Road to Innovation with Avasant & Usertech

> 66 Shed your legacy mindsets, purge your organization of middle management permafrost, and commit to disruptive change, or be ready for a slow and lingering death that in 5 years you will be wishing would come sooner. 99

Edward Wilson-Smythe, Principal at Avasant, and Jan Beránek, CEO at Usertech joined Frank Casale, Founder at IRPA AI, to discuss key factors on why companies struggle with innovation, why middle management is delaying innovation for personal reasons, how innovation must be decentralized in order to be successful, what key challenge businesses face in the wake of digital disruption and so much more in this exclusive interview.

Q **Why are small companies so much better at innovating than larger enterprise 2000 companies?**

EWS I think that size is not the appropriate lens with which to view companies when it comes to innovation. The key to successful innovation is eliminating the barriers of incumbency of legacy and innovating at scale, and all companies except those which are born digital have issues meeting these two objectives.

Large companies, especially those based on traditional business models, have significant issues with legacy technologies, people and culture. While technology and cost barriers to innovation can increasingly be addressed via innovative partnership models and low-cost agile solutions, the key challenge is the middle management permafrost that has no incentive to innovate and is playing the odds on whether they can afford to retire before they become obsolete. The delayed retirement of middle management, exacerbated by the 2007-08 financial market crash, has already delayed innovation in large companies by at least one technology renewal cycle, and must potential to hold back innovation for another decade if not addressed directly.

Smaller companies which are based on traditional business models have even more serious challenges with sustainability in the digital age, but they can migrate to modern technologies and business models easier due to relative lack of technical debt and legacy mindsets. The challenge for these companies is related to strategic clarity and access to appropriate skill sets to be able to manage innovation meaningfully, and to drive change across complex value chains. An additional challenge is that resistance in smaller companies often comes from the top, from founders or executives who suffer from the entrepreneur's dilemma and cannot let go of what they have built, even if a different management approach can lead to dramatically better performance.

Our experience shows that innovation is not the exclusive preserve of any size or type of company, and any company that is able to address the inertia of legacy while executing at scale can innovate successfully. These are the twin barriers to innovation, and all companies need to address these head on, even successful companies, since what got you here, is not going to get you there.

JB

Large companies run on tried and true processes that revolve around the core business model which involves multiple levels of checks and processes to reach a decision. Small companies on the other hand have a much shorter path to decision + their brand exposure is typically smaller so they are able to "quietly fail" and start again.

Q

Many would say digital revolution is creating opportunities for companies to innovate and to reinvent themselves, do you agree? If so, why? What is it about digital technologies in this trend that is creating this innovation?

EWS

In one way, what we call Digital is a continuation of the previous generations of automation and integration, with modern BPM, Analytics and IoT solutions being a logical extension of the ERP and IT Service Management innovations of the last two and a half decades. However, when applied correctly, Digital innovation is significantly more disruptive than previous technology-driven business models for two reasons:

1) Emerging technologies allow for a fundamental rethinking of the relationship between technology costs, risks and business benefits which was not possible in the capital-intensive technology landscape of even 5 years ago, and allow enterprises to adopt disruptive change and modernize legacy technologies and processes at little or no up-front cost;

2) While previous technology innovations were linear and centralized in terms of the impact on business processes, emerging technologies make possible drastically different operating models and business models based on integrating information and insights from multiple sources, and enabling rapid reactions at the point of action. This decentralization of technology impacts, and the ability to innovate in waves of interdependent business operations as opposed to impacting a single value chain, provides for a level of efficiency not possible through traditional business transformation models, and allows for the creation of new business models which would be unthinkable without the existence of decentralized non-linear technology impacts.

JB Digital technologies are an enabler of much higher intensity of communication - compare a brick and mortar store and an e-commerce website - one can service a limited number of people a day that has its cap based on the physical space and number of shop assistants, the other has unlimited space, unlimited shop assistants and 24/7 operation. To be use these technologies to innovate means to be able to abstract your interactions with your customers into instant communication, measurement, feedback and improvement loop.

