Ron Rittenmeyer

Employing Practical Innovation to Drive Business Performance

Ron Rittenmeyer, EDS' president and chief executive officer, spoke at the Chinese Institute of Engineers annual convention Aug. 25, 2007, about driving business performance through practical innovation. He believes that innovation – to be of any value – must be practical and solve real business problems. This piece is based on his remarks.

Good evening.

It's great to be here with all of you.

I'd like to thank the DFW Chapter for inviting me to participate in your annual convention that celebrates innovation and collaboration.

It's an honor to speak to such a prestigious organization – especially during your 90th anniversary in the United States.

I think the video we just saw does a great job of summing up the evolution of technology. It compresses about 150 years of progress into 145 seconds.

It shows how technology comes at us fast, accelerates at every turn and stops at nothing or for no one.

Innovation has changed the face of companies, countries and even entire cultures.

As we saw, the start of the 20th century looks a lot different than the arrival of the 21st. Things we never could have imagined are now common place.

What made them real is a never-ending series of innovation and collaboration – each one forming a foundation for the next.

And as the video suggests, technology will advance at an exponential rate.

Where it will all take us is anybody's guess, or – should I say – everybody's opportunity.

The common thread behind every invention that becomes mainstream is that it meets a real need. Which is key to my talk tonight.

Innovation – to be of any real value – has to be practical.

You have to be able to apply it to solve the business issues at hand and to drive performance. Without both of these, it will be just a good idea –interesting – but not sustainable.

My thoughts on innovation have been shaped by leading companies across a variety of industries – from snack foods … to transportation … to waste management … to technology services.

In every one, I welcomed innovation.

And I always look for a steady flow of new ideas in the innovation pipeline. However, I never accept any new idea at face value.

Because, as everyone here knows, smart ideas are just the price of admission. What really matters is an idea's value to a business and its customers or to a government and its citizens.

You see, ROI – or in this case, return on innovation – is what has always sold me.

Experience tells us innovation can be exemplified in many ways.

It can be as simple as a product that meets a customer's everyday need, like a toll tag for your car. Depending on where you live, these tags allow you to criss-cross through town taking the most convenient routes, including quick passage through airports and underground tunnels.

Or, innovation can be groundbreaking. Such as creating the foundation for modern electronics as Texas Instruments did with the first commercial silicon transistor and the integrated circuit.

Or, it can be a new process that revolutionizes productivity. Case in point, Henry Ford's moving assembly line, which has stood the test of time with constant re-invention and refinement.

Then again, innovation can be a business model that spawns an entire industry. Take EDS' invention of technology services. What began with a $1,000 investment, today is now a $700-billion-dollar industry.

Whatever form it takes, practical innovation involves new ways of thinking about issues and new ways of working together to solve problems that really matter.

As we all know, China is redefining its own business model – and is looking to technology as a critical change agent. In fact, its Ministry of Commerce is working with EDS to develop the country's technology services industry.

We are building a software applications services and delivery center in the city of Wuhan. Here, we plan to capitalize on the strong university educational system as we build an innovative services job base.

We already have several hundred employees serving multi-national clients from Wuhan, and we expect that to grow.

This work will address real business needs by enabling the government to:

- Develop a stronger services economy – which now relies too heavily on manufacturing
- And create jobs in an interior city – rather than having graduates move to Shanghai or Beijing for jobs

Whether we are talking about government work in Wuhan or conducting business right here in Richardson, Texas, there are several trends driving innovation and collaboration in today's global marketplace. And they impact businesses and governments alike.

Let me briefly touch on a few of them.

One is the proliferation of "edge" devices. The explosion of information at the edge with always-on mobile devices has created millions of electronic touch points among businesses and their customers, partners and employees.

We all know about the widespread use of PDAs and cell phones, but consider this next wave of RFID chips. RFID chips are being embedded in everything from clothing … to pharmaceuticals … to product packaging and shipping crates.

All are sending more and more information back to IT systems everywhere. The result is that outdated business systems and processes are straining to keep up.

Another trend is the emergence of business ecosystems. To work more efficiently, businesses are collaborating more closely with their supply chain partners, often unloading work they traditionally did.

EDS has entered into what we call our Agility Alliance with top technology and consulting companies to provide clients with next-generation technology services. What makes our alliance unusual is that we actually work together under one roof to develop a solution, win a client and carry out the work.

A third trend is globalization and the evolving work force. Technology has opened up new connections and new markets among businesses, customers and workers around the world.

Add to that an influx of 1 billion plus workers into the global labor force from China, India and former Soviet bloc countries and you truly have a global marketplace supported by a global work force.

