



CMMI[®] Institute

AN ISACA ENTERPRISE



Thriving in the Age of Disruption

Why capability is the key to staying ahead of rapidly evolving expectations.

New rules. Your move. What now?

How do you keep playing a game when the rules you started with no longer apply? That's how many business leaders feel recently as start-ups and disruptors are seizing market share and our collective imagination.

Yellow taxis are quickly being replaced by an app and anyone who's willing to drive their own car for a fare. Across the globe, people have turned their homes into temporary hotels. Customers can now pay at checkout with a wave of their smartphone.

The truth is, the days of business as usual are rapidly falling behind us. How can companies and organizations survive, let alone thrive, in this new era of nonstop disruption?

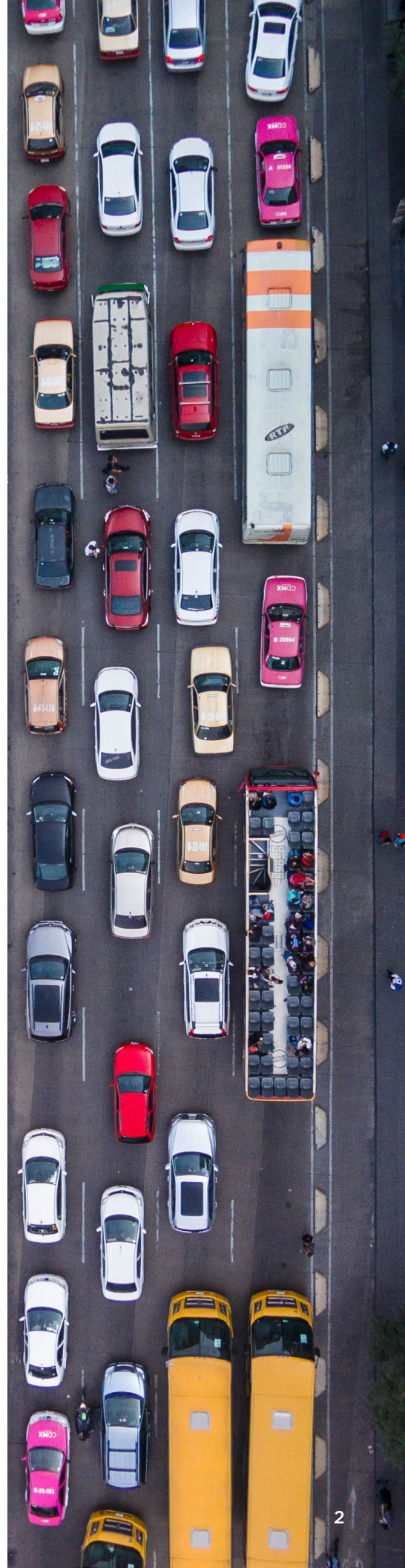
In a November 2015 interview with *strategy+business*, Joe Kaeser, president and CEO of manufacturing stronghold Siemens, spoke about the pace of technological change.¹

"We are in the middle, if not close to the peak, of another massive [technology] bubble," said Kaeser, who sees his mission as successfully steering his enterprise to the next industrial revolution. "The ones who survive will change the world."

Kaeser voiced a concern felt by many CEOs across industries and around the world. They're asking themselves, "Can my organization change fast enough to survive in an environment that's becoming more uncertain and increasingly complicated?"

Their concerns are real. Scott Foster, who lectures at the Yale School of Management, found that the average life span of an S&P 500 company is 15 years, compared to 67 years back in the 1920s.² Foster further estimated that 75 percent of the S&P's 500 firms will be replaced with new ones by 2027.³

Yet, despite the incessant churn in today's marketplace, some companies have proved they can weather the storm. They not only stay ahead of the curve, but they also establish it.



Long live the thrivers.

Whether they've been managing change for decades or they're relative newcomers, these companies seem to flourish regardless of the disruption surrounding them. It's as if they found a way to leverage the challenges facing their business to turn them to their advantage.

What's their secret to staying relevant in a rapidly changing world? What do they have that competitors, who may be struggling to keep up, don't have? The answer can be found

in four companies we've identified and profiled. Each of these thrivers has different strategies for success, even varying within their organizations. However, all four have one thing in common: They have a capability maturity model in at least one segment of their business. To put it more precisely, these companies have incorporated a process for measuring and improving their capabilities in key parts of their organization to help meet their strategic goals.

Leading Change with Capability

Four different companies. Four very different industries. All thriving in their respective sectors by continuously building their organizational capabilities.

Honeywell runs agile.

One such company is Honeywell. The international manufacturer of products ranging from aerospace components to home air purifiers can trace its beginnings back to 1885, when Albert Butz patented the furnace regulator and alarm.⁴

From the start, Honeywell has possessed what it describes as a "relentless drive for continuous improvement." So when Honeywell Technology Solutions (HTS) India wanted to drive higher capability improvement across the enterprise, it used Capability Maturity Model Integration (CMMI)[®] to integrate agile, ISO, and lean methods. The consistency, repeatability, and transparency of the CMMI platform resulted in a 12 to 15 percent decrease in functional defects, and a 15 percent improvement in the implementation of the Kaizen continuous improvement strategy. With CMMI, HTS India was able to establish a proven, and well-supported, problem-solving culture among its 7,000 engineers.

