

A Forrester Consulting
Thought Leadership Paper
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To Engineer Business Reinvention, Bring Innovation And Transformation Together

Master The Culture And Discipline
Required To Make “Innovation At Scale”
A Force For Business Success

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Only when companies embrace innovation and transformation together — what Forrester calls “innovation at scale” — do organizations reinvent their futures.

Executive Summary

Digital transformation is becoming table stakes for all organizations seeking to create and retain a competitive edge. Many take the first step of adopting emerging technologies, such as hybrid cloud, data analytics, artificial intelligence (AI), and automation. Yet few have matured far enough beyond technology investments to adopt an equally-imperative culture of innovation; fewer still have been able to take full advantage of these technologies because they haven't developed an end-to-end approach to business transformation. Innovation without transformation lacks scalability, inhibiting a company's potential to implement and execute against new solutions. Transformation without innovation misses the mark, keeping growth restricted by the functional status quo. Neither alone is a recipe for success. Only when companies embrace innovation and transformation together — what Forrester calls “innovation at scale” — do organizations truly reinvent their futures.

This disconnect has always been an underlying drag on organizations' incomplete innovation and transformation efforts, and it rings even more true today. The shock of and vigorous response to the COVID-19 pandemic has raised every executive's awareness that these processes can and must go hand in hand. Meaningful change must happen now faster than ever, and it must be the right kind of change that is supported by the right kind of organizational infrastructure. This happens not just by adopting technology, but also by changing people, processes, and culture in concert. It's the only sustainable path forward. But how?

IBM commissioned Forrester Consulting to evaluate organizations' innovation and transformation processes and how they affect business outcomes. Forrester conducted an online survey with 461 digital strategy decision-makers to investigate the intersection of innovation processes and culture, business transformation, and technology investments.

KEY FINDINGS

- › Companies have invested in innovative technology, including hybrid cloud, data analytics, AI, and automation in their quest for digital transformation. But these efforts too often remain technology-only and done in silos. This leaves the full potential of transformation tantalizingly close, but still out of reach.
- › The culture and practice of innovation is still only happening in pockets throughout organizations, without the sustained support and processes needed to generate ideas and scale success. Firms need a better way.
- › Organizations should strive to master six key tenets of innovation, which build foundational capabilities for and return meaningful improvements in innovation ideation ability. Organizations that invest in four to five of these tenets boost ideation by 56%, and those that fully harness all tenets nearly double ideation and generate 90% more innovative ideas.
- › Firms consistently achieve their business goals when they bring innovation and transformation together in a single process. This requires a dedicated customer focus, and commitment to uniting people, processes, and technology with agile techniques in pursuit of common purpose.

Transformation Drives Business Success, But Siloed Approaches Limit Impact

Ongoing digital transformation is necessary for all organizations to be competitive and to sustain their differentiated gains over time. Organizations are investing in digital strategy and transformation to personalize customer experiences and to move business applications to the cloud. This improves security and compliance and their use of data and AI to generate insights and action, among other things. And in response to the COVID-19 pandemic and the new digital demands of customers and the needs of employees, they are accelerating their innovation and transformation initiatives and increasing the use of agile techniques (see Figure 1).

In their pursuit of new sources of value and differentiation, however, many organizations fall into the trap of solely focusing their transformation efforts on investments in new technologies (e.g. hybrid cloud, data analytics, AI, and automation). They overlook the culture and process changes needed to unlock the value of these technology investments and to enable innovation at enterprise scale.



This new way of working has the potential to help firms build a strong innovation muscle to accelerate and sustain their competitive advantage.

Figure 1

TRANSFORMATION IS AN IMPERATIVE

“What are your organization’s top digital strategy and transformation initiatives over the next year?”



COVID-19 AMPLIFIES THE NEED FOR CHANGE

“How has COVID-19 affected your organization’s priorities for the year?”



Base: 461 digital strategy decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

Uniting business, operations, and technology teams for common purpose and adopting new ways of work – including agile techniques and design thinking – is key to success. It allows enterprise organizations to adopt a “startup mindset” to quickly bring ideas to market and pivot based on user feedback. It has the potential to help firms build a strong innovation muscle to accelerate and sustain their competitive advantage.