Q **Where in the company does it make sense to anchor innovation and who should lead it (IT, Business, HR – where & who)**

EWS Innovation is not an organization function such as HR or Finance or Supply Chain, it is a process and a mindset that continually looks for improved and new ways operations, and of discontinuous changes that drive disproportionate impacts on the business.

For innovation to succeed, it must be prevalent in all parts of an organization, and decentralized without any single gatekeeper or coordination. Companies that innovate successfully have a strong and equal partnership between technology groups and various business groups, and innovation is not controlled by legacy functions such as the PMO or Enterprise Architecture or Business Relationship functions in traditional corporate IT.

JB I strongly feel there should be a separate department that is tied to the core company as minimally as possible in order to ensure the swiftness of responses to market and the ability to fail quickly and learn. It does not matter if it is IT or Business, both are required and one cannot work without each other. The success lies in the correct "startup/fail quickly and cheaply" mindset - I have met both IT and Business leaders with this mindset. Usually though these roles are hard to find within the company so enter company such as ours, that brings this experience to the table and is able to teach the enterprise based on experience.

Q **Case Study 1: Can you give one example of how this company helped with a very innovative project with a smaller emerging company?**

EWS As management consultants focused on enterprise transformation, we typically do not work with smaller end-user companies. In our work with technology companies, we have seen a significant inability to innovate among the larger legacy technology and services companies, while smaller players, especially in integrations and microservices, are eating the lunch of the bigger usual suspects. The key question of digital disruption is no longer about whether it is secure or private or safe or cost effective, and most of our clients already have large parts of their workloads in the cloud and are moving away from legacy monolithic technology solutions.

The key challenges are related to how companies integrate these various solutions into seamless business services, and how they can leverage distributed solutions without repeating the mistakes of inflexible stacks and unwieldy data warehouses of previous generations. We have been able to work with several startups and digital innovation companies in moving to cloud-native integration and application solutions, in many cases replacing legacy technologies that could cost hundreds of millions of dollars to modernize with a zero-cost migration to the future state and operating costs that as 40-90% cheaper. The key to this success has been working with progressive enterprises and technology companies who understand that robust, secure and reliable integrations are possible between their various cloud workloads, and that almost all enterprise solutions currently in monolithic applications can be provided through cloud-native solutions integrated via BPM and integrated through microservices.

JB

We helped build Alertme.news, which is a news notification delivery platform based on artificial intelligence. Our role created visual clickable prototypes that were then verified in the sales process - i.e. there was no code write prior to closing the first client. After this stage, our role is typically to work with the market feedback and product roadmap to suggest meaningful (and small) steps in development to deliver the most impactful chunks of functionality and figure out what is the correct user experience in each instance.

Q

Case Study 2: Can you give one example of how his company helped with a very innovative project with a larger organization?

EWS

Perhaps the best example of a large and complex client addressing issues with legacy technologies, service relationships, and people, and driving enterprise-wide disruptive change, would be the Greater Toronto Airports Authority, operators of Toronto Pearson Airport.

With a new CIO, Martin Boyer, in place, and new executive and business leadership, GTAA was able to move away from obsolete and inflexible technologies provided by a legacy services provider, and into a long-term transformation program which directly increased the velocity of innovation while providing for innovative partnership models with technology companies and service providers. The key was for the IT leadership to work with the business and lay out an ambitious transformation agenda, and insist that all vendors provide flexible, agile, on-demand services with no place for legacy technology, financial or contracting models. Equally importantly, the legacy IT organization based on managing technology relationships based on 150+ SLAs and endless debates on the interpretation of contract clauses had to be replaced by a progressive and integrated leadership team which is focused on always-on-always-available services and a strategic partnership with vendors.

