

## VNUNet – Invent, Innovate, Renovate?

By Clive Longbottom, Service Director, Quocirca Ltd

An increasing number of IT vendors are hanging their hats on the 'innovation' peg, some carrying out research suggesting that companies do not believe that they can survive unless they are 'innovative'.

However, scratching beyond the surface tends to show how thin the veneer can be; there are too many definitions of innovation and this is often just within the vendors themselves.

Do we have to innovate to survive? What are the options? What risks are associated with innovating?

Innovation seems to be too inclusive, and it seems difficult to weed out companies that aren't doing some bit of innovation, and to point to the truly innovative which are beacons in a world of mediocrity.

I think what we need to do is to start from a different viewpoint, looking at creating a different approach which can mirror an organisation's own risk profile.

In the past, Quocirca has provided a viewpoint of business processes, helping organisations to differentiate between the different types of process they utilise. These types are:

**Commodity processes** - those that everyone has to do, such as payroll, vacation booking, purchasing, the Data Protection Act and so on. Here if a process is done badly it counts against you, but doing it well is only being as good as the majority.

**Differentiated processes** - those that the majority of organisations in your market or of your size need to follow, such as certain legal/regulatory requirements, or claims handling in the insurance market, or package tracking in logistics.

**Unique processes** - those that make your organisation different to any other company, and

are closely guarded as being beyond industry best practice. These may be approaches to chemical modeling in the pharmaceutical markets, or the running of financial models in the investment banking arena.

Now, let's see how innovation plays here. If we differentiate innovation in three ways, we can see where the touch points may lie.

**Invention** - doing new things, either by the use of new processes/approaches, or by combining existing processes and functions to create this new thing.

**Innovation** - doing the same thing in new ways, either to gain greater efficiencies (doing more of the same thing) or effectiveness (doing the same thing to a greater level of accuracy)

**Renovation** - optimising existing methods of facilitating processes to gain greater efficiencies.

Even within here, we need to look at the sub-types of each area. Are we looking at inventing a new product, a new approach, or a new business model?

Are we innovating towards an invention, or towards a long-term, continuously renovating environment? By renovating, are we just perpetuating a process problem that we should be innovating or inventing to move away from?

In terms of costs, invention tends to be expensive as many different things have to be tried and dropped before we get a suitable, useful outcome.

Innovation is less costly, but is still iterative and we may need to drop the process and begin again before we gain full implementation.

Renovation is relatively cheap, as we are acting against existing processes only, and success should be more common than failure.



## Comment Article

quocirca

However, the business gains are generally in reverse order. Renovation can just keep us in the game, innovation keeps us with the leaders, invention can make us the leader.

If we match these in order with the process approach, we see that the unique processes are generally created through invention.

As time goes on, we may apply innovation to these inventions but find that eventually, the competition catches up, and the best we can hope for is that the process that once was unique remains well-differentiated.

We should then look at an organisation's own risk profile, and this will help us to decide the effort that should be applied across the approaches.

Those who are in highly dynamic environments where the risk of business failure is high should look to investing heavily in invention and innovation, whereas those who are more risk averse and in slower moving environments can generally concentrate on renovation and a degree of innovation for the long-term future.

Therefore, we may be looking at a pharmaceutical company that has an invention/innovation/renovation investment split of 50/30/20 for its research environment, but only 5/15/80 for its back office.

Insurance may want to be far more effective, and go for 10/60/30, whereas retail may just want to be efficient and go for 10/20/70.

By using a more granular approach to innovation, we can also benchmark our organisations far more easily, and we can see which vendors are capable of providing true leadership in the market.

By tasking a vendor to come back with its own invention/innovation/renovation profile, along with examples of what it sees as being examples in each area, you will be far better positioned to compare one vendor against another, and choose which one best fits your needs.

Innovation in itself is no miracle cure. By creating a better understanding of what innovation actually means to you, your company can become far better prepared for the future.

## About Quocirca

Quocirca is one of Europe's leading independent industry analyst firms. One of its biggest assets is the core team of highly experienced analysts drawn from both the corporate and the vendor communities. This team prides itself on maintaining a bigger picture view of what's going on in the IT and communications marketplaces. This allows all of Quocirca's activities to be carried out in the context of the real world and avoids distractions with fads, fashions and the nuts and bolts of specific technologies. Quocirca's focus has always been the point of intersection at which IT meets "the business".

## Quocirca Services

The insight and experience that comes from working as an industry analyst as well as a practitioner allows the Quocirca team to contribute significantly to IT Vendors, Service Providers and Corporate clients. To this end, it provides a range of consulting and advisory services. Details of these, along with some of Quocirca's latest analysis, may be obtained by visiting <http://www.quocirca.com>

Quocirca also provides bespoke primary research services through its daughter company QNB Intelligence. This involves interviewing thousands of senior decision makers on a quarterly basis.