SYSTEMIC CHALLENGES KEEP FIRMS FROM ACHIEVING THEIR POTENTIAL

While organizations are clear on their transformation priorities, they face discrepancies between their goals and their ability to achieve them. The barriers are structural and cultural. They’re structural because most organizations aren’t accustomed to transforming across functional and business boundaries. And they’re cultural because innovation necessarily carries uncertainty and risk, and organizations haven’t modified their innovation processes or risk profiles to embrace the potential. In this study, Forrester focused on people, processes, and technology, and we found that all too often, firms miss the mark because:

- › **People feel unsupported as they pursue transformation priorities.** Organizations’ priorities are not well supported by internal teams. Only 24% of respondents said their organization’s priorities are extremely well-supported by IT and business leadership, 17% by company culture, and 16% by alignment across departments. Firms lack consensus on what to do and how to do it quickly while still bringing new products/ services to life and tying investments to outcomes. There is a clear lack of buy-in, a lack of leadership, and not enough focus on culture. Employees lack the necessary skill sets to propel strategy forward or they don’t have enough time to allocate to digital transformation fully (see Figure 2). All of this points to one underlying problem: Organizations are standing in their own way. Without the proper talent, agility, and synergy to notice these problems, they won’t have the necessary elements to fix them.
- › **Innovation processes are fragmented and mostly reactive.** Only 18% of respondents said their firm’s priorities are extremely well-supported by their organization’s current processes/workflows, and only 16% said they’re supported by their ways of working. Almost half of respondents (44%) said their organization’s approach to problem-finding is reactive. They also said decision-making is fragmented across the organization, and decisions are made in one silo without input from other teams (see Figure 2). Processes are further plagued by inconsistent data, a lack of vision and transparency, and not tying outcomes back to business. Finally, the COVID-19 pandemic has exposed process inefficiencies, and presented difficulties to innovation. Achieving internal alignment and reaching business goals during a pandemic has proven to be challenging for many. These factors prevent organizations from being able to act on the data they collect. Even though almost half of respondents said they analyze user wants/needs from the market at large, many organizations still struggle with exploiting that information.

