



Driving disruptive innovation in a demanding B2B environment

When excellence, customer collaboration and continuous improvement are in your DNA

While many are talking about concepts such as disruption and innovation as if they were invented to serve the needs of the modern digital economy, it's easy to forget that some companies have been in the disruption game for decades. We caught up with a senior manager responsible for the innovation program in one such organization during a recent research study. The lesson we learned was that even if you have a strong heritage of driving leadership through change and innovation, digital transformation in response to the latest technology and market developments is still critical for ongoing success.

As part of a worldwide study looking at digital transformation, the Freeform Dynamics analyst team recently conducted an in-depth interview with the head of innovation from a global engineering company. As a leader in the design, manufacture, distribution and servicing of high-value specialist equipment, the organization has a strong culture of innovation and delivery excellence.

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Speaking off the record to allow for maximum candor, the executive provided some great insights. He alluded, for example, to the fact that no matter how capable, it is hard for any single company to drive genuine industry change without the help of others:

"It's not just about smart engineers working on R&D programs in isolation. The sectors in which we operate are highly collaborative, and we need to work closely with others to define and meet customer requirements, and ultimately to take the industries we work in forward."

However, it is not just about working collaboratively. Even in a business-to-business (B2B) context, you still need a clear focus on the ultimate customer experience:

"When designing new systems, we get together with our customers and partners and ask ourselves how we could build something to enable the next level of experience. The aim is not only to produce something that's highly efficient, but to help optimize the experience of our customer's customer, which is how you often need to think when engaging business-to-business."

Beyond physical solutions themselves, innovation around how products are sold and serviced can also be used to generate competitive advantage:

"We were actually a trailblazer in this area. For example, 15 years ago we came up with the idea of 'service by the hour'. Rather than spending several million pounds buying the equipment outright, then being responsible for maintaining it yourself in line with all of the relevant regulations, you sign up to our service and fund things on a pay-per-use basis. We then look after the equipment for you."



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However, introducing completely new business models can mean that you need to develop expertise in areas outside of your traditional core business and put new systems and processes in place:

“Business models such as ‘service by the hour’ depend heavily on having the right expertise and IT systems in place. We are able to make it work because we collect large volumes of operational data from sensors embedded in all of the equipment we manage around the world. We have developed software that allows us to analyze this information to understand risk, maintenance requirements, etc. in different environments.”

Customers clearly benefit because the company removes a management and maintenance headache, but it is also about providing customers with visibility:

“We need to be very careful about the way information is collected, managed, secured and made available to clients. We have therefore invested heavily in developing a secure portal that allows customers to gain insights into how their equipment is operating, including predictive analysis so they can look ahead and plan accordingly. Taking a key asset out of service for maintenance work is a very costly operation, so you want to do it at the right time.”

Interesting spin-off benefits can arise when new ways of doing business are introduced. For example, traditional lines are often shifted in supply and demand chains with respect to who is responsible for what. This in turn can have a dramatic and very positive effect on resourcing and cost models:

“Beyond optimizing the operational side of running the equipment, some of our customers have been able to dramatically reduce the amount of engineering resource and facilities they maintain internally as a result of our program.”

Switching to more of an internal perspective, smart business support systems can also significantly enhance the way a company serves its customers:

“We put a global, integrated CRM system in place as part of our digital program, which is a project I personally ran. This has transformed the way we engage with our clients. We are a very large, very complex organization, and the same is true of the businesses we sell to and service. Being able to coordinate and align our resources and expertise across many divisions, departments and disciplines with rapidly evolving customer needs is good for both us and the client. You can only do this with the right investments in digital infrastructure.”

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And speaking of digital infrastructure and services, mobile technology has a clear role to play, not just within the workforce, but also as part of enabling customers:

“Through mobile apps, you can do some interesting things to enable routine inspections and maintenance activity. For example, giving engineers access to specifications, manuals and animations to show how to disassemble and service different types of equipment, can have significant benefits.”

Coming back to the topic of innovation, a question we often get as industry analysts is how best to create an environment that encourages creativity and allows good ideas to be captured and acted upon. We were therefore very interested in the use of a centralized software enabled platform to coordinate activity in this space:

There is no room for complacency in an ever-changing commercial environment.

“Anyone, anywhere in our organization, can contribute ideas through this, or comment on someone else’s thoughts. With different people looking at the same idea based on their own discipline and expertise, things that come through this process tend to be very solid. I’m currently developing three ideas at the moment, for example, that will each generate significant competitive advantage for the company.”

This kind of approach to unleashing the potential of employees to innovate and optimize is simply the latest manifestation of the company’s culture. But as the head of innovation, our interviewee highlighted that there is no room for complacency in an ever-changing commercial environment:

“Continuous delivery and continuous improvement are baked into our DNA and are fundamental to all of our development activities, whether it’s engineering, software, the way we serve customers, or how we enable our employees. No matter how well we are doing, we are never satisfied.”

Wise words for anyone who thinks their own digital journey will at some point be completed.

Analyst view

Delivering on any transformational agenda requires good IT, but it also demands that you have a great feel for the nature and level of change customers and partners are ready and willing to accept.

The research carried out at Freeform Dynamics gives us a good insight into many aspects essential to the foundation of digital transformation projects. As in many areas of IT, innovation depends on having solid foundation elements in place, at both the technology level, but just as importantly in terms of people, process and culture. Without all these elements combined effectively, digital transformation projects find it difficult to develop quickly and successfully.

The executive quoted in this document clearly understands that the quality of what you deliver to the customer is of extreme importance. However, so is the way you enable customers to buy, and the way you provide support thereafter. Delivering on any transformational agenda requires good IT, but it also demands that you have a great feel for the nature and level of change customers and partners are ready and willing to accept.

There will also be times when it’s important to demonstrate leadership, not just in the goods and services you sell, but in helping customers, partners and internal staff think beyond the ‘here and now’ and appreciate the possibilities of tomorrow.

About this series

This interview is part of a broader global Digital Transformation study “Exploiting the Software Advantage: Lessons from Digital Disrupters” which can be downloaded [here](#).

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