



Mastering the Paradoxes of Innovation

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	Innovation is elusive. The single-minded pursuit of it is unlikely to produce sustainable results. To get innovation right, CIOs must pursue business value by mastering the four paradoxes of innovation: power, process, pressure and property.	
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Case Study:

Serasa—Organized innovation on a companywide scale

Serasa provides research, information and economic financial analyses used for credit and business decisions. The company uses information technology and analysis to add value to basic information on all legally incorporated companies in Brazil and on consumers with credit activity, offering a range of informational services relating to credit, sector analysis and risk management. Serasa is the largest company in its industry in Brazil, with a 59% share of the financial information market and net billings of R\$800 million (\$US491 million) in 2007. IT investments and expenses are equivalent to about 15% of revenue, a level of spend consistent with most companies in the industry. Experian Group owns 70% of the company's stock. Of the company's 2,500 employees, 450 work in the IT group.

Focusing on the innovation process

"In IT we have a special team and designated leader charged with managing our innovation process, which is very strong," says Dorival Dourado, the new technology and IT services director. "Our benchmarking includes an 'open innovation factory'; we use input from external sources like universities and other companies to help us strengthen the process, which we put a lot of time and thought into sustaining and improving.

"The process is centered on the technology we use to change our business. We look for technology that can change business processes and help bring new products and services to our markets, so that we can achieve competitive advantage. For example, we might change processes on the customer side, and change our platforms to better serve customers in particular markets. We also look for technology that will help us improve our IT services to other departments, such as sales and marketing.

"Our innovation is incremental. We are working to find disruptive technology that will help us move faster in our innovation process."

Innovation creates opportunities and rewards

The focus on innovation creates opportunities and big rewards. "In one case, we used digital certification to create a new process and model to support our relations with banks and insurance companies," says

Dourado. "The technology is not new; it's been around for 10 years. But in Brazil, businesses had a mandate from the government to use digital certification, and this gave us an opportunity to build a new market, business model and revenue stream. Essentially, we sell the infrastructure to support this technology. We also use the technology to simplify workflows in banks and other segments.

"We defined the opportunity, and we have developed a practiced approach to support it. Our approach is used in insurance, banking, contracts and approval processes to simplify relationships between the parties in a business transaction. That's our value proposition. Today this innovation is responsible for 6% of our revenue.

"In another case, we developed processes and platforms to simplify the relationship between the income tax authority and their customers—consumers and companies. We improved the costs and services, and moved the traditional process to a new platform supported by our digital certificates infrastructure. We have reduced the cost per transaction by 7%. We have similar cases from banks and other customer segments."

Innovation involves everyone

The process is annual and spread throughout the company. "Every employee can submit suggestions and actions to improve our internal process or our products," says Dourado. "Typically more than 1,000 people are involved, using our internal systems, such as our intranet, to submit suggestions. Sometimes the team includes external experts, and even the company president was directly involved in discussions at the last forum!

"We have a planning support group, headed by a manager who knows the process and the project portfolio that organizes the process. This team prepares business cases for the most important suggestions. After this, the suggestions are sent to a 'project dynamization' group that selects ideas that will go forward. We have several of these teams, separated by specialization (for example, by product) and containing differentiated skills—technicians, salespeople, managers and so on. Then we have a step that tutors the suggestions. Next, we have a board—the final project

Case Study:

Serasa—Organized innovation on a companywide scale (continued)

dynamization team, a group of 10 people—that analyzes and refines the suggestions.

“The more than 1,000 suggestions per year result in 100 to 150 projects. Some are related to strategic initiatives, others to incremental improvements. All the directors and management in the company support particular suggestions.

“We have a strong bottom-up strategic planning process. In a strategic planning session, we get additional suggestions. We use the IBM ‘joint sessions’ model in this innovation process, which we’ve used for 10 years. It gave birth to several products, such as our credit bureau that supports risk decisions, and improvements to our mobile platform, which uses WebSphere technologies.”

Success is measured on the bottom line

“The first way we measure success is by our ability to launch new products and services,” says Dourado.

“Normally we launch five to 20 new products per year and can track revenue for each. The second way we measure success is by improvements in our capacity to retain customers.

“I believe the innovation process contributes 20% to 40% of our revenue every year. Much of this is due to our ability to continually re-engage our customers. Every day our customers need to know that it’s important to have Serasa information, so we need innovation to improve the information in our databases and create new functions. That helps motivate our customers to use our information every day. If our customers don’t use our systems and information, we lose.”

Because frequent change is demanding for customers, Serasa makes sure there is support for learning to use a constant stream of innovations. “We use an account center to inform and communicate with our different customer groups,” Dourado explains. “We publish a magazine for customers. We have a Web site, and we conduct promotions and seminars. We also have a commercial team responsible for maintaining daily communications with the clients.”

Innovation as a way of life

“An innovation culture permeates Serasa,” says Dourado. “For example, our HR group uses advanced tactics to support our people management, such as competence management. We’ve been recognized as one of the best places to work in Brazil. We have a benefits program that includes an internal school for employees at several levels—basic education, post-graduate and M.B.A. We also provide these benefits to outsourced people, such as employees of the cleaning and security companies, though they’re not part of the innovation process.”

Taking risks, focusing on people and making time

“We’re working to have a stronger process for supporting heroes and risk-takers,” says Dourado. “It’s not easy to manage the risks, but it’s part of the game, and we need to learn the breakpoints between innovation, risk and return. Right now our process looks at various risks—market, company, security and so on. We need to learn how to push the risks a little harder.

“A major issue for us is to identify talent. People make the difference in our processes. It’s possible to have a very strong process but the wrong people, and that makes for poor results. Sometimes I prefer a process that’s less strong, with a team that’s very strong. It’s also important to take time to think about a process. I work with talented people, and if they have ideas about how to improve a process, they make the difference. So you have to make time for them.

“Another important issue is our relationship with sources of good ideas. As I said, we understand that people are important. Sometimes we find good ideas outside the company. So we have a strong relationship program with universities and research centers, inside and outside Brazil, and we bring people in from everywhere to support our inspiration process.”

Based on an interview with, and material from, Dorival Dourado, technology and IT services director, Serasa, February 2008.