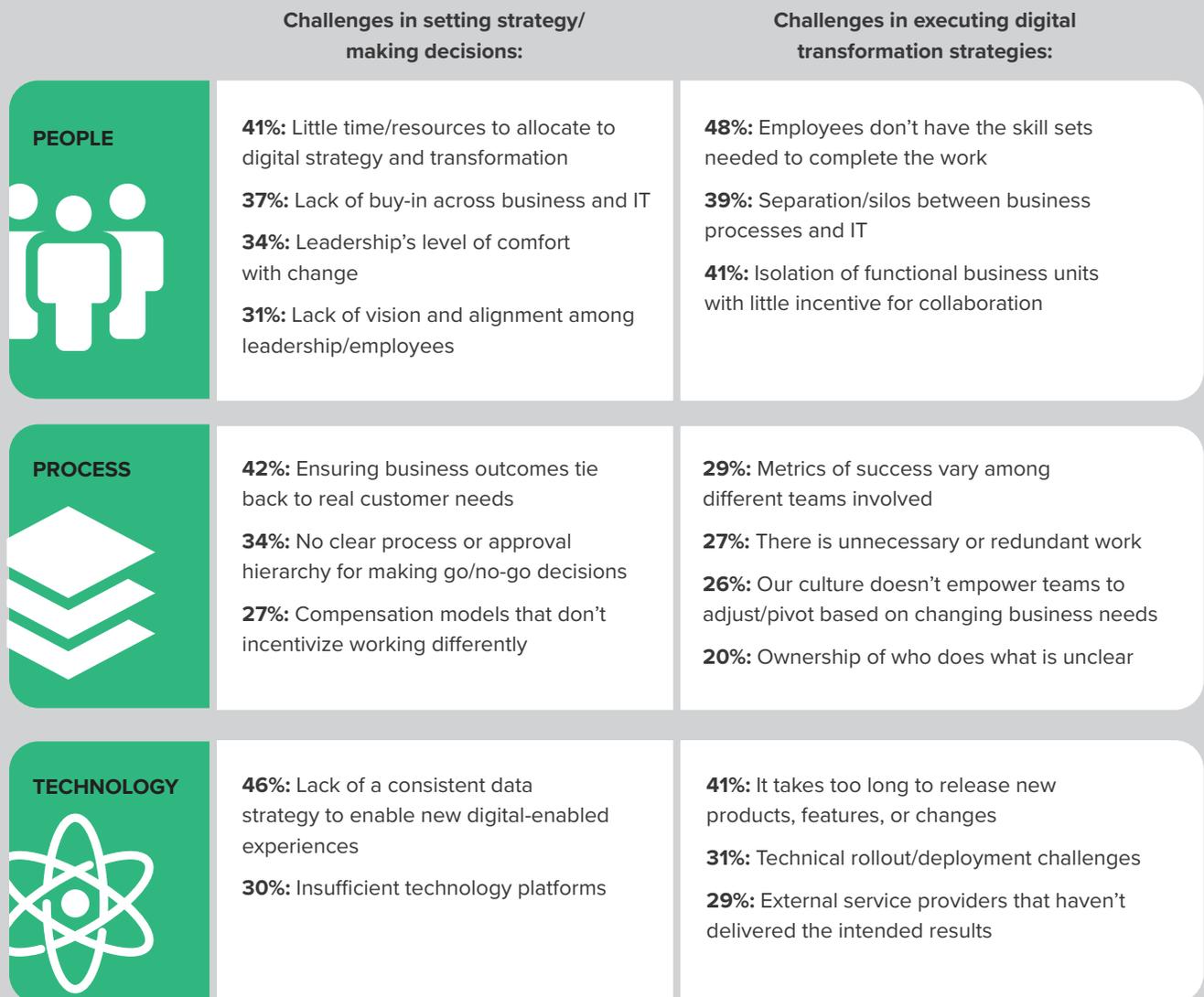


Only 24% of respondents said their organization’s priorities are extremely well-supported by leadership, 18% by current processes, and 12% by current technologies.

› **Underleveraged technology and missing data are recurring issues.**

While technology is key, even the best strategy can only go so far if it is not tied together seamlessly with people and process. To support their transformations, organizations are accelerating their journey to the cloud (49%), utilizing design thinking techniques (45%), creating agile development teams (43%), engaging strategy services partners (42%), and investing in emerging technologies (42%). The most common technology investments support hybrid cloud, data and analytics, and internet of things (IoT). However, only 12% of respondents said their firm’s priorities are extremely well-supported by their tools and technologies (see Figure 2). Organizations are under-leveraging data, they lack the right data strategy, and they don’t have the technology they need to fully transform.

Figure 2



Unlock Potential By Uniting Innovation And Transformation Into A Single Discipline



Firms that adopt innovation at scale have a higher business payoff and shift their culture and processes to one of innovation and transformation.

Organizations need a better way to approach their innovation and transformation agenda, grounded in people, process, and technology. Innovative **technology** allows organizations the ability to rapidly identify, prototype, and test new products or solutions based on customer pain points, to rapidly scale production pilots to market, and to iterate based on continuous research, testing, and feedback. An organization's **people** must drive implementation of these new technologies and tools, productively operating agile practices, adapting to new cloud-based roles, and propagating a new way of working. And new **processes** underpin this evolution, enabling organizations to fully utilize the mindset and effective operating models that encourage innovation, and maximizing ROI on digital transformation investments.

Working differently means adopting the techniques of design thinking and agile development across business, operations, and technology teams. Respondents said their organizations plan to propel innovation forward during the next year by pushing their growth agendas (33%), becoming more agile (31%), and shifting cultures to become more innovative (26%).

If digital transformation is *what* gets done, and innovation is *how* it gets done, organizations must tackle these two pieces in tandem. Forrester's study shows that when companies combine innovation and transformation into a single organization and technique, they generate the most ideas and scale the most solutions. We call this technique "innovation at scale." It's a way of managing the innovation and transformation processes in a coherent and disciplined way, applying the principles of agile, focusing on driving business value against key KPIs, and empowering teams to dramatically improve the quality and impact of business change. Firms adopting this approach have a higher business payoff. And, as a critical byproduct of this combination, firms also change the culture and process of innovation and transformation itself.

