
An enterprise has different innovation acuities. These different acuities would classify



them into different types that represent the innovation mix based on the need of the organization’s core business model and leadership’s defined strategy. As identified by the chart, an organization could either be a high innovation, high functionality or a balance between delivered functionality and enabled innovation.

An organization could have a range anywhere on the slide but the main aspect is that it must be based on the need of fulling the organization’s core business model to its customers and market.

Another very important aspect of enterprise innovation acuity is implementation velocity. As previously described for enterprise innovation acuity, implementation velocity is the rate of technology vs business functionality implementation absorbed to achieve core business model objectives. As highlighted by the chart Enterprise Innovation Acuity Types, the combination of all three deployed functionality, delivered business functionality and implementation velocity determine an organization’s innovation acuity. Determined by the need of the core business model fulfillment, enterprise innovation acuity helps the leadership understand the mix of required true level of improvement for business and innovation. To understand these different mixes and organization characteristics see the chart Enterprise Innovation Acuity Characteristics.



**Enterprise Innovation Acuity Characteristics**

Functionality	Technology	Velocity	Type
High - Medium	High - Medium	High - Medium	Innovation Leader Market: Competitive Need: Gain Market Share
Medium	Medium	Medium - Low	Innovation Steady Market: Balance Need: Meet Market Share
Low - Medium	Low - Medium	Low	Innovation Lager Market: Maintain Need: Maintain Share

An organization that has a need for an enterprise innovation acuity with high – medium in all three categories is an innovation leader in a competitive environment with a goal to gain market share. An organization that use a steady pace of innovation typically is looking to balance market growth with maintaining current market base. Plus, an organization that does not require innovation to drive a higher market share usually has a lower enterprise innovation acuity and does not need to focus on higher levels of innovation.

In each case, the enterprise innovation acuity is matched with the organization's core business model to develop the correct type of developed and deployed functionality. Your organization to generate its innovation strategy will also need to understand it's innovation acuity.

### **Recap**

It is clear that an organization need to innovate. With the proper management, organizations can sustain competitive operations, create new business models and even cause an organization reformation. To start the reformation, companies need to understand first their core business model and second their enterprise innovation acuity.

The core business model will drive the understanding of the enterprise innovation acuity by understanding the correct mix of acuity components:

- Business Functionality
- Technology Enablement
- Implementation Velocity

The correct mix acuity components will match your organization's need to fulfill its core business model. The mix will also match with your leadership's strategy to fulfill the core business model. The innovation reformation of your organization drives an organization to be the market leader or new products, services and customer experience.

### **Innovation Reformation**

- Core Business Model and Influencers Clarity
- Organization's Innovation Ability
- Enterprise Innovation Acuity
- Organization Execution Strategy

*Let the Innovation Reformation Begin.*