

An executive guide to continuous enterprise resilience

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The recent era of Digital Transformation has arguably been the most significant wave of investment in enterprise technology we have seen. The principle driver for this phenomenon has been the threat of digital disruption brought about by the exponential pace of technology innovation.



As the hype cycle of Digital Transformation has bottomed out, there has been a noticeable shift in digital transformation conversations. Whereas earlier perspectives were all about adopting digital technologies, there is a maturing realization that:

Digital is not in the technology; it is in the customer. Addressing the increasingly sophisticated digital demands of customers and keeping pace with constantly evolving competitive digital offerings, is far more complex and challenging than implementing a new technology platform.

Transformation is not an initiative; it's a capability. It's not about transforming but building the capacity to continuously transform. Figuring out how to embrace continuous, ongoing innovation and develop an adaptive business culture is a perplexing but urgent imperative.

The realization is setting in that Digital Transformation is in fact a continuous exercise in business model innovation.

This may be a good time to take stock of a few key learnings:

- Digital Transformation has proven far more complex and nuanced than earlier races to adopt emerging technologies (e.g. ERP, eCommerce, Dotcom, SOA). Early, naive technology-oriented responses have not addressed the real issue of adapting and innovating the business model.
- Transformation is less about adopting technology than it is a cultural challenge, to adapt the organization to embrace new ways of working aligned around Customer Journeys, their corresponding ValueStreams and the ongoing Agile Release Trains that maintain them.
- The pace of change is only

accelerating and continuously creating opportunities for disruptive competition. The end goal is not some new digital platform or architecture. The real necessity is in developing the resilience to continuously innovate and adapt to address the shifting sands of customer and market demand.

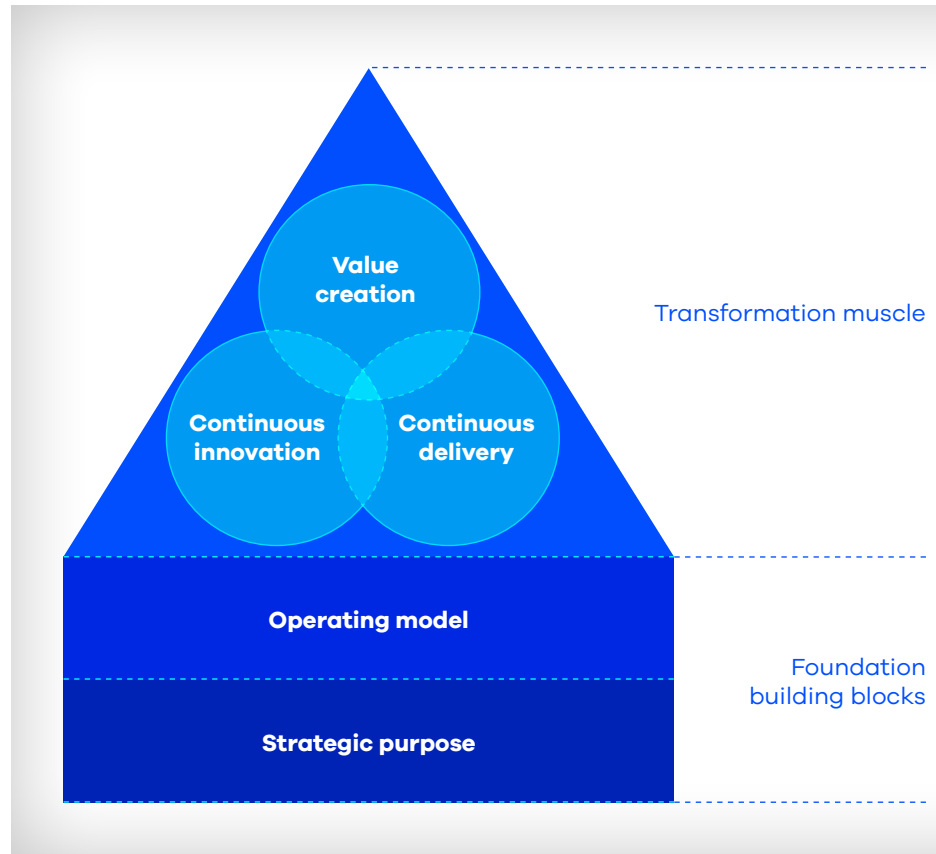
It is no surprise that there has been a surge of interest in business model innovation techniques and tools, as organizations search for approaches to continuous business model innovation

Enterprise resilience

In an environment of exponential technology innovation, the most challenging issue for executive teams is dealing with the pace of disruptive change. The antidote to disruption is resilience. Enterprise Resilience is the capacity and agility of an organisation to adapt and respond to change, addressing threats and leveraging opportunities. It is a key ingredient of an adaptive organization.