THE KEY TENETS OF INNOVATION

Innovation done right requires organizations to think, work, and deliver differently to deploy strategic processes, people, and technologies that solve customer and market friction in more effective ways. Innovation is only possible when organizations can properly orchestrate their value end-to-end. In this analysis, Forrester identified six tenets of innovation at scale. The more tenets that a firm masters, the better the results are. The six tenets are to:

- 1. Unite innovation and transformation as an end-to-end discipline.**
A piecemeal approach to digital transformation does not drive holistic change. Rather, real change across business and IT happens with a comprehensive end-to-end approach.
- 2. Focus first on what customers need.** Anticipate customer needs and make them the center of all strategic decisions.
- 3. Align teams, contributions, and priorities with a common outcome and metrics for objectives and key results.** Work together toward a common North Star and align through metrics and empowerment.
- 4. Master agile development and business change at scale.** Fail fast and learn faster for new ideas, business change, processes, and technology solutions.
- 5. Invest in enabling as well as breakthrough technologies.** Cloud, AI, and machine learning can unlock faster and more impactful insights and enable next-generation capabilities.
- 6. Use data for insights and advantage.** Data is everywhere. Understand this and use data intelligently to track progress toward key KPIs and unique definitions of success.

When organizations approach innovation with these tenets in mind, they exhibit higher levels of idea generation and are in a better position to avoid common negative business outcomes from poor innovation strategies. Organizations investing in up to three of the tenets generate no more innovative ideas than organizations without any digital transformation program at all. Meanwhile, organizations that invest in four to five of the tenets boost ideation by 56%, and those that fully harness structured innovation nearly double ideation and generate 90% more innovative ideas. Successful innovation programs are greater than the sum of their parts (see Figure 4).

Figure 3

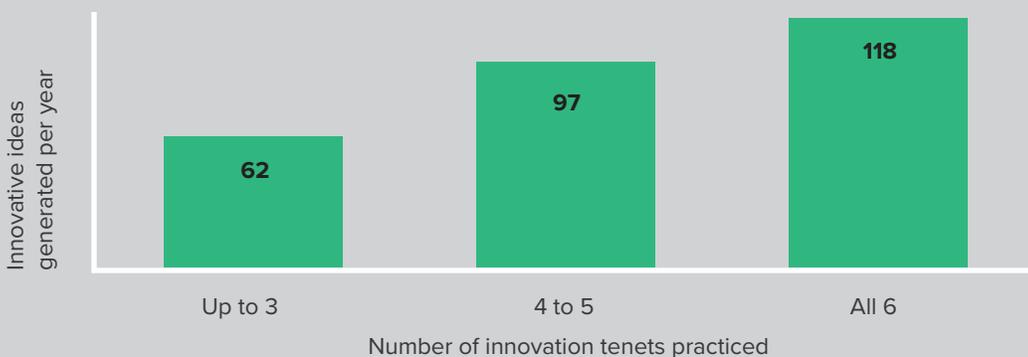
THE KEY TENETS OF INNOVATION

-  Unite innovation and transformation as an end-to-end discipline.
-  Focus first on what customers need.
-  Align teams, contributions, and priorities with a common outcome and metrics for objectives and key results.
-  Master agile development and business change at scale.
-  Invest in enabling as well as breakthrough technologies.
-  Use data for insights and advantage.

Figure 4

Comparison By Tenets Usage

UTILIZING ALL TENETS NEARLY DOUBLES INNOVATIVE IDEATION



Base: 461 digital strategy decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

Innovation At Scale Is A Powerful Force For Business Success

When people, processes, and technology are activated as a cohesive unit, organizations are primed to fully accelerate and scale innovation. The tenets of innovation then become self-reinforcing: Success breeds more success as people realize the benefits of working in this way. Companies operating with the discipline of innovation at scale can expect to experience a variety of customer, process, employee, and bottom-line benefits (see Figure 5). These benefits will grow as organizations improve their performance across these key tenets of innovation.

