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THE BOSTON CONSULTING GROUP

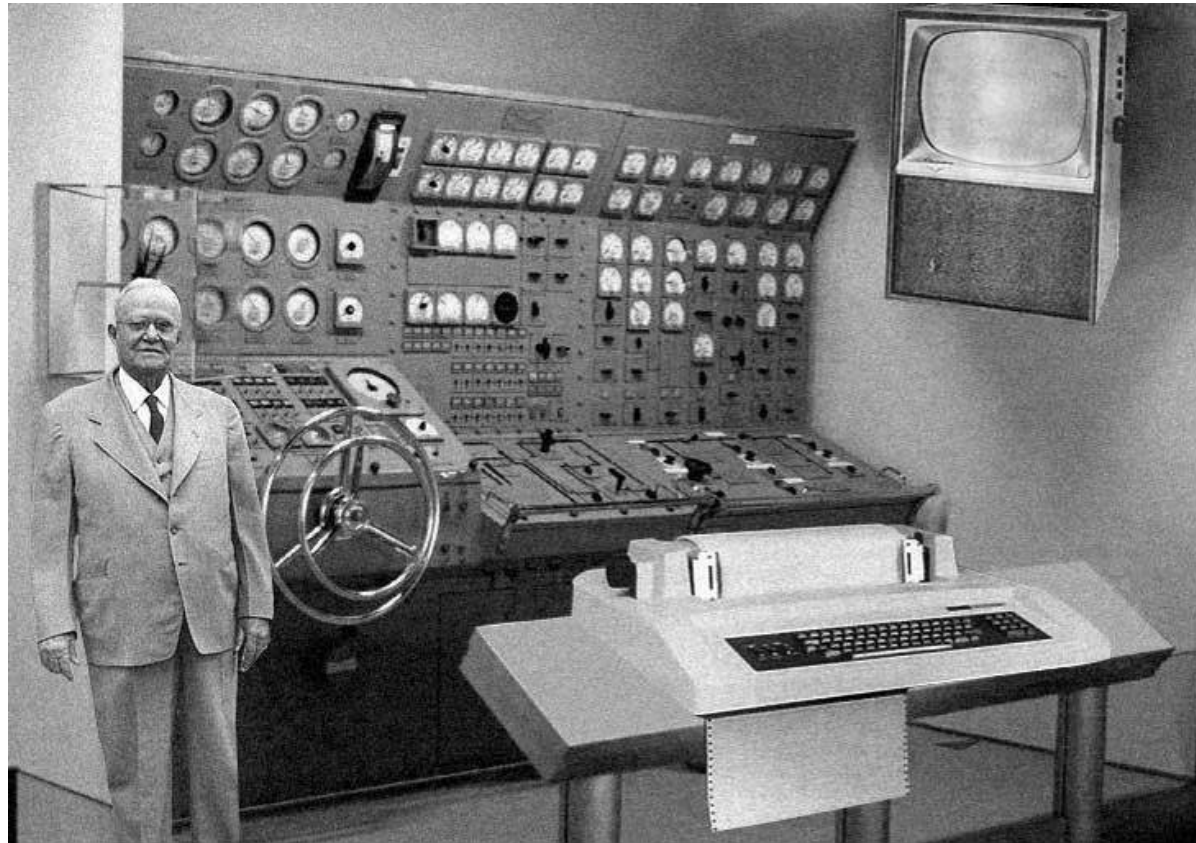


Spotting true innovation in business IT!

Hagen Pfeiffer
Noordwijkerhout, 18 May 2010

www.platinion.com

Innovation needs visionaries



**RAND Corporation's 1954 design for a home computer –
how it could look in 2004**

"Prediction is very difficult, especially ..."

"People typically have at least a dozen computers on and around their bodies, which are networked using body LANs"

