

Chapter X

Business Innovation and Information Management

INTRODUCTION

The Global CEO Survey by IBM (2006) shows that two thirds of the CEOs anticipate significant change to their companies over the next two years. The inevitable change is attributed to changing market forces caused by intensifying competition and increasing customer expectations, which are further compounded by globalization, technological advances, regulatory changes, and workforce changes. The CEOs see innovation as the only way to survive and thrive in this rapidly changing industry landscape. Firms can no longer be satisfied with their current market performance, however superior they may be. They must constantly challenge the status quo and reinvent themselves to stay ahead of the curve to avoid being made obsolete by the competition.

The 2005 McKensey Survey of Global Business Executives (Marwaha, Seth, & Tanner, 2005) also “identifies the increasing pace of technological innovation, the growing affluence of emerging economies and the low-cost offshore manufacturing (and now services) as the most important trends of global business.” Both the business and technology executives see innovation as the number one driver for growth.

The Gartner (2007) Survey of Global CIOs show that 63% of enterprises expect to grow at a faster rate than the market, twice the percentage from 2006. Innovation is also rated as the key driver for growth.

All these global surveys highlight the critical importance of innovation for companies worldwide to remain competitive. Moreover, disruptive innovation (Christensen & Overdorf 2000), business concept or management innovation (Hamel, 2000, 2006), strategy innovation

(Johnson & Bates, 2003), and value innovation (Kim & Mauborgne, 2005) show various approaches to business model innovation to create significant new market growths and profitability. These authors show how companies have successfully reshaped their strategic frontiers from the prevailing competitive landscapes to establish a new set of ground rules which leave competition in their wake. Corporate and business strategies invariably will seek growth through innovation to sustain their competitive positioning. CIOs and IT organizations must therefore proactively redefine their roles and develop the requisite capabilities to effectively contribute to business innovation pursued by their enterprises. How can IT contribute to such dramatic shift in business models and corporate strategies? IT organizations are increasingly expected to not only run IT efficiently and effectively to save costs, but also to contribute to innovation for business growths. Research has shown that highly effective and fast growing enterprises in majority of cases have highly effective and innovative IT organizations (Ross, Weill, & Robertson, 2006). Indeed, today's successful IT organizations must not only be innovative in managing IT but particularly innovative in exploring and exploiting information technology to create new business capabilities to increase revenues and achieve differentiation for the enterprise, so much so that there are some in the industry who suggest that moving forward, CIO should be called chief innovation officer instead of chief information officer. This new title reflects more accurately the emerging new role of CIO globally being responsible for innovation (through leveraging information). Hamel (2000) argues that "to turn IT into a secret weapon" CIO must possess the skills to conceive new business models that will transform their company's business. To quote Hamel (p. 17): "*If technology is going to become anything other than a great leveler, CIOs will have to become Chief Imagination Officers.*" It behooves CIOs and IT organizations, therefore, to understand the principles of innovation and in what ways information, knowledge, and information technology management can contribute to business innovation. This chapter discusses the principles of innovation and the ways information and information technology management contribute to business innovation. Knowledge management is a relatively new discipline whose close relationship with innovation is rapidly gaining international attention. The next chapter is devoted to understanding the principles, theories, and practices of knowledge management from the business innovation perspective.

So what is innovation? What do organizations need to become innovative? How does innovation get done in an enterprise? What are the critical success factors? What does it mean to CIO and IT? How do IT and CIO create and deliver business innovation? These are some of the contemporary research questions relating to IT organizations. We will describe some well known innovation principles and practices to provide a balanced perspective to the broader IT management challenges.

In this chapter we review the various classes and types of innovation, and how IT contributes to innovation in organizations. We will describe the organizational resources required to engender innovation, as well as the framework, process, and infrastructure for business innovation.

BUSINESS INNOVATION TYPES

Innovation is commonly defined as the process of converting a new idea into a new product, service, or process (Popadiuk & Choo, 2006, p. 303), or a new business model (Christensen

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