Further, as organizations are better able to bridge their people, process, and technology gaps, they are better suited to deliver on these innovation tenets. Whether building from a strong base, such as the 38% of respondents who said they have the talent they need or are leveraging previous success, or joining the 60% of respondents taking full advantage of third parties, organizations can make meaningful progress in mastering innovation at scale. In turn, they will be better supported to improve foundational, strategic pieces that serve people, processes, and technology throughout the company (see Figure 6).



Companies operating with the discipline of innovation at scale experience better customer experience, increased employee productivity, and increased innovation ability.

Figure 5

INNOVATION-LED TRANSFORMATION BENEFITS LIE WITHIN REACH

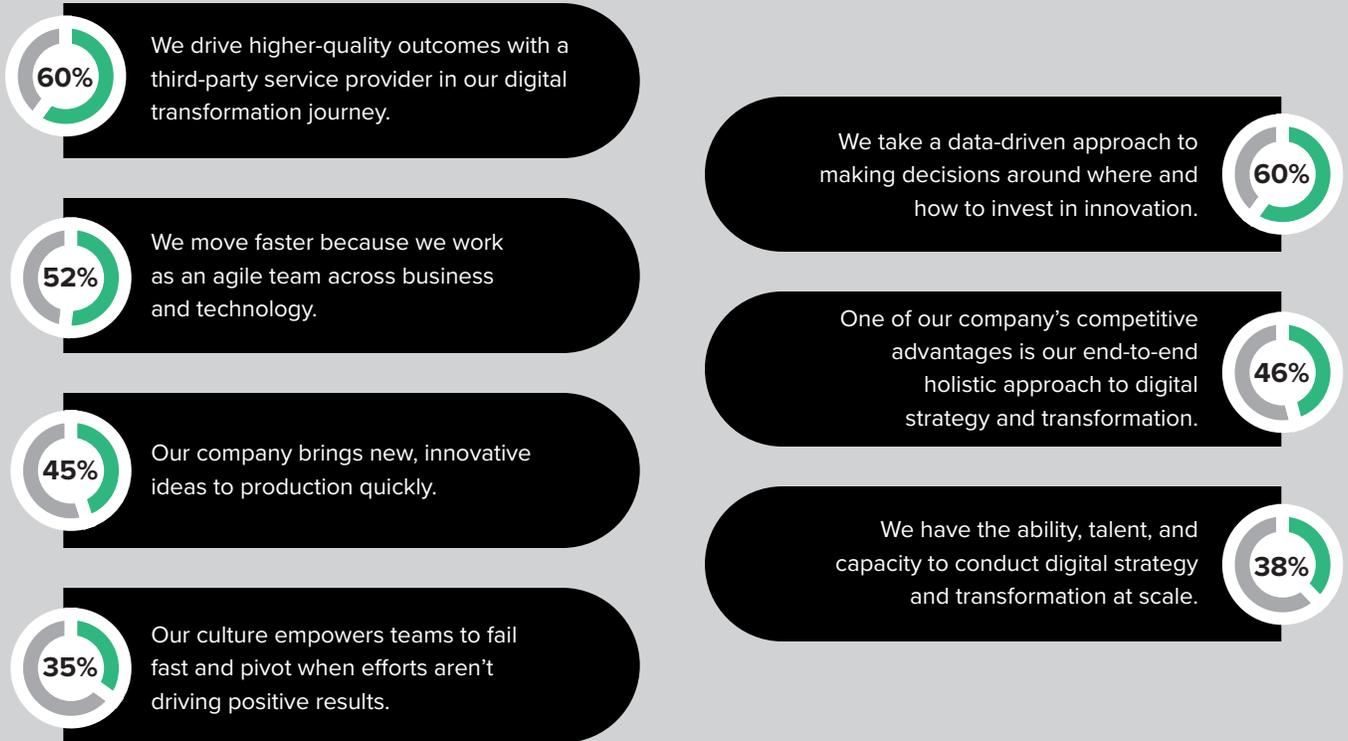
“What business benefits have you achieved, or do you expect to achieve, from your digital strategy and transformation efforts to date?”