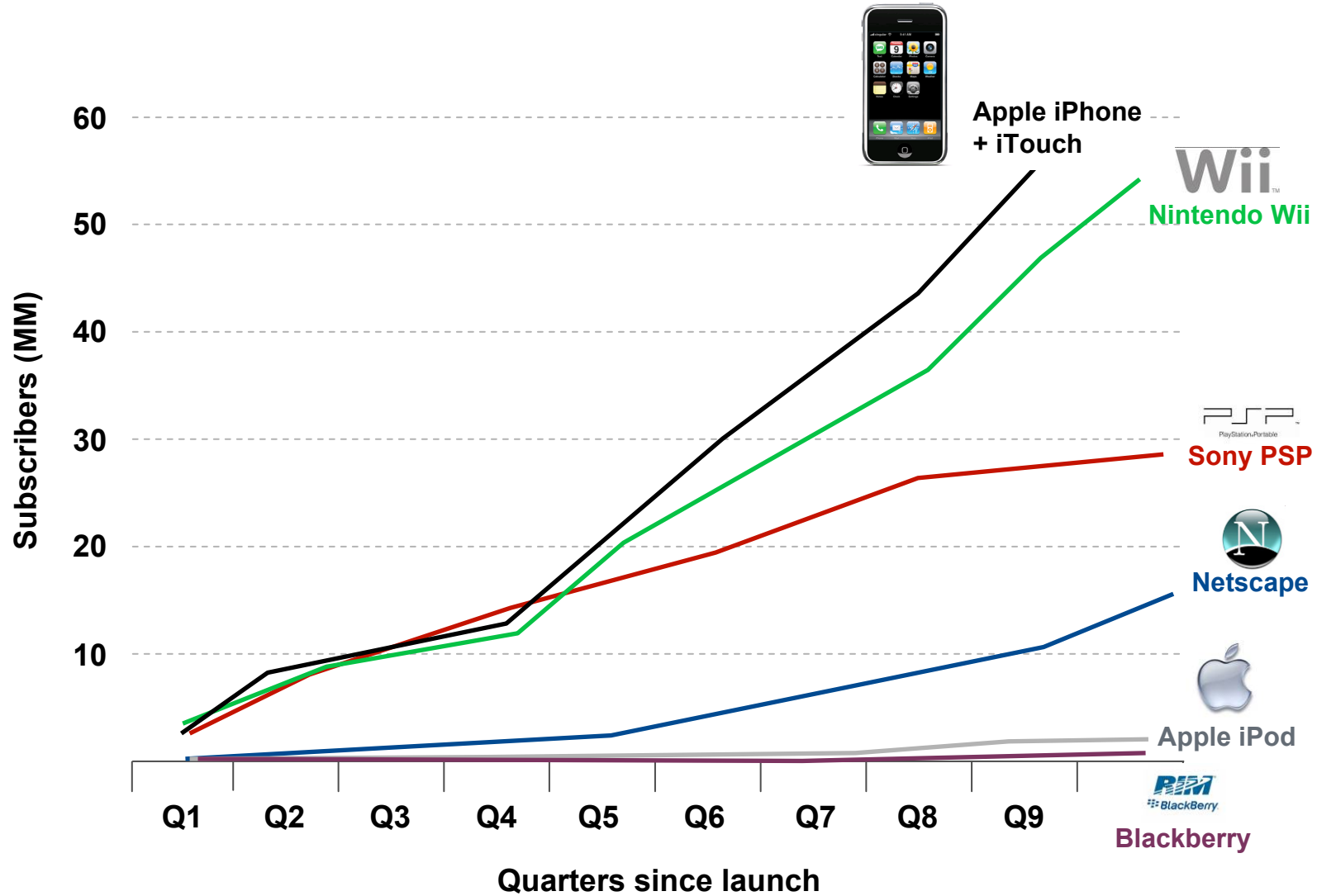
"The majority of text is created using continuous speech recognition (CSR) dictation software"

"Digital objects such as books, music albums, movies, and software are rapidly distributed as data files through the wireless network"

"Unused computes on the Internet are being harvested, creating virtual parallel supercomputers with human brain hardware capacity."

We're not quite there yet

Massive innovation in consumer markets



Source: Company reports, Morgan Stanley Research
 JITT-Keynote-Platinion-18May10.ppt

Looking back: Much noise

What they promised

"Industry expectations are high, as scores of companies race to become part of the **WAP** world"
Wall Street Journal, 1999

"The next major revolution in business computing has already arrived, it's called **Grid Computing**"
Delphi Group, 2002

"With CORBA, you are limited only by your imagination"
Netscape Communications, 1999

Impact observed

Huge disappointment due to technical deficiencies and pricing

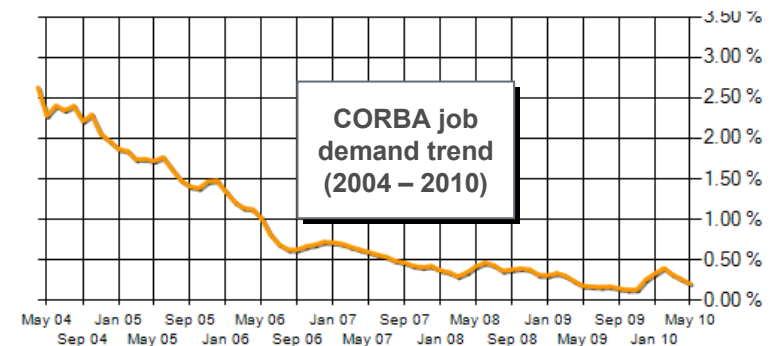
"Worthless Application Protocol"

Mainly applied in science research, not business

- SETI@home
- CERN Large-Hadron-Collider

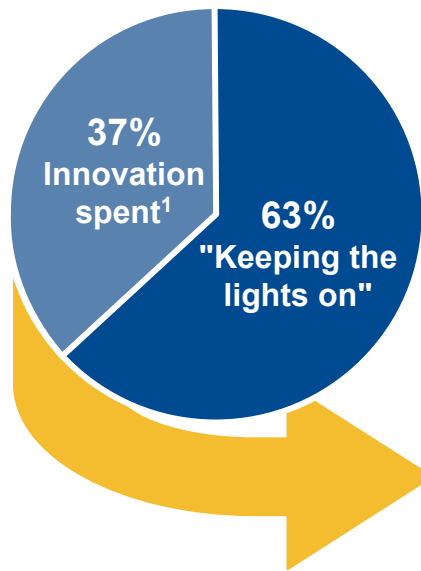
Promoted by industry heavyweights (HP, IBM, Sun, Apple, ...) but little acceptance due to complexity

Disappearing with rise of XML/Webservices



Enormous IT innovation spend

Large part of IT budget spent on "innovation"

