

# The Essentials of Digital Innovation

And three solution sets critical to your success



With the rise in digital devices, we've all grown accustomed to simple, intuitive applications that collectively help us manage all facets of our lives. And as our expectations have increased, businesses across all industries have struggled to keep pace.

Today, digital innovation needs to be at the heart of every enterprise. You need to digitize internal operations to do things better, faster, and cheaper; find new ways to engage customers and partners; and bring new digital products and services to market.

Luckily, there's no shortage of ideas. Your wish list is probably waiting for resource availability right now. But transforming into a digitally progressive business is hard work. Changing market conditions mean that you're planning around a moving target, and with disruptive startups popping up all over, competition is mounting.

The time to act is now. You need a faster path to transform your innovative new ideas into winning applications. In this eBook, we'll showcase the current need for digital innovation, indicate the urgency associated with driving innovation now, and provide a guide to kick-starting your digital innovation strategy (including the core application types you need to prioritize).

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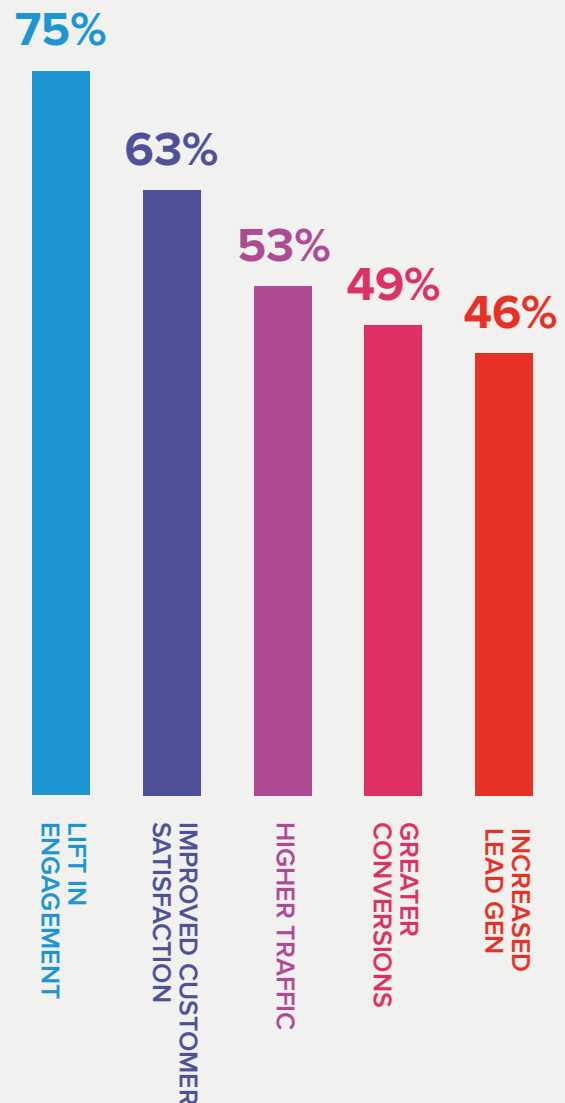
## The current need for digital innovation

It should be no surprise that 88% of businesses were undergoing digital transformation in 2014. And when asked what benefits were expected from digital innovation efforts, the top five responses included a lift in engagement, improved customer satisfaction, higher traffic, increased lead gen/sales, and greater conversions<sup>1</sup>.

In essence, digital innovation is meant to bring the enterprise closer to its customers. And while businesses have been discussing customer-centric strategies for years, the stakes have grown considerably. Gartner estimates that 80% of customer engagement will occur on mobile devices<sup>2</sup>.

The way in which customers wish to engage spans industries and use cases. Already, 71% of people say they're willing to buy insurance online<sup>3</sup>. 82% want more digital financial products and services from their banks<sup>4</sup>. And 70% of Boomers (people ages 55-64 years), would use portals to schedule appointments with their doctor or healthcare professional<sup>5</sup>.