Allianz UK adds value.

Insurer Allianz UK is another company that continues to be seen as an innovator in its industry, even though it's over 110 years old.

After the company moved some of its software development operations offshore to India in 2003, it became apparent there was a need to better manage multiple projects across multiple centers. In January 2004, Allianz UK implemented a change program, using CMMI to help build its foundational capabilities in project management and engineering innovation. By 2015, Allianz UK saw a dramatic improvement in its performance with a 39 percent improvement for project delivery on-time rates; a 123 percent improvement in projects delivered on budget; and a 53 percent jump in customer satisfaction.

The initiative has helped Allianz to not only meet organizational objectives but also stand out in a highly competitive market, attracting new employees and landing partner deals.

As Jean Harris, director for systems development for Allianz UK, explained, “In today’s rapidly evolving world, the ability to create new value and the ability to be innovative is now more important to an organization’s survival than at any other time in our history.”

Cognizant nurtures the new.

Founded in 1994, IT provider and consulting company Cognizant is a relative corporate newcomer, especially in comparison to Honeywell and Allianz UK. However, as the first IT company with a strong base in India to be listed on the NASDAQ,⁵ it’s one of the founding members of the digital age, of which it remains one of the most influential.

To help it stay at the forefront of IT innovation, Cognizant has a team of more than 800 individuals across its enterprise who use CMMI to build mature capabilities and processes. By investing in CMMI, Cognizant has improved performance year over year. Key achievements include decreasing delivered defects by 22 percent; improving quality of code by 11 percent; and implementing structured defect-prevention initiatives to reduce rework by 3 percent. By innovating on an ongoing basis and increasing operational efficiency, Cognizant keeps its competitive edge always sharp.

Chemtech, a Siemens Business, removes complexity.

Founded in 1989 and incorporated into the Siemens Group in 2001, Chemtech develops engineering projects and high-end industrial IT solutions for the energy, oil and gas, and mining industries. Headquartered in Rio de Janeiro, it runs four locations across the globe. Previously, each office had in place its own processes, tools and templates, terminology, and project management methodology—which led to a lot of time being lost in exchanging information and overcoming learning curves. To address the issue, Chemtech used CMMI to establish a unified set of processes across the enterprise, which resulted in cutting rework in half.



Capability: The secret to staying relevant.

According to McKinsey & Company, capability is “anything an organization does well that drives meaningful business results.”

All organizations have capabilities. That’s what got them into business. What many don’t have is a capability maturity model, a process by which they can measure their different capabilities against best practices and pinpoint which ones are driving higher performance across their enterprise.

A capability maturity model helps organizations answer important questions, such as “Are we good at what we do?” and “Are we good at what matters?” With it, organizations can benchmark their performance and gain a clear understanding of what specific areas they need to improve and in what way.

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– JEAN HARRIS, DIRECTOR FOR SYSTEMS DEVELOPMENT FOR ALLIANZ UK

Defining capability creates new value.

When a company’s distinctive capabilities are clearly defined, everything and everyone within the organization begin to reinforce one another. The business takes on new life as people know and can count on key capabilities, and the result is:

- Improved quality
- Accelerated time to market
- Increased customer satisfaction
- Decreased costs
- Raised productivity

A strong capability maturity model gives CEOs a backbone to lean on to better respond to events, solve problems, and implement change faster and more efficiently than their competitors.

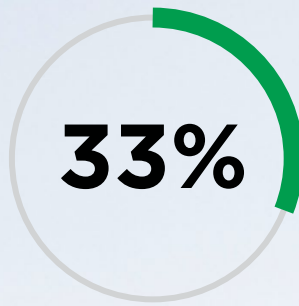
“It’s absolutely vital to build capability,” said Andreas Kramvis, vice chairman at Honeywell. “A lot of people think they can get high performance by just saying that’s what we want to do. But you have to first put capabilities in place via people and processes.”

Like Kramvis, many company leaders recognize the importance of building organizational capability. In a McKinsey & Company survey, global executives say it’s a top three priority.⁶ However, according to a recent study conducted by the CMMI Institute, nearly half of organizations do not have standard processes in place that enable them to adapt quickly—and today a slow reaction to change is especially dangerous to corporate viability.

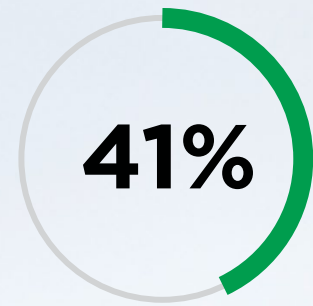




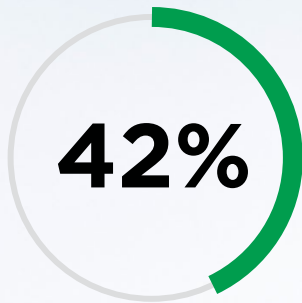
Nearly 50 percent of organizations don't have standard processes, process assets, and job aids.