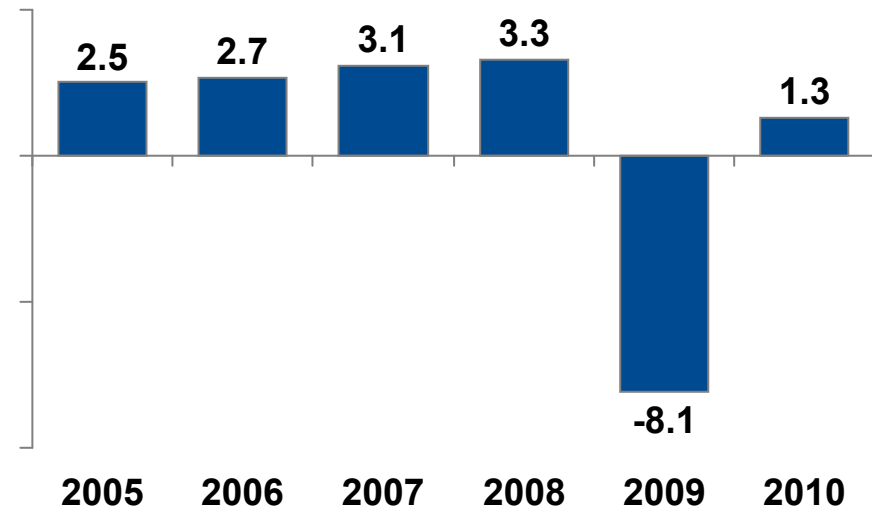


> € 825.000.000.000 world-wide²

~ € 74.000.000 for typical bank with IT budget of € 200 M

CIOs with less money to spend due to financial crisis³

Change in IT budget



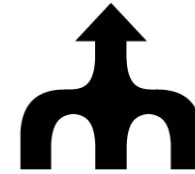
IT similar to Marketing? "Half the money I spend on IT innovation is wasted; the trouble is I don't know which half"³

1. Microsoft conducted survey in 2009 in US, UK, Germany and Japan; 2. According to Gartner, 2010, incl. telecom spending; 3. "Leading in Times of Transition: The 2010 CIO Agenda", 2010, Gartner; 4. Quote by John Wanamaker (1838–1922) on advertising

CIO to answer two key questions

SOA

twitter



Mashup



Server
Virtualization



What IT innovations to invest in?



How to secure their funding?