Base: 461 digital strategy decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

Figure 6

ESPECIALLY WHEN FIRMS UNITE PEOPLE, PROCESS, AND TECHNOLOGY IN AN AGILE STRUCTURE



Base: 461 digital strategy decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

TECHNOLOGY: HYBRID CLOUD, DATA, ANALYTICS, AI, AND EMERGING TECHNOLOGIES ARE INNOVATION ENABLERS

The technological underpinnings of innovation at scale are and always will be a driver of what's possible. Some of these technologies are universal and will affect every facet of business; others are more specific to an industry or region (see Figure 7). In this study, Forrester identified three technology families that underpin every successful business transformation, starting with the cloud:

- **Hybrid cloud.** Eighty-four percent of business and technology decision-makers said that cloud is integral to their digital strategy and transformation journey, and 49% plan to invest in a hybrid cloud platform in the next 12 months. Firms will also use the cloud to deploy software and development platforms.
- **Data, analytics, and AI.** What a firm knows and how it executes is captured in data, analytics, and in the algorithms and insights that turn that data into action. All are important to business transformation,

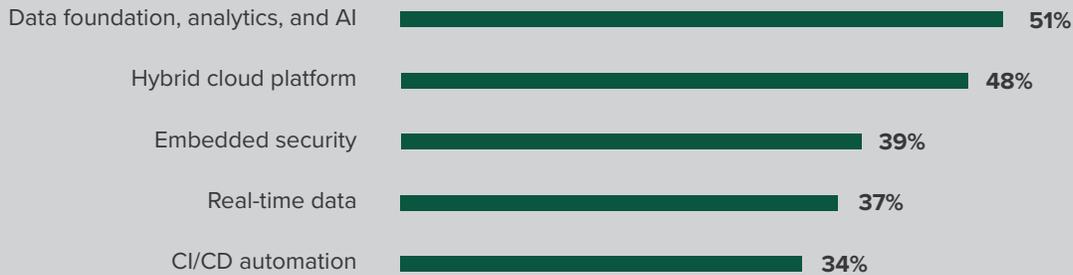
and you must embed them into your innovation at scale program. A streamlined and cohesive data strategy is necessary for continued innovation to understand where and what needs to be changed.

- **Emerging technologies.** There are many other enabling technologies, from IoT and edge computing to blockchain, that hold the potential to redefine and reinvent your business model. Each emerging technology carries with it an ecosystem of suppliers and a set of best practices. Each deserves a place in your innovation strategy as it may enable the breakthrough you are looking for.

Figure 7

ENABLING AND BREAKTHROUGH TECHNOLOGY IS FOUNDATIONAL TO INNOVATION PLUS TRANSFORMATION SUCCESS

“What technology functionalities would help you achieve your digital strategy and transformation goals?”



Base: 461 digital strategy decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

Cultivate An Ecosystem Of Partners To Make Innovation At Scale A Reality

Tackling the six tenets of enabling innovation at scale takes considerable effort and investment. To help organizations see their work pay off, they require specific technological functionalities in the form of hybrid cloud, data analytics, and AI, but also strategic capabilities in the form of end-to-end alignment and support partners (see Figure 8). These capabilities can help address some of the key challenges with structured innovation (e.g., lacking employee skill sets, breaking down silos, and strategic alignment).

This is a team endeavor on every level, which means bringing in the best technology and consulting partners to get the best results. When selecting a partner to help you master innovation at scale, choose one that has the skills and experience to help you design and implement the practice, that can help you with business, operations, and technology teams, and that has alliances and industry expertise.



This is a team endeavor on every level, which means bringing in the best technology and consulting partners to get the best results.

Figure 8

PARTNERS AND EXPERTS WILL ANCHOR YOUR INNOVATION PLUS TRANSFORMATION DISCIPLINE

“What functional capabilities would help you achieve your digital strategy and transformation goals?”



