"Every company is a **software company**"

Contents

Convergence of ISVs and Non-ISVs

Traditionally ISVs are considered to have a unique competency in building software, where as Non-ISVs , even when they are heavily technology dependent, are considered to be mere users of software.
The current business landscape and digital revolution made this artificial distinction irrelevant, as Non-ISVs are also developing cutting-edge software, even if it is for their own consumption. Thus we are increasingly seeing a convergence of ISVs and Non-ISVs into a common "Software driven" business fold.

ISVs are in the business of software

The traditionally held view was that ISVs (Independent Solution Vendors) are those who typically build a solution or software IP for a specific domain or vertical and as such, are considered to be in the primary business of software.

Enterprises and Non-ISVs use software to run their business

On the other hand enterprises and Non-ISVs are considered as users of software developed by others, who use it to run their business, and typically tend to have a primary business function which has nothing to do with software; and hence enterprises are traditionally not viewed as having any competence in building
software IP.

"Growing up, I used to worry about making and selling more cars; but now I worry, what if we only made cars? Just making cars is not our future"

– Bill Ford, Executive Chairman, Ford Motor Co.

Consider today's business landscape

It will be instructed to look at how innovation and technology has transformed some iconic companies:

Ford sells computers-on-wheels

DreamWorks is a technology company in the business of animation

Fedex is a logistics company which offers a complete range of software solutions for e-commerce players

Xerox is a photocopying company that sells document management and workflow solutions

What is common across these businesses?

- Technology, specifically computing and software are at the heart of these businesses

- Even though they are not traditional IT companies, they build, own, and support software products (IP)

- They have transformed their traditional businesses into cutting edge technology hubs em-bracing agility and innovation

Is the differentiation between ISVs and Non-ISVs still valid?

None of these businesses had any prior expertise in developing software, but have evolved into technology powerhouses with very mature capabilities in building world class software products and services, which complement their traditional business.

Adapt or Perish

In this era of startups and new technologies bringing disruptive change, traditional businesses must adapt and transform their business models to survive. They must welcome and embrace change, innovation, and new technologies which can make them more relevant to their customers and markets. Failure to do so will make them obsolete, and irrelevant in no time.

Best example is how **Kodak** failed to recognize the potential of digital technologies in transforming the camera industry. The failure to adapt and change with times can have catastrophic consequences to even a market leader.

How can enterprises meet this challenge?

At the heart of these businesses that have successfully handled the challenges associated with the digital revolution and transformed their businesses is an ability to deal with technology and software in a sophisticated manner. These enterprises are agile, and innovative with mature capabilities to build, own, and operate cutting edge software products and solutions with transformational potential.

Agility and Innovation at work

Some of these successful businesses have utilized new technologies along with their software and innovation capabilities to create completely new streams of businesses, which didn't exist before. Consider the following examples:

Fedex SenseAware is an all new in-package sensing device based service to healthcare and life sciences companies

Xerox Workflow solutions, which serves the BPO domain is a completely new business and revenue stream

GE outfits its industrial machinery with sensors, which generate real-time data leading to a new business line offering predictive maintenance plans

To successfully navigate the challenges of the digital revolution, every company has to transform itself into a software company

Is innovation the exclusive domain of startups?

Very often we see startups innovating and coming up with disruptive business models. Does this mean only startups are capable of innovation, and established companies cannot innovate? We have ample evidence that even existing companies can innovate with the right sort of organizational transformation.
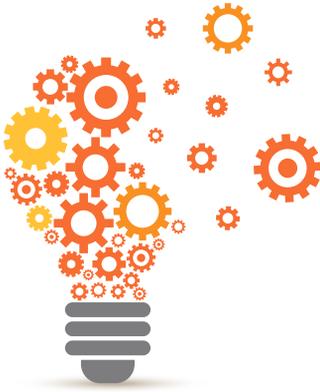
What is disruptive innovation?

