

SOFTWARE AND TECHNOLOGY

The pandemic recession demands a digital response

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By **Ted Schadler**

Digital transformation was never optional. But most firms treated it that way, applying digital technology in dribs and drabs until COVID-19 shuttered economies and forever altered the patterns of life and work and commerce. That is, until uncertainty and volatility became the new normal. Companies leapt into adaptive mode. And they seized digital to do it.

Now, in this moment of clarity, boardrooms and leadership teams realize what a blessing cloud and services partners have been to their ability to serve customers and keep remote workers productive and safe, despite unimagined disruptions. They realize these resources have been essential to adapt to extreme volatility. They must also realize that it is the path forward.

Do not lose this opportunity to transform, to lay the foundations for a return to growth. We call this path forward co-innovation agility.

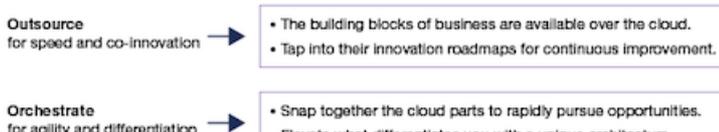
In this approach, **which we lay out in a new report for Forrester clients**, firms will:

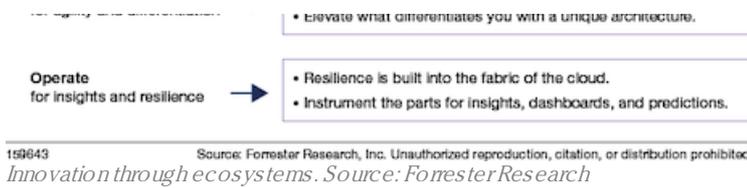
1. Focus on their core capabilities and smartly outsource other capabilities to partners that are motivated to continuously improve them to win and keep your business.
2. Scale up agile planning and execution in every facet of their business to be more **adaptive** to demand and more resilient to threats by orchestrating the resources of the ecosystem.

That means changing what to do and how to do it.

Innovation through ecosystems is what to do. This is the opposite of "not invented here." This lean approach instead prods every company to ask, "What's the least we can do ourselves and the most we can get out of partners?"

A newly focused firm outsources for speed and innovation, orchestrates cloud resources for agility and differentiation, and operates for resilience and insights. Here is what it looks like:





Your digital ecosystem is an ever-expanding source of innovation and value.

Firms are a click away from a massive set of raw materials hardware, software, industry and business services to build and operate their business.

At the same time, services providers have been building deeper cloud skills and orchestration capabilities. These resources come together into a digital ecosystem with clearer value alignment than in traditional supplier relationships.

Agile at scale is how to do it. Firms have been incredibly agile in these last months. Apply that everywhere. Firms committed to co-innovation agility bring agile planning and execution into every facet and edge of their organization. They assemble squads of employees from different departments, incorporate partners' resources, and operate as a multidisciplinary team. They adopt a transformation process to continuously set outcomes, move fast, measure impact, and fix mistakes while they're still small. Here is what that looks like:



This works best when there is a clear value alignment internally and externally. Internally, by putting customer and employee outcomes at the center of any transformation, firms can align their business, operations and IT departments. They can build contracts with cloud and **services partners** that reward results, not just resources and time.

A value-aligned digital ecosystem will result in a dramatically accelerated co-innovation process because every player is working toward a common purpose.

Externally, with cloud and services partners, each participant in the extended digital ecosystem will have a new part to play with each contributing something toward a measurable result, a business outcome. This "value realization" means that all parties are rewarded when the company at the end of the value chain accomplishes something they care about. Cloud, software, service providers and enterprises will learn how to do this to adapt and grow into their post-pandemic selves.

For you, it will be the difference between business as usual and a tough road or innovation through ecosystems and the ability to be resilient, adapt to change, and lay the foundations for growth.

Be a lean firm that drives agile out to the edges of business by mastering the agile process at every altitude, from business planning to project execution. Embed agile into every innovation and business transformation process.

As you gain confidence and mastery in the agile mechanism, you will expand this agile way of working to everything you do including customer experiences, product development, marketing, sales, operations, employee experience, IT and new business models.

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