Base: 461 digital strategy decision-makers
 Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

Key Recommendations

In this study, Forrester found strong evidence that firms adopting the tenets of innovation at scale have more success transforming their organizations and moving their cultures to be agile and tuned into customers' needs. You can accelerate your transition to innovation at scale if you reach out to the experts in your organization and beyond and do the following:



Ignite a new business technology conversation. Technology is too important to every business, marketing, and operations leader to ever revert to IT-only. That means your technology organization must step into innovation at scale with an eye on security and capability, but also with a mind open to other budgets, different test-and-learn risk strategies, and new kinds of providers. The conversation works when it is centered on customers, innovation, and business outcomes.



Use customer and business outcomes to break down silos. Working together with common purpose and agile techniques is key to innovation success. Use real outcomes (e.g., customer experience, revenue growth, or lower costs) to motivate and reward individuals and teams. For example: How does development velocity drive revenue growth? How does better user experience lower the cost of care? These individual metrics will bring people and departments together to solve the bigger challenge.



Make customer experience your North Star in transformation. There's a reason customer experience should be your prime force: Happy customers buy more, stay longer, and become your ambassadors. Bring the expertise of your customer experience team into the process early and give them a prime position in customer research, design thinking, and voice of the customer. They will keep you focused in the right direction.



Embrace the power of the hybrid cloud. The agility and innovation roadmaps of cloud providers are a powerful source of new business building blocks. Hybrid cloud is the reality in any enterprise seeking to take full advantage of its existing expertise and systems blended with new applications and services.



Hire, train, and incorporate cloud, analytics, and AI expertise. Startups and digital businesses put data and AI at the center of their value equations. What insights will drive the right actions? What automation can help you scale a solution? What algorithms define your next-generation business model? What are the automation opportunities to streamline and reinvent business processes? Staff for this opportunity.



Embed design thinking into every facet of transformation. Yes, design thinking is an important technique to unearth needs and ideas to improve products and customer experiences. But it's an equally powerful technique to transform employee experiences, business processes, and partner relationships.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 461 digital strategy decision-makers at enterprise companies across a variety of industries to evaluate structured innovation at scale. Survey participants included decision-makers in IT and line-of-business (LOB) roles. Questions provided to the participants asked about their innovation strategies, challenges with meeting their processes, and expected future outcomes. Respondents were offered incentives as a thank you for time spent on the survey. The study was completed in August 2020.

Appendix B: Demographics/Data

GEOGRAPHY	
US	18%
Canada	14%
France	11%
Germany	11%
UK	11%
Japan	11%
Brazil	6%
Mexico	6%
Australia	5%
China	5%

INDUSTRY (TOP 5)	
Manufacturing and materials	11%
Business or professional services	10%
Technology/technology services	9%
Retail	7%
Consumer product goods/ manufacturing	6%

IT VS. LOB	
IT	51% (N=233)
LOB	49% (N=228)

COMPANY SIZE	
1,000 to 4,999 employees	57%
5,000 to 19,999 employees	31%
20,000 or more employees	11%

RESPONDENT LEVEL	
Director	61%
Vice president	30%
C-level executive	9%

ROLE WITHIN ORGANIZATION	
IT	18%
Development	14%
Operations	10%
Marketing/advertising	8%
Finance/accounting	6%
Product management	4%
Customer experience	4%
Sales	3%
Internal strategy	2%
Human resources/training	0%

Base: 461 digital strategy decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020

“WHAT IS YOUR LEVEL OF RESPONSIBILITY WHEN IT COMES TO DIGITAL STRATEGY AND TRANSFORMATION AT YOUR ORGANIZATION?”

I am the final decision-maker for my organization’s digital strategy and transformation efforts.	39%
I am part of a team making decisions for my organization’s digital strategy and transformation efforts.	36%
I influence decisions related to my organization’s digital strategy and transformation efforts.	25%

“HOW WIDELY HAS YOUR ORGANIZATION ADOPTED DIGITAL TRANSFORMATION STRATEGIES?”

We have applied these strategies broadly across all facets of business.	25%
We have applied these strategies to some business aspects.	56%
We have not yet applied these strategies to our business, but plan to do so in the next year.	19%

Base: 461 digital strategy decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, August 2020