- "The kind of innovation that transforms what exists, and creates what didn't before"

- "Innovations that create new markets, new business models, and new categories of customers"

While there are many examples of disruptive innovation, some standout for their impact on modern economy and society; for example, while expensive mainframe computers existed and were in use, personal computers created a completely new mass market that didn't exist before. One can add the likes of **Apple, Google, Netflix, Amazon** and many others to this illustrious list of disruptive innovators.

Intrinsic traits of a disruptive Innovator

Very often, we see disruptive innovators with the following differentiating characteristics:

- Entrepreneurial and risk taking
- Unafraid to experiment

- Dissatisfaction with status quo
- High tolerance for failure

The above cited traits are one side of the innovators coin, while the other side is the equally important market and customer focus that differentiates the innovator from the crowd.

Extreme customer centricity and relevancy

A successful successful business transformation will include both the digital part as well as the human part of the transformation. At the heart of the human transformation is 'Extreme Customer Centricity'. Companies with extreme customer focus will acquire the agility, quality, and innovation to stay relevant to their customers, which is the cornerstone of their success.

Apple with its focus on extreme customer ease of use as the basis of its product design, and **Amazon** with its laser sharp focus on wow customer experience, are great examples of companies which have put the customer as the prime focus of their business, and achieved phenomenal success.

Existing companies are also capable of disruptive innovation

As we have seen, even though startups are naturally equipped with the DNA to be a successful innovator, established businesses can also be successful at innovation. One has to be aware of the digital and human transformations needed to tackle the challenges associated with innovation to be in tune with the emerging business landscape.

Companies like **Xerox, Disney,** and **Apple** are just a few examples of businesses which are not startups, have a legacy of success, and yet came up with not only disruptive, but transformative innovations, that have changed the status quo and created enormous business and customer value.

Digital transformation and innovation strategy

The tremendous changes sweeping the technology landscape especially **SMAC, Big data** and **IOT** offer an unparalleled opportunity for companies to fundamentally transform every aspect of their business, discover new business models, and enhance their relevance to the customer.It is critical to understand the role of technology in business transformation, and as leading analyst Forrester has pointed out:

- Business transformation has become a critical part of innovation strategy

- Digital requirements are driving the business transformation initiatives

- Majority of business transformations are enabled by software

"Success in brick and mortars doesn't automatically translate into digital success"

Without organizational transformation, technology innovation will fail

While we have enough evidence in today's business world that even established companies are capable of innovation, it is vital to understand the nature of transformation that they have to undergo to adapt to a rapidly changing technology and business landscape. It is important to understand that business transformation is not merely technology innovation, but also an organizational transformation.

Orchestrating organizational transformation

As many studies have pointed out, more than 70% of business transfomations fail. The reasons could vary from inadequate preparation, failure to strategize, to not empowering the right people to be the champions of the change initiative. Business transformation initiatives are inherently complex, and are characterized by risk, and uncertainty. It is therefore important to understand the key levers for a successful business transformation, and approach it with appropriate strategic planning, leadership, resources, and execution discipline.

Strategic vision and leadership

The single most important factor impacting the success or failure of a business transformation initiative is the strategic vision along with a sense of purpose and direction provided by the senior executive leadership within the company. It is imperative for the leadership to communicate to all stakeholders the purpose of the transformation, why it is important for the business, the value it will generate, and the strategic plan for implementing the change initiative. At the same time, the leadership should also make it very explicit the risks of status quo, and the consequences of failure to transform.

Preoccupation with current success could be suicidal

Successful companies often tend to have a laser sharp focus on what product or service will give them the highest revenue and profit, which is important, because at the end of the day, if you don't earn a profit, you won't survive. But preoccupation with current success is a sure way of losing focus on what the customer needs and will lead to failure in anticipating the changes and trends in the business and technology landscape.