### Top benefits seen or anticipated from digital transformation efforts:



Altimeter Group, The 2014 State of Digital Transformation Report

## The current need for digital innovation

But customer expectations extend farther than any single online interaction. More than ever, there is an increasing desire for smart, connected applications that build user engagement and make doing business with your company faster, easier and more convenient than ever. And most recently, businesses have found new uses for real-time sensor data as a means to enable smarter connections and more proactive application uses.

The rise of the Internet of Things (IoT) and the Machine2Machine concept has shown businesses that applications can now go far beyond any single mobile or web interaction, offering a way to connect and even anticipate customer and employee needs. Gartner predicts that Machine2Machine (M2M) or Internet of Things (IoT) nodes may represent 17% of all global mobile connections by 2017<sup>6</sup>.

Deploying intelligent, connected applications is more important than ever before. These applications need to reach a variety of functions – from digitizing customer engagement and internal operations to enabling the creation of innovative new business models.

### Digital engagement spans all industries and use cases:

**71%** say they're willing to buy insurance online

**82%** want more digital financial products and services from their banks

**70%** of Boomers would use portals to schedule healthcare appointments

## We're in the age of digital Darwinism

Delivering smart applications is not enough on its own. Businesses must also prioritize speed and agility, or miss losing their next competitive advantage to competition or market change.

John Chambers, outgoing CEO of Cisco, said it best in an article from Business Insider. John predicts that 40% of companies will be dead in 10 years if they fail to go digital. "Disrupt or be disrupted." He continues to say that enterprises who miss this market transformation will be upended by others.

But how can businesses keep pace when they're already behind, held back by development practices that aren't suited

for innovation initiatives? Businesses are overwhelmingly failing to turn their ideas into reality, with 71% saying that they are unable to deliver new digital functionality at the rate of demand<sup>7</sup>. Moreover, 64% of projects that progress fail to meet business expectations, due to a lack of team alignment and unclear requirements.

We're now living in the age of digital Darwinism, where you evolve or you become irrelevant. Ultimately, delivering the right applications at the right time is now essential to business growth and differentiation.

But to keep your business competitive as the world around you changes, you need a new guide, focused on the essential processes necessary for innovation.

### The new competitive landscape

Enterprises continue to see a rise in more nimble new entrants, like Nest, Square, Uber, and Airbnb. These digitally native startups have more agile business practices and software delivery models which allow them to adapt products and services on the fly. New entrants, coupled with global enterprises willing to throw money and manpower at digital innovation, are able to quickly refresh products and services.

### A higher rate of market change

Like any type of innovation, the details are often unknown or evolving. As customers engage digitally, utilize wearables, and adjust to IoT solutions, expect requirements to adapt. And beyond market demands, expect greater stringency from regulatory boards. While we cannot guess the exact changes to compliancy, reporting, and security, we can assure you that businesses will have little time to react.



## The essentials of digital innovation

While you may not have a flexible business model or unlimited funding, you can still make digital a reality for your business. But achieving your goals is contingent on accepting the new market landscape for what it is – in a state of permanent volatility<sup>8</sup>.

To be clear, projects that tie into digital innovation goals require a great deal of flexibility. Change should be expected and welcomed. But that doesn't mean that your entire business needs to change. Don't forget that you need to keep the business running and optimize on those systems that exist today. By implementing a separate approach for delivering innovation projects, you limit the risk associated with business change while still providing the same potential impact.

Gartner refers to this as a Bimodal IT approach, urging businesses to segment

their strategy based on the rate of change and distinctiveness of each application. Classification provides an unbiased way to manage two unique development work streams, which in turn ensures the right people, process and platforms are assigned to each project, leading to higher overall project success rates.

Utilizing this strategy, you can see that your existing practices are not suitable for digital innovation efforts. Traditional (mode 1) development provides little flexibility and requires significant time before an application can hit the market. With this mindset, rethink how you facilitate digital innovation. Ultimately, you'll need a rapid path (that can more easily navigate through the enterprise) to drive digital innovation.