iPhone



Cloud Computing

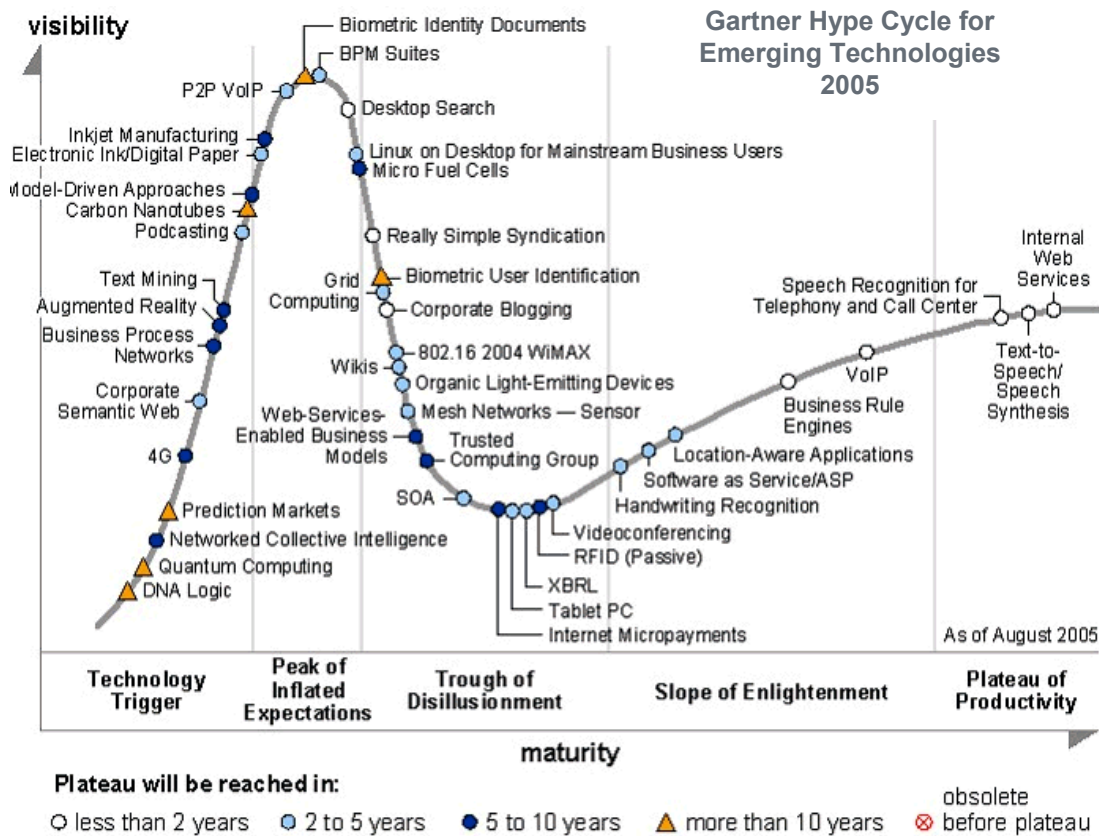


Facebook



Blogs

Market intelligence not always helpful



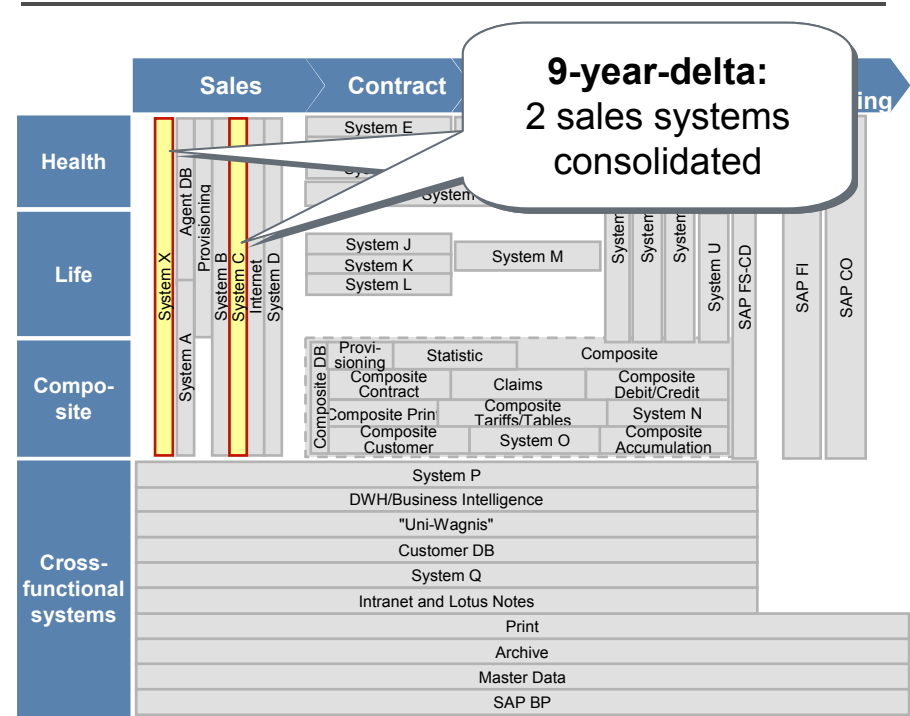
Hype Cycle Statistics (2003–2009)

Mentioned in Hype Cycles	Technology count
Once	76
Twice	28
Three times	16
Four times	5
Five times	5
Six times	1
Seven times	1
	Σ 132

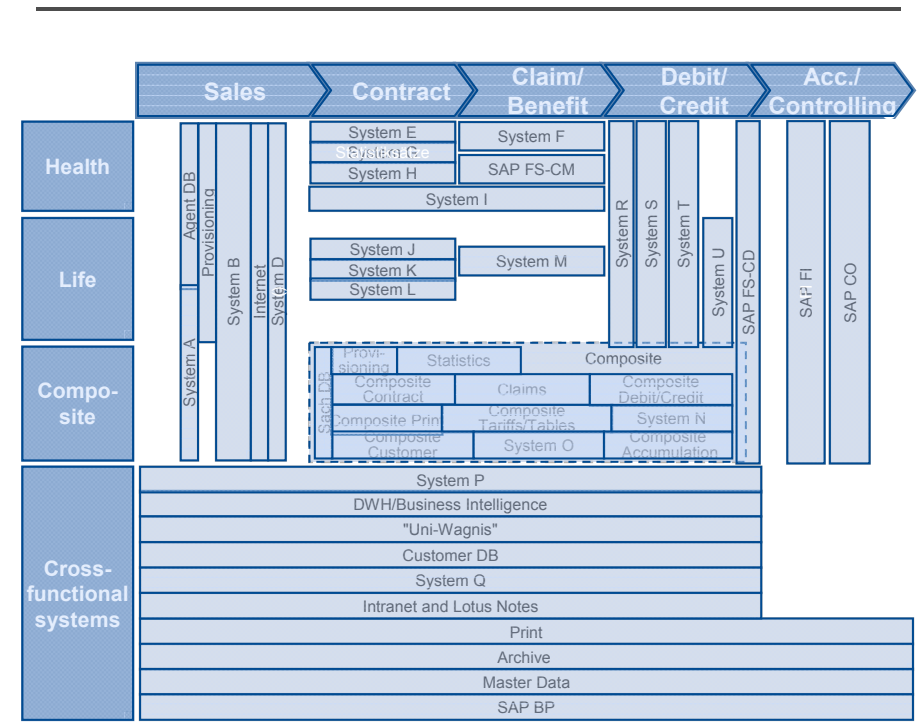
Would you bet on that?