Extreme customer centricity is key to relevancy

An extreme customer centricity in organizational culture and mindset will enable enterprises to transform their processes and decision making structures, and ensure continuing relevance to the customer. This will require the right kind of change in people behavior and organizational processes, with an emphasis on transparency, communication, and ownership.

Focus on shifting from command and control to responsive

A command and control kind of setup and mindset can work in a traditional and predictable environment, but could be counter productive in an uncertain and less predictable environment.

A successful business transformation initiative must include concrete measures to transform the business into a **Responsive Organization,** which can thrive in lesspredictable environments by balancing the following tensions:

Command and Control	Responsive
More Predictable	doing IT fast
Profit	Purpose
Hierarchies	Networks
Controlling	Empowering
Planning	Experimentation
Privacy	Transparency

Process redesign

To embrace innovation and successfully transform any business, the underlying internal and external process redesign is an extremely critical element. Some of the key elements that must be factored into process redesign are:

- Decentralized decision making
- Flat hierarchy
- Customer centric focus
- Business decisions driven by speed, innovation, and flexibility
- Risk taking with a strong bias for action

Cost of failure to innovate

The business landscape is replete with case studies of well known companies, which failed due to their inability to embrace innovation and transform their businesses. In the recent past two well-known companies, namely **Borders** and **Kodak**, standout for their implosion solely as a result of their inability to adapt.

- **Borders failed to anticipate the trends in music retailing as well as online sales,** and paid a steep price leading to its bankruptcy and liquidation

- **Kodak failed to anticipate the impact of smart phones on the camera market, and failed to diversify** and develop alternate business lines and revenue streams and is currently a mere shadow of the former iconic company

Agility and innovation are keys to IT transformation

What are the contours of IT change needed for a successful business transformation?

Dilemmas of enterprise IT

For innovative and agile enterprises, fast changing technology landscape offers tremendous opportunities. Data owned and generated by corporations is quickly transforming into building decision support systems, so unique for themselves that they want to build and own their IP. How can these companies which have only used IT as a tool to facilitate their core business, but have never built any IP, develop this competency?

DNA of enterprise IT

The DNA of a typical enterprise IT setup will be characterised by the following features:

- A culture of risk aversion
- Processes designed to ensure stability
- "IT Mindset"

DNA of an innovative enterprise

For a successful transformation of an enterprise IT setup, it must change its DNA and embrace the following characteristics:

Value addition
A 'risk averse' approch will serve well to ensure 24 x 7 uptime for all mission critical applications, and supporting infrastructure. But as businesses face increasing competitive pressures to either innovate or perish, enterprises are increasingly demanding that their IT setups play a key role in embracing technology innovation, support new revenue streams, and transform existing business models. This calls for a paradigm shift in the culture of the IT setup from "risk aversion" to "value addition".

Agility
The internal processes adopted for handling typical IT work, are designed with "stability" as the key goal. As enterprises move towards an "agile approach" they have to adapt best practices, processes, and work flow to facilitate rapid IP development. The redesigned agile IT processes must be based on **speed, innovation, time-to-market,** and capability to deliver **tangible customer value.**

Product mindset

IT Mindset	Product Mindset
Staffed by software developers, business analysts, and project managers reporting to a CIO	Staffed by developers, UX designers, product architects, and product managers reporting to a product owner
Focus on scaling, execution and serving the perceived business needs, which could be vastly different from the real needs of the customer	Focus on serving the direct, real needs of the customer
Requirements are gathered, prioritized, and implemented in a roadmap	Requirements or customer needs are discovered, implemented and validated with real customers in real-time, in a continuous cycle
Typically follow slow, waterfall processes	Typically follow agile, and iterative processes for product development

While an "IT mindset" can ensure business continuity and support for mission critical systems, it is utterly incapable of innovation and serving the real needs of the customer. To withstand and survive the tectonic shifts in the business and technology landscape, enterprises must transform their "IT mindset" and develop a "Product mindset".

