"If the desert doesn't get you, the Arabs will. If the Arabs don't get you, the Legion will. And if the Legion doesn't, then I will. I don't know which is worse."

"If the market doesn't get you, the customers will. If the customers don't get you, the employees will. And if the employees don't, then you will get yourself. I don't know which is worse."
Transformation is essential for 21st Century business success

The purpose of the 20th century firm:
To minimize transaction costs and achieve scalable efficiency.

The purpose of the 21st century firm:
To accelerate capability building and effectively apply that capability to innovation.

Creating new value — better & faster

New view: Socially-enabled enterprise operating in a digital business ecosystem.

IT is essential to enabling firms to evolve and innovate with information driven value creation.
What are we talking about?

**Performance**

**Purpose:** minimize variability, transaction costs and achieve scalable efficiency

**Enterprise 2.0**

- Management 2.0
- Economics 2.0
- IT 2.0
- Capitalism 2.0

**Innovation**

**Purpose:** accelerate capability building, problem solving and innovation
Future of enterprise:

Industrial work: Focus on repetition, scale and efficiency

Creative and knowledge work: Focus on originality, innovation and efficacy

From:
- Planning & directing
- Staffing & controlling
- Hierarchical & authoritative

To:
- Preparing & mentoring
- Engaging & framing
- Broad relationships & crowd sourcing

Changed nature of value
Value will be the product of in-the-moment, at-the-place collaborative value creation actualizing serendipitous opportunity from the customer.

Smaller, more agile enterprises
Ecosystems of maniacally focused value creation enterprises competing and collaborating to drive down each other’s transaction costs.

Strong partnerships and relationships
Even among competitors, in order to service customer.

Effective socially-enabled enterprise
Spontaneous networked collaboration among multiple parties, dynamically, instantly to create knowledge and value.

Evolution of the workforce
Problem solving, creativity focus; autonomy, mastery and purpose driven; individual information infrastructures.

Management 2.0
Economics 2.0
IT 2.0
Capitalism 2.0
Future of the market: **Consumer products**

### Serendipity Economy
Opportunistic value created in the moment

**Value chains** → **Ecosystems** → **Pricing** → **Gain sharing** → **Customers**

- **From:** Value chains
- **To:** Customers

#### Value realization
- The process of creation is distinct from value realization
- Value realization is displaced in time from the act that initiated the value
- The measure of value requires external validation
- Value is not fixed and cannot be forecasted
- Looking at a network in the present cannot anticipate either its potential for value nor any actual value it may produce
- Serendipity may enter at any point in the value web, and it may change the configuration of the value web at any time

#### Products are morphing into “windows” for services.
**II / IoT / M2M**

- **Resident in Cyberspace.**
  - Any time, any place, any device, any information.

- **Resident in Realspace.**
  - Consistent, integrated, accessible, secure.

- **Context is everything.**
  - Where I am who I’m with, time of day, who is nearby, what is nearby, on my calendar, on my to do, what I have with me, what is upcoming....

- **Every “thing” is a one off.**
  - Individualization to achieve the outcomes they want and need.
Getting there — technology does not cause change, it only enables, facilitates and accelerates change that already wants to take place...

Current state

- Key business processes and business lever hierarchy
- Detailed requirements and usage patterns
- Organizational capabilities
- Full “understanding” of existing economic environment with key metrics

Future state

- Delivering on a Services Platform
- Digital business ecosystems
- On demand co-creation of new value by collaborating consumers and suppliers

Transformation

- Open Innovation, who can add value to mine, who can I add value to theirs?
- Sense making model (data proceeds framework) versus categorization model (framework proceeds data)

Now → 2020? → Forever
Innovation is the process that takes new ideas and implements them in a way that creates value by solving unmet needs.

New ideas + Forward thinking + Feasible + Viable + Valuable

Not a marketing term

Business model

Products and services

Processes model

Operations Development Sales & Marketing
First you think about the future

Convergent Thinking

Analytic / Rational
Quantitative / Sequential
Constraint-driven / Objective
Specific details

Divergent Thinking

Creative / Intuitive
Qualitative / Subjective
Possibilities / Holistic
Conceptual abstractions
Then you organize your thoughts

**Foresight**
- Signals, trends
- Themes
- Scenarios

**Innovation for market challenges**
- Plan of investigation
- Plan of intent
- Plan of record

**Frameworks**
- Strategic plans
- Reference architectures
- Outcomes and metrics

**Insight**
- R&D
- Standards, laws
- IP, patents

**Innovation for customer & delivery challenges**
- Continual improvement
- Relative innovation
- Value challenges
Create a culture of innovation by focusing on the right people, leadership role modeling, and common language, along with right rewards and incentives.
Innovation corecard

The right people / innovators DNA:
• Don’t quite fit the establishment
• Outsider
• Questioning
• Networking
• Observing
• Experimenting

Common language
Leadership role modeling

Meet people’s needs
Teach/support creativity
Nurture passion
Make the work matter
Provide the time
Renew, reflect, recharge

Actively participate
Engaged review
Available
Shape context
Break processes

Appropriate rewards and incentives
Organic behavior: Organization, Service, Product

Integration of the
• OODA Loop
  US AirForce Colonel John Boyd
• SECI Model
  Socialization, Externalization, Combination and Internalization
  Professor Ikujiro Nonaka of Japan Institute of Science & Technology
• Oinas-Kukkonen
  Organizational Knowledge Creation and Management Framework
  Harri Oinas-Kukkonen
  University of Oulu, Finland
  Stanford University, USA

Derived from:
Trilogy Model Knowledge Creation Process
Methusael B. Cebrian
College of Education
Capitol University, Phillipines
1. Create an Innovation Group

2. Create an Innovation Structure

3. Management 2.0

4. Establish an Innovation Portfolio

5. Tool for a Learning Responding Ecosystem

6. Disband the Innovation Group
Impact on IT

Efficiency @ Scale
- Management Control
- Standardization
- Specialization
- Centralization
- Expertise
- Hierarchy
- Alignment
- Conformance
- Predictability
- Extrinsic Rewards
- Closed

Efficacy @ Moment
- Engagement
- Freedom
- Diversity
- Mash-ability
- Disaggregation
- Collective Intelligence
- Community
- Experimentation
- Opt-In
- Serendipity
- Intrinsic Rewards
- Open

Transactional Recording Operations

Social Collaborating Ecosystem
Three necessary dimensions of **success**:

**Attitude**
- Visionary business leader
- Pragmatist
- Divergent Thinking Convergent

**Focus**
- Innovation and what creates value for your customers
- What you do better than anyone else
- What you are required to do for legal or regulatory reasons

**Technology**
- Standardize
- Test and development
- Simplify
- Server consolidation
- Intelligent capacity
- Automate
- Data center automation
- Future-ready
- Computing cloud
Become a **change agent**

- **Understand innovation and transformation**, what it is, how it is done, how it is recognized in the market, then see where the market is heading, and put your all into realizing the goal of getting there first. **Does it create customer value?**

- It is not about the enterprise, it is not about the individual, it is about the **emerging social enterprise** made up of individuals, groups, communities, organizations and enterprises collaborating to create value, globally. **The transactional and individual productivity levers are 80% pulled.**

- You can’t do it all yourself, **create an ecosystem of capabilities**, then let capability owners have clear responsibilities and empower them to innovate within the bounds set by customer commitments. **Who can add value to you, who can you add value to?**
The power to do more

Stike_Stikeleather@dell.com
http://www.managementexchange.com/users/jim-stikeleather
http://hbr.org/search/stikeleather/0
Twitter: @stikeyoda