**GARTNER REPORT: New CIO Responsibilities in a Digital Business World** [DOWNLOAD NOW ►](#)

### Gartner defines its two modes of IT strategy as follows:

**Mode 1** refers to development projects that relate to core system maintenance, stability or efficiency. These factors require highly specialized programmers and traditional, slow moving development cycles. Because requirements can be clearly set, there is little need for business involvement.

**Mode 2** refers to development projects that help innovation or differentiate the business. These require a high degree of business involvement, fast turnaround, and frequent update. Mode 2 requires urgency, to ensure your ideas make it to market at the right time.

## Create a rapid path for digital innovation

Gartner's second mode of development has many names in the industry. Most recently, we've seen an increase in innovation labs that act as incubators within larger enterprises. In other places, we've seen executives create a 'Fast Track' or 'Fast Lane' team to help speed discussions and delivery of applications that tie into innovation initiatives.

However you choose to name this new group, remember that you're building a fast lane through the business to drive digital innovation. Speeding end-to-end results requires the right people, process, and platform. See the chart below for a few tips to get you started.

With the right people, process, and platform in place – you're ready to drive digital innovation at lightning speeds. But where should you start? As mentioned in the eBook forward, every business has a portfolio of ideas just waiting to be delivered. Look for a project that is highly visible across the business, but can stand alone in production (i.e. it's not just a piece of a larger project). These 'island' projects have the right urgency and leadership support to warrant a new development practice focused on speed of execution. These projects can also offer the internal PR necessary to build practice awareness and extend the program reach in the future.

**BLOG POST: Fast Track Digitization with a bimodal IT strategy** [READ MORE](#) ▶



### People

Select two to three people from across business and IT teams who are passionate about delivering business value. No more large scale teams, just a small group of highly focused people who can collaborate to find digital solutions to complex business challenges.



### Process

Leverage an agile, iterative process to drive digital innovation without disrupting existing operations or development efforts. By continuously iterating toward the perfect solution, you can release new digital functionality more frequently, show progress, and collect more market feedback (which then can be actioned more quickly through additional development sprints).



### Platform

Find the right technology to empower your people and reinforce your process. Look for a unified platform that manages the entire application lifecycle, including program management, team collaboration, rapid development, instant cloud deployment, and application management.



## Finding your island: the top digital priorities

Sifting through your portfolio of projects can be daunting. And worse still is sending a blanket request out to business groups for ideas on pilot projects. Instead, take a lesson from your peers who have already initiated this practice.

We've polled our customers, discussed with leading analysts, and tracked innovation efforts across media publications. And while we've seen hundreds of unique applications, we've found that every custom solution fits within one of three common digital themes (or application types).



### **Customer, partner or supplier engagement**

Find ways to simplify the way information is accessed and transactions are processed. Remember, people want to engage wherever and whenever is convenient for them. Applications that support this goal include advisement tools, fact finding assistance for employees, and self-service portals.



### **Product and service innovation**

Consider how you can differentiate your business by enhancing existing products and services with digital components – or even creating net new products or services. By reinventing your business as market needs evolve, you'll be able to maintain a competitive edge. Product and service innovation often involves new applications that enable mobile services, personalized product offerings, and new business models.



### **Internal systems processing, reporting, or access**

Businesses who digitize their back-office processes are able to improve efficiency, ultimately reducing the cost of service and support, while improving response times and customer satisfaction. Consider how you can automate complex internal workflows, enable faster reporting and decision making, and empower your workforce through new applications that enable better access to data and better mobility.

## Inspiration from your peers: improving customer engagement



AZL, a pension provider, handles the administration of more than 60 pension funds with more than 1 million participants. The group managed a majority of its operations and customer interactions through its call center and branches, which increased overall business costs and led to service delays.

The provider built a multi-tenant, customer portal so that pension holders can access their relevant fund and retirement information without having to speak to a call center representative. The online system delivers a tailored user experience based on the style guide of the specific pension fund in which the individual participates.