Empirical observations might help

Application landscape 2001



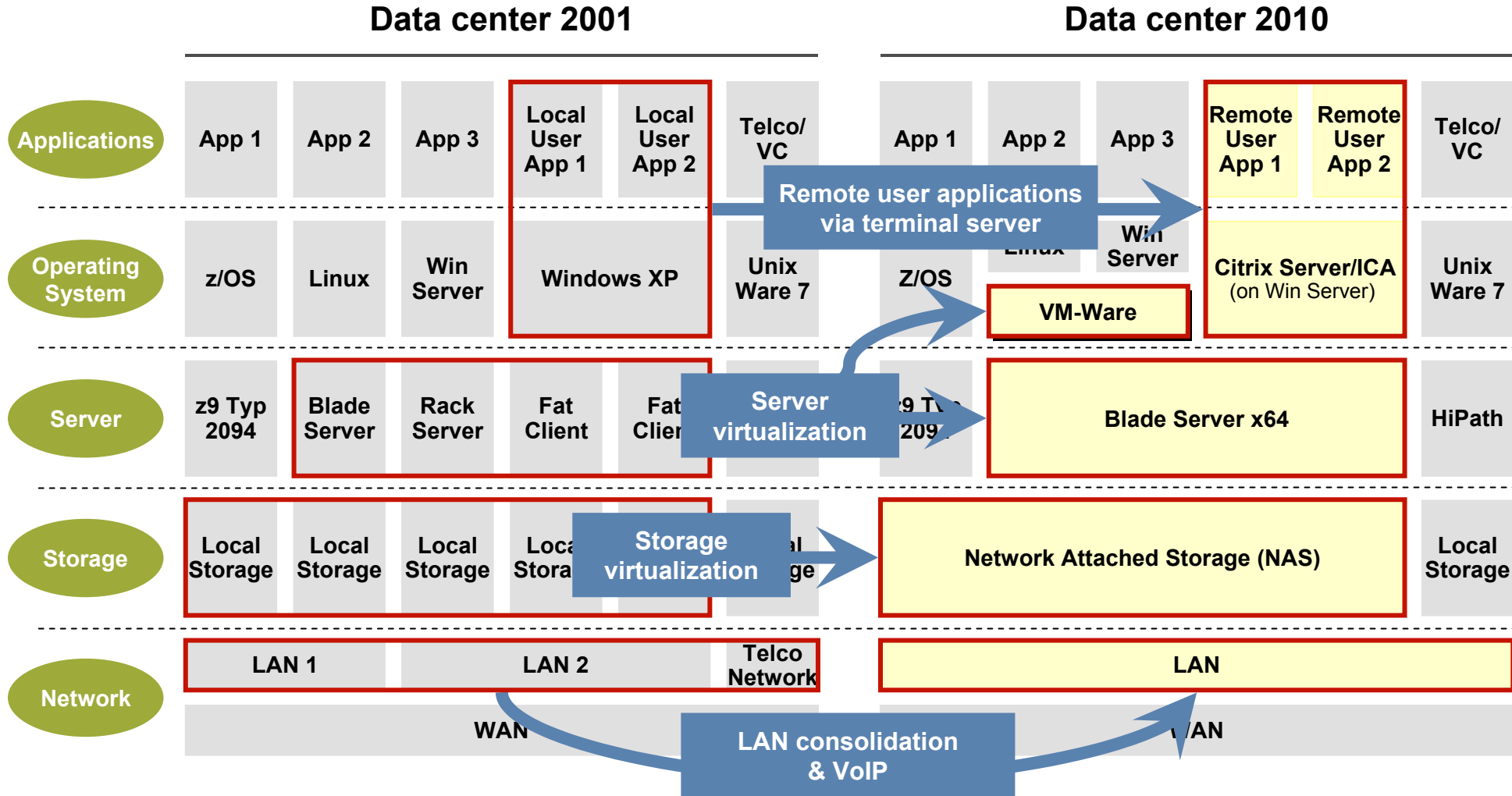
Application landscape 2010



Hardly anything changed!

Source: Platinion case example
JITT-Keynote-Platinion-18May10.ppt

Massive innovation in data centers



Source: Platinion case example
JITT-Keynote-Platinion-18May10.ppt

What hinders/drives innovation?

Expectation of positive business case

$$NPV = \sum_{t=0}^n \frac{(\text{Benefits}-\text{Costs})_t}{(1+r)^t}$$

r = discount rate
n = analytic horizon (in years)

Easy to
"mis-estimate"

"If all submitted business cases would have been accurate we'd have a tenfold increase in revenues and virtually no IT-costs any more."

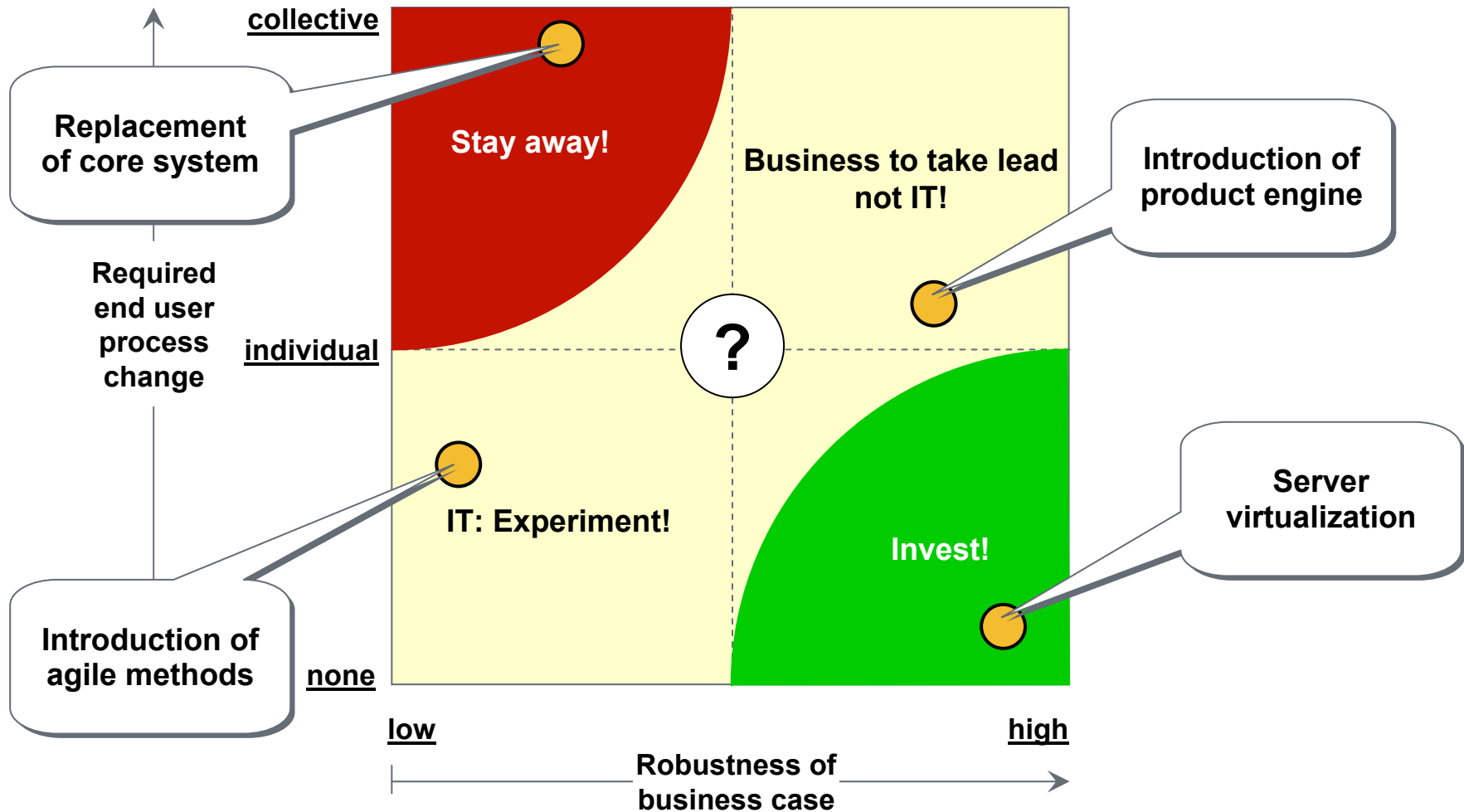
Financial Controller, Top-20 European Bank