Finally … there's a shift in how work gets done. The new global labor force allows work to be started in one time zone and continued in others around the clock.

The 24-hour workday is here to stay … and for good reasons. It shortens project time, builds in fail-safes and ensures customer service is always available.

EDS has its own version of this. We call it our Best Shore® strategy. Our multi-region sourcing strategy includes delivery centers in China, Hungary, India and Latin America – all enabled by our Global Services Network.

With our Global Services Network, our service center in Malaysia, for example, can diagnose and fix a client problem on the other side of the globe in a matter of minutes.

This remote infrastructure management capability reduces the time to recognize a problem and initiate corrective action by up to 50 percent – and reduces the staff required to manage the environment.

EDS' capabilities in Malaysia and other Best Shore locations enable our clients to serve their customers well and compete more efficiently and effectively in a global economy.

The trends I just outlined are not going away and, in fact, will only accelerate.

Businesses and governments already are feeling the squeeze on their systems and processes, on their costs, and talent.

To anticipate and respond to changing market demands, clients are turning to innovative uses of technology. Several kinds stand out.

One is simplification – which is modernizing business systems to reduce complexity and increase quality and responsiveness.

Consider the implications for a large company running a host of applications, where data comes in from many sources, perhaps never gets synchronized and ends up flowing into different transaction systems.

Without simplification and integration, you could end up with 20 different definitions of your own customer. That's no way to compete in the 21st century.

Smart companies are consolidating, retiring and renewing outdated information systems to make their business operations more agile.

Another kind is interactive visibility – which is powered by portals and dashboards providing real-time information and improves collaboration between companies and their customers.

More businesses are using them to get a clear line-of-sight into their operations and a better handle on customer demands.

For example, a CIO at one sports company has put in place interactive Web sites, where users can provide input on products. This leads to better products and customer relationships.

This CIO also implemented "RSS-enabled dashboards," which alert line managers to unacceptable business process metrics.

I'm sure your companies are using portals and dashboards – in some form or another – to keep a pulse on the business.

A third innovative use of technology involves automation – which speeds up processes and drives down their costs – all while minimizing the risk of human error.

Automation is fast becoming a way of life – from airline kiosks to online loan applications.

Back in the mid-80s, when I was at Frito-Lay, we rolled out a handheld computer device that was state of the art. Of course, today that thing could be in a box somewhere under glass. But in the mid-80s, it was a state-of-the-art type thing. And that provided us – for the first time – not only information, but it also allowed us to react to the marketplace.

We could tell in 24 hours at the end of the business day – at any store or a group of stores throughout the country – exactly what products were sold and what time they were sold. We could then reload the system to react to that.

That was the beginning of the great supply-chain efforts that would follow. That was early innovation.

Today we're much more advanced than that. We know all about consumer trends and buying trends through such things as affinity cards. They're all designed to make the supply chain faster and not only provide the company with productivity, but also provide a marketing edge over competitors.

I think we all know the real purpose of affinity cards is not to award points so you can get free airline tickets, for example. The real purpose is to determine routes, how many flights to use, those types of things. It's a very powerful tool and it's going to continue to speed up.

Though technology is integral in these instances, more important is applying that technology in a practical, innovative way. Often, it's a matter of extracting business value from existing technology.

For every gee-whiz idea, there's the job of making it work.

As I said earlier, smart ideas are just the price of admission. To be of any use, innovation must work 100 percent of the time – without worry or interruption.

This means a business and its processes have to operate with flawless execution.

Service companies would do well to take a page out of the manufacturing industry's playbook and adopt an "industrial engineering" approach – which is exactly what EDS is doing.

We ensure global standards for all of our tools and processes – paying strict attention to quality. We also train our people to develop and implement products and services without a hitch. So, no matter where we operate in more than 60 countries, we can execute the same best practices and consistently deliver high-quality results.

Execution at this level requires a highly disciplined operating culture – one with an accountability mindset. We believe it's a differentiator in today's global marketplace.

So, what does this all mean for 21st-century engineers?

I believe to be effective, engineers must be grounded in the business. This means:

- Cultivating a clear line-of-sight across the enterprise – from the factory floor to the C-suite

- Keeping customer issues top of mind – be they innovation, productivity, security or growth
- Pushing for improved practices and standards – driven by a zero-defect mentality
- Ultimately, helping companies move from mind … to market … to margins

This last point is critical because this is how innovation proves its true worth.

In the end, the winners – in both business and government – will be those who can:
- Employ the best expertise
- Come up with the right answers
- And deliver solid – if not exceptional – results

They will be the ones who make practical innovation an everyday practice as they work together to drive business performance – and serve their customers and their constituents well.

Thank you.