Remodel IT Governance

The IT governance framework must be refocused and redesigned from a "stable" to an "agile" framework:

Stable framework	Agile framework
doing IT right	doing IT fast
emphasis on efficiency, and safety	prototyping, iterative development and rapid delivery
approval-based governance	continuous, process-based governance
delivery on time and budget	delivery of true business value

Adopt 2-speed IT strategy

Any enterprise which seeks to transforms its IT setup will need a 2-speed IT strategy with the following features to help it achieve its transformation goals.

- Decouple the management of customer-centric front-end systems and applications from the management of existing transaction-oriented back-end systems

- Deploy state-of-art digital practices for the front-end, consumer-facing applications

This 2-speed strategy will enable enterprises to build innovative products and services capable of delivering great customer experiences, without being constrained with the legacy of existing systems and infrastructure.

success

IDEA

strategy

"Enterprises must adapt and acquire the cultural traits, mindset, process, and governance framework based on innovation and agility to fundamentally transform their IT setups"

Distributed development and strategic partnership models

Leading analyst Forrester defined a new paradigm **Product Development Services (PDS) 2.0,** where every business will become an ISV and deliver great customer experiences through their software enabled products and services. As enterprises struggle to acquire the skills and competen-cies needed to develop sophisticated software products and services, they must explore distributed development with mature service providers who can be strategic partners in their efforts to embrace innovation and transform their businesses.

Can every company become a software company and build IP?

- Companies will have to undergo a fundamental business transformation

- Companies must embrace an organisational transformation to embrace risk, innovation and flatten the decision making processes

- "Enterprise IT mindset" must be transformed to a "Product mindset"

- Engage with mature IT service partners to facilitate this transformation

- Companies need help in transforming "Enterprise IT" into innovative IP building factories.

Why should enterprises opt for distributed development?

- To overcome shortage of right talent

- To access a diverse talent pool with high level skills and technology expertise

- Acquire ability to respond to changing business landscape with agility and speed

- Faster scalability, optimized costs, de-risking operations

- Leverage 24x7 development cycles with multi-location, and multi-time zone facilities

- Proximity to emerging, fast growing markets

Keys for optimized software development with distributed teams

- Build the right team

- Leverage Agile methods such as Scrum

- Utilize cloud-based tools

- Adapt cutting-edge productivity tools to facilitate seamless communication, workflow, process, and project management

- Continuously measure key metrics, and refine processes

Traditional IT outsourcing is not the answer

- People outsourcing and/or project outsourcing will not result in any sustainable transformation

- Resources, and processes driven and controlled by the service provider – low level of integration

- Low level of task based reactive output, with little incentive for innovation

- Basic, hands off engagement

- Rigid in scope, deliverables dictated and controlled by the nature of contract

What should enterprises look for?

- For developing IP, enterprises need dedicated teams for knowledge continuity

- Need partners who can extend their capacity

- As the domain experts, enterprises must be in the drivers seat and not the service providers

- A mature partnership that can facilitate a seamless integration of teams ensuring that the customer is in complete control

- Partners who offer a mature and collaborative engagement framework

Strategic partners in Innovation

Enterprises should look beyond conventional offshoring and IT outsourcing and explore innovative and strategic partnership models, and can use some of the following factors to evaluate the relative competencies of different service providers:

- Service providers who excel in product development

- With proven capabilities in agile processes and methodologies such as Scrum

- With proven technology competencies

- Who can work with native teams and help in automation of end-to-end processes

- Above all someone with a proven ability in building high performance teams

Summary

To successfully navigate the challenges of the **Digital Age,** companies must adapt and undergo a fundamental business transformation. Majority of the business transformations are underpinned by technological innovation powered by software. Companies that have successfully handled the challenges associated with digital revolution and transformed their businesses, have an ability to deal with technology and software in a sophisticated manner. These enterprises are agile, and innovative with mature capabilities to build, own, and operate cutting edge software products and solutions with transformational potential.

To survive and flourish in this Digital Age, **every company has to transform itself into a software company.**

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