JB

We transformed the largest offline loan provider in China, Homecredit China into an online loan lead generating digital organization. Our role was to create such a portal that would generate leads for new personal loans online and track it within the organization to be able to set growth KPIs. We sat down with the company's management and then literally walked every day on streets of Shenzhen with a new prototype that our European team created for us the day before. We gathered feedback in a for us foreign environment to improve everything from the messaging to design to conform with local expectations. We were ready to launch the new site in 2 months and then continuously kept updating it for the next year based on market feedback. The campaigns have been so effective that the local servers were not able to keep up with the load. Thanks to us being a Amazon Web Services consulting partner, we were able to obtain private pricing for AWS Chinese servers and build a completely new scalable infrastructure that could withstands hundreds of thousands of people every day.

Q

Many of the projects your involved in involve rapid prototyping. What is the benefit of rapid prototyping? What role does your team play?

EWS

Rapid prototyping is the only way to get past the pointless PowerPoint presentations and design thinking workshops, and get to tangible solutions. For companies that have addressed issues with legacy and committed to innovation, the next challenge often is in getting ideas past the boardroom or the design studio, and provide real solution that have tangible business impact.

In our work with clients and technology companies, we insist on moving to rapid prototypes, sometimes while the strategy is still being finalized, with the intent that no solution should take more than three months to design and implement, and most solutions should be implemented with minimal or no capital cost to the client, with vendor compensation linked to tangible business value created.

This approach separates the technology companies who are ready to support innovation from those who may be orders of magnitude larger but just do not understand collaborative partnerships and are still trying to sell in yesterday's solutions tomorrow. It is very easy to displace multi-billion-dollar legacy companies with small, relatively unknown players, or to push these large companies to rethink their approaches and personnel, once clients see the tangible solutions vs. the sales promises and slideware.

JB We always say - we don't know what your product should look like, but you do not know it too - the only people who know what your product should look like are its ultimate users - they will decide if you are successful or not. Your new product will not work in a vacuum, chances are there are incumbent competitors or at least products in adjacent categories that are a sufficient substitute to your product. If you have a customer decided to spend money on a product that solves his/her problem, you should try to make it the simplest for them to spend the money with you.

Rapid prototyping enables you to maximize the customer feedback loop to get to a product they would spend money on, while at the same time minimize the cost. We have seen business skip this step time and time again only to find themselves with a product that has about 20% of features usable to the target audience = money and time wasted. Our team takes care of all the customer research, creating the prototypes and testing that is required to get you the information to understand your future users. It is a very much collaborative process in that we together look at the prototype test data and decide on the best next steps on improvements.

Q What is your advice to business or tech leaders who have not yet embraced innovative mindset?

EWS Shed your legacy mindsets, purge your organization of middle management permafrost, and commit to disruptive change, or be ready for a slow and lingering death that in 5 years you will be wishing would come sooner.

JB If you have not, there is already someone somewhere disrupting your business on a small scale and unless you change, it might be too late. This is not even a warning, this is a reality as evidenced by instances such as Netflix and Blockbuster.

To schedule a 30-minute expert telephone briefing on any of the following topics, please email Carrie.Simon@irpanetwork.com.

- RPA and or AI strategy
- Digital transformation
- Rapid prototyping
- Next gen user experience / user interface design
- Accelerated Data Migration
- Automation of end user device support
- Unstructured to structured data solutions

Edward Wilson-Smythe

Edward Wilson-Smythe has more than 20 years of consulting and management experience spanning every major global market and region, with a proven track record of advising CxO-level clients and senior Government policy makers develop and execute digital business strategies that enable Digital Business and accelerate the Digital Economy.

Jan Beránek

14+ years of leading innovative digital products in US and Europe. During the past 4 years I have been part of new startups with backing over $22m and helped up the value to above $55m.
I am a mentor at Google Launchpad events and European Space Agency business incubator.

Frank Casale

Frank J. Casale is Founder and CEO of the Outsourcing Institute (OI) as well as the Institute for Robotic Process Automation (IRPA). I've launched several global member networks which collectively number over 100k business and tech decision makers. My focus is RPA, Intelligent automation and AI. My team and I have extensive experience helping new players go to market.