Two developers were able to deliver the full portal in just ten weeks (results that were 4x faster than previous development estimates and utilized 3x fewer resources for the project). The application has created greater business agility, reduced the cost to administer the funds, and expanded communication/distribution channels.

**[READ MORE ABOUT AZL'S SUCCESS ▶](#)**

## Inspiration from your peers: delivering product innovation

LV= Insurance, a life insurance provider, wished to differentiate its services through the release of new propositions, including a product geared toward the over 50s segment and for sick pay insurance. To do this, the company needed to deliver capabilities that span customer self-service, back-end administration, claims and fulfillment. But traditional development approaches made their ambitions time and cost prohibitive.

Instead, a team of two developers tested out a new approach through a new platform, building the working products in a matter of weeks. With this new practice, they delivered at a cost five to six times lower than through traditional development approaches. Their iterative releases also led to more frequent market feedback earlier in the go-live schedule, allowing the team to hone their product portfolio and provide more targeted product adjustments.

*“ Projects that never would have seen the light of day are now possible and are contributing directly to the growth and differentiation of our business. ”*



**Rod Willmott**

Fast Track Innovation Director,  
LV=Insurance

In total, LV='s fast-track innovation process has saved an estimated £5 million since 2012. With the launch of new propositions into the market, the group maintained its competitive advantage while also increasing premium volumes through more targeted products distributed across more channels. The team most recently was awarded the 2015 Celent Model Insurer Award for innovation as a result of their hard work.

**[READ MORE ABOUT LV'S SUCCESS ▶](#)**

## Inspiration from your peers: mobilizing operational processes

Kao, one of the world's largest companies and a leading manufacturer of premium beauty-care brands, needed to innovate how sales associates placed customer orders. Historically, the team struggled with an outdated solution that did not provide real-time access to supply data.

The team decided to extend its existing SAP system with a mobile order-entry application. Kao was able to easily integrate into SAP, delivering the new application 10 times faster than estimated using other methods. The user-friendly application is fully integrated with SAP, providing real-time access to inventory information and immediate entry of their sales orders.

In addition to increasing time to market, Kao's IT team has dramatically increased productivity across their 300 reps. With the new iPad app, sales reps save up to two hours per day.

**READ MORE ABOUT KAO'S SUCCESS ►**

*“ We were able to get this application out extremely fast, and move forward, we can react quickly to business requests for changes or new solutions. Since we have the integration with SAP in place, we're already thinking about how we can build applications to support our business. ”*



**Dan Gordon**

Application Group Manager,  
Kao

## Drive digital innovation. Now.

The time for change has come. And it's up to you to guide your team to success. Use this eBook to identify places where you can begin your digital transformation and remember that speed is of the essence. To compete and win in today's highly competitive landscape, you need to be smarter and faster.

And remember, you need to walk before you can run. Make sure you have the right people, process, and platform in place and find an initial, "island," project to get started and prove out these capabilities. As you become comfortable with a two-tiered development organization, and a 'fast lane' for digital innovation, you can build upon your initial structure and eventually scale your innovation practice across the enterprise.

By growing your innovation practice over time, you'll inherently add further value to the business. Be prepared to improve the customer experience, reduce the costs of business, enhance staff productivity, and acquire new customers, among a host of other benefits.

Find out how Mendix can help you achieve your digital innovation goals.

**LEARN MORE NOW ▶**

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Mendix helps enterprises achieve their digital goals. Our digital innovation platform empowers customers to bring new products to market, digitize customer engagement, and automate unique business processes. Facilitating an iterative, collaborative approach, the platform brings business and IT together to build and deploy innovative applications at the speed of ideas.

A recognized market leader, Mendix is helping hundreds of customers across dozens of industries achieve exceptional results. For more information, visit [www.mendix.com](http://www.mendix.com) and follow us on Twitter [@Mendix](https://twitter.com/Mendix).

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