Why, then, are innovations ever rejected/"postponed"?

- Limited budget/resources !?!
- Installed base works ("if it ain't broke don't fix it")

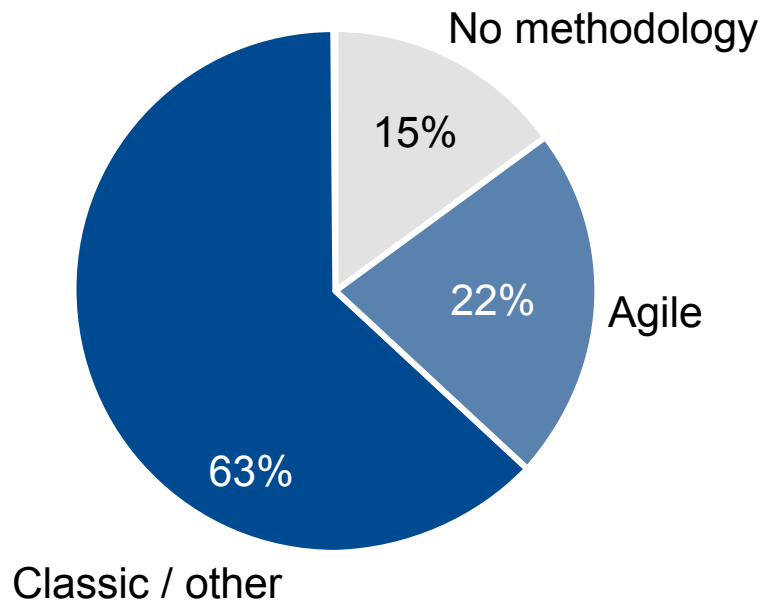


The Platinion matrix

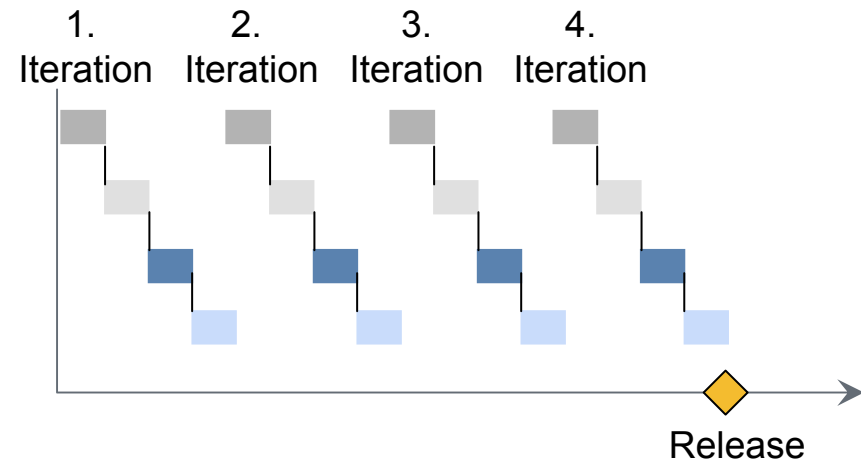
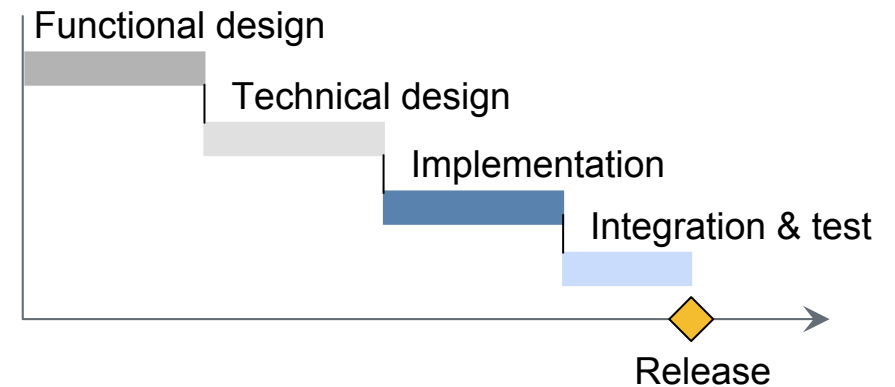


Agility – more talk than action

Agile methods hardly utilized¹



"Big bang" vs. stepwise approach



1. Source: "Global Developer Technographics Survey" - Developer manager answers, Q3 2009, Forrester/Dr. Dobb's, web research