Capsifi has developed a framework for Enterprise Resilience that is comprised of two principle components:

1. The first is a complete and precise understanding of how a business operates, how it is performing and how aligned it is with its strategic purpose. Most businesses do not have this degree of understanding and visibility into their business operating model. In general, operating model knowledge is fragmented, static and out-of-date. Companies do not treat their business model as an asset. A comprehensive, integrated understanding of a business operation is a fundamental starting point to be able to diagnose issues, identify opportunities and evaluate innovation scenarios.



2. The second is the transformation muscle that needs to be developed to industrialize and democratize innovation as a core business capability. Businesses have tended to consider innovation from the narrow perspective of product or service innovation. They are entirely unprepared for innovating their business model since they lack any meaningful way of fully articulating the complex interdependencies of all the moving parts. Their organizations and their cultures are not set up for continuous innovation and they don't have clear strategies for how to manage ongoing transformation. Put simply, this is organizational muscle they have never needed to exercise but is not hard to develop with a proper plan and program in place.

There are three key ingredients to developing the transformation

muscle for continuous business model innovation:

Continuous delivery

The most mature of these is continuous delivery, relatively well understood through the Agile movement although surprisingly sparsely adopted in a truly effective manner. Whereas many younger organizations may have grown up on an agile culture, the vast majority of older incumbent industry leaders have had mixed results with Agile. The challenge is less about the creation and management of agile teams and adopting an iterative delivery mentality. That can be easily trained. Much more difficult is the developing the ability to feed the agile backlog of continuous delivery with a constant flow of prioritized transformation scope. Agile teaches us how to change things more efficiently but offers very little to the problem of figuring out what needs to be changed. Even the most well-oiled agile delivery machine will be

ineffective if we don't know what to feed it.

Continuous innovation

To be effective in the long term, every continuous delivery program will be reliant on a corresponding second ingredient which is the embedded mechanism for inspiring, capturing and designing the ideas of continuous innovation. There is no easy formula for creative inspiration, it is more art than science. However, there are structured innovation techniques such as design thinking, which offer repeatable templates for conducting customer driven design. However in practice the majority of design teams operate in a very artisanal manner, requiring the specialist skills of master craftsmen and their post-it note lined, design labs or garages. Without losing the creative element of design, the design process needs to be industrialized. We need to move from design garages to design factories. We need to democratize ideas and provide means to harvest them continuously from the rank and file service teams at the coalface of customer interactions, who are most familiar with the pain-points and bottlenecks. Companies are just learning how to capture, validate, evaluate and prioritize ideas, managing them through continuous innovation pathways to become realized business outcomes. Continuous innovation is a multi-functional activity and goes beyond the purely design concerns of prototyping and experimentation, to include the careful and disciplined development of business cases and intelligent scenario analyses. Most organizations are not equipped to support continuous innovation in

such a structured and pervasive manner. Those few that do have well integrated design processes, may still be failing to pursue the right innovations if they don't have a clearly articulated perspective of the 3rd aspect of transformation muscle, the landscape of continuous value creation.

Continuous value creation

The concept of value and how an organization delivers it, is in our experience, poorly understood. At best businesses tend to operate on the periphery of narrowly defined financial metrics as their guiding light on organizational value. A thorough understanding of the anatomy of value is essential for ensuring that innovation is targeted at the right business drivers and is moving the needle on the right value dials. Value maps and value trees offer a good structure for decomposing value but once again, these are typically applied along the narrow perspective of shareholder value, focussed on financial returns and operating efficiency. They tend to promote operational improvement over new opportunities. These same value mapping techniques can however be applied to other value perspectives, in particular customer value and an increasing concern with environmental value. Continuous value creation involves an ongoing articulation and prioritization of these various value perspectives so that innovation teams can map their ideas into organizational value maps and prioritize which innovations to pursue.

The three innovation perspectives of

Value, Design and Delivery are the essential elements that provide the transformation muscle of business model innovation and a resilient enterprise.

Disruption by its very nature comes at the most unexpected time and from the unlikeliest cause, as we are discovering with the current global pandemic. Being resilient to disruption is a capability that an enterprise can develop. One aspect may be having emergency plans and procedures for anticipated risks, but a far more effective protection is adopting a culture and capacity for continuous innovation and change.

In summary, we believe that:

- a holistic understanding of the many intricate moving parts of a business,
- understanding and monitoring their relative maturity and performance,
- building a continuous feedback loop for the identification of pain-points and bottlenecks,
- democratising innovation by capturing ideas at the coalface of interactions and
- the ability to prioritise and flow innovation ideas through to agile delivery teams are the fundamental characteristics of a Resilient Enterprise

Capsifi's Jalapeno platform is an integrated business model workbench that is built on the philosophies explained in this paper. We invite you to take a Test Drive at: capsifi.com/test-drive-now



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