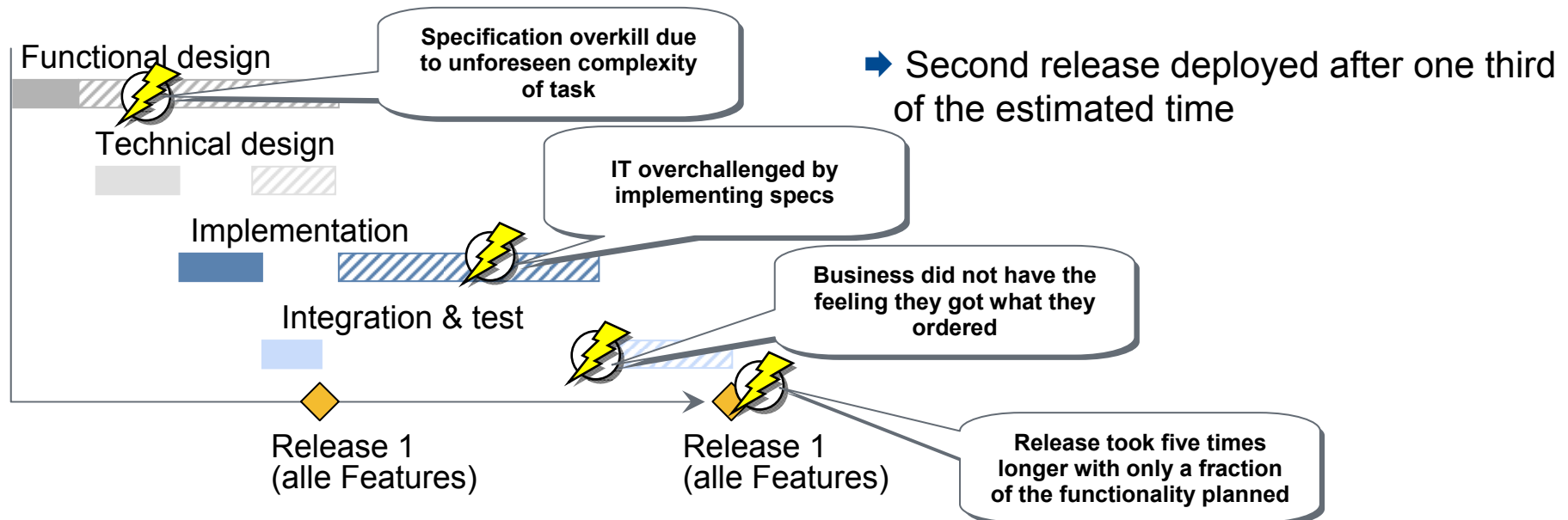
Project recovery with Scrum

Company's largest IT project fails

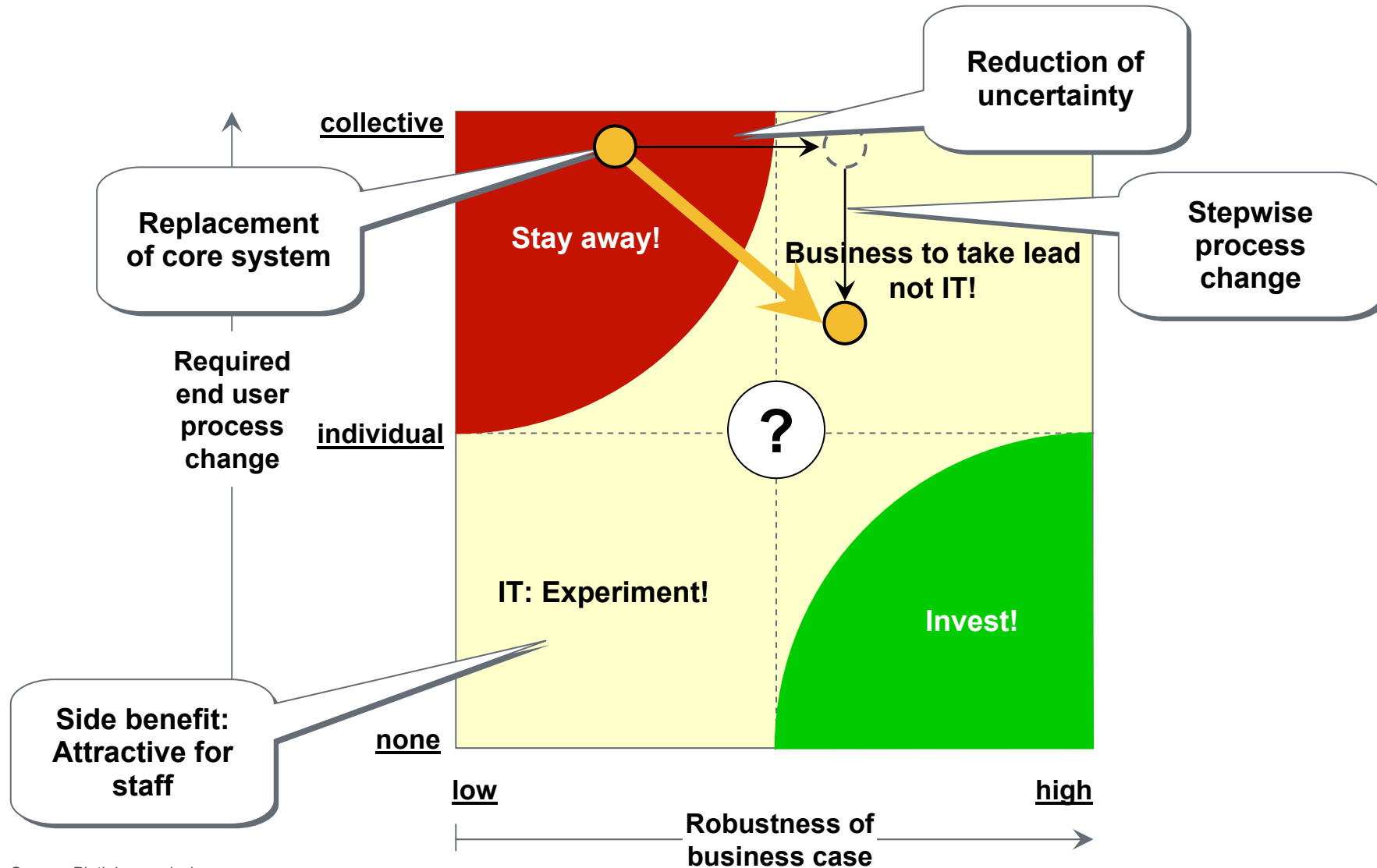
- Energy Metering and Billing Provider
- Out-dated application landscape causes intolerable time-to-market and outages
- Renewal project was a disaster:

"Big bang" vs. stepwise approach

- Shift from traditional waterfall process to agile methodology: Introduction of Scrum
- Joint business and IT team
- Visible results in short iterations



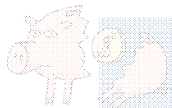
Agile methods foster innovation



Four levers to secure budget



Windows of opportunity



Funding models



Convincing beyond the business case



Peer pressure

Event/situation

Large software development project fails to deliver

Recurring critical operational problems with legacy system

Strategic move, e.g.

- Relaunch of web channel
- Introduction of CRM

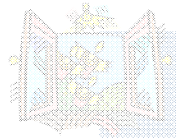
Innovation opportunity

Introduction of agile methodology, e.g., Scrum

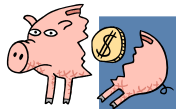
Replacement with modern, standards-based product

Channel integration via Webservices and ESB

Four levers to secure budget



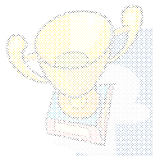
Windows of opportunity



Funding models



Convincing beyond the business case



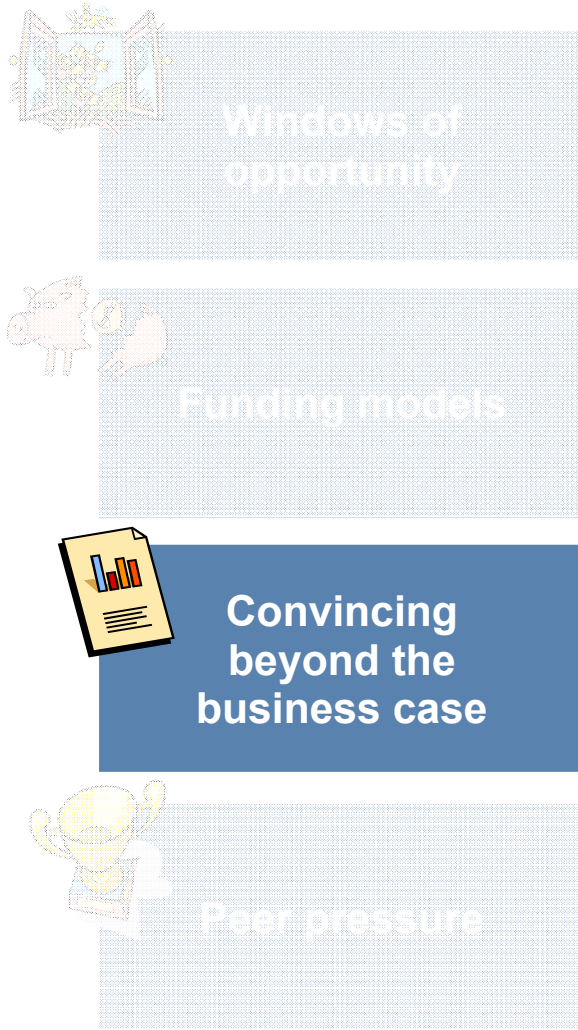
Peer pressure

"Innovation tax"

- Do as the ministry of finance does!
- (Visibly) Charge an extra 2% for every business department order
- Use the instrument to build your experimental IT innovation budget



Four levers to secure budget

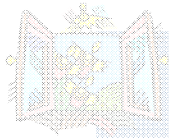


Demos, mock-ups, show cases, ...

Elaborate consequences of inaction for end users

Linking innovation investments to core business strategy

Four levers to secure budget



Windows of opportunity



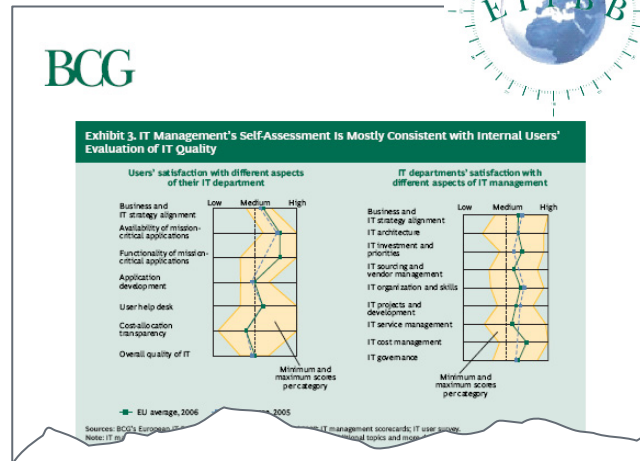
Funding models



Convincing beyond the business case



Peer pressure



Participating in industry specific benchmarks, e.g.,

- IT cost benchmark
- IT process benchmark

- Referencing innovation leaders in the press
- Sending your CEO or CIO to conferences like these



Action beats study



"It is not the critic who counts [...]. The credit belongs to the man who is actually in the arena, who [...] strive[s] to do the deeds"

Theodore Roosevelt, Sorbonne, April 1910