33 percent of organizations cite difficulties in monitoring plans and making adjustments when needed.



41 percent admit their organization does not properly prepare individuals for the future by developing their skills and capabilities.



42 percent have no established standard-planning process.



54 percent do not measure what matters.

CMMI INSTITUTE SURVEY:

Executives know capability is critical for continued success.

Nearly half of organizations surveyed do not have standard processes in place that enable them to adapt quickly. Executives know they're missing out on big business benefits as a result.

The first step: Know where you stand.

For 25-plus years, the Capability Maturity Model Integration (CMMI) has been helping thousands of companies—including Honeywell, Allianz, Cognizant, and Chemtech—assess their organizational capability. CMMI Institute is the organization behind the CMMI.

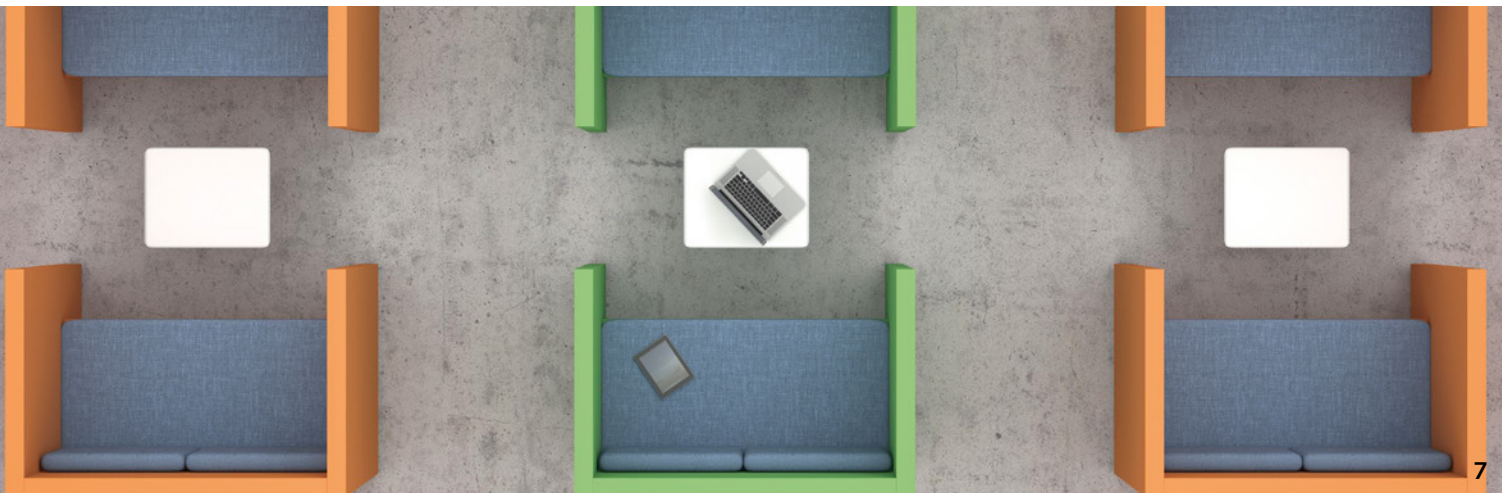
Originating at Carnegie Mellon University, CMMI is the globally adopted capability maturity model that guides organizations in high-performance operations. CMMI Institute helps organizations identify where they have performance gaps and shows them how to apply best practices to

advance capabilities in their people, processes, and technology. Organizations working with CMMI Institute have been able to differentiate themselves from the competition and increase their likelihood of capturing new and repeat business.

“Sustaining a customer-centric culture driven by capabilities helps our employees understand what is needed to meet customer demands proactively and gives them confidence to deliver,” said Chandrasekaran Ramakrishnan, group chief executive, technology and operations, at Cognizant.

CMMI Institute’s nine areas of organizational capability

- Ensuring Quality
- Engineering & Developing Products
- Selecting & Managing Suppliers
- Planning & Managing Work
- Managing Business Resilience
- Managing the Workforce
- Supporting Implementation
- Building & Sustaining Capability
- Improving Performance



Harness your staying power.

Now more than ever, CEOs and company leaders must ensure their organizations deliver above and beyond customer expectations, find new ways to stand out in the marketplace, and know how to navigate through a continually evolving, always challenging business environment.

The age of disruption isn't a blip on the history of business. It's the new way of doing business. Some companies will adapt. Others will be among the 13 companies that are projected to be replaced on the S&P within the next six months.⁷

Even as market disruptors threaten to steer your business off course, with a capability maturity model in place, you'll be able to move your business forward with a precise strategy and purpose, enabling it to survive, and thrive, in the months and years ahead.

The more you understand the strengths and weaknesses of your organizational capability, the more you can achieve. Discover the many ways CMMI Institute can help your organization not only survive, but also thrive, in the age of disruption.

Visit cmiiinstitute.com/cmii or email info@cmiiinstitute.com



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SOURCES:

¹Daniel Gross, "Siemens CEO Joe Kaeser on the Next Industrial Revolution," *strategy+business*, February 9, 2016, <http://www.strategy-business.com/article/Siemens-CEO-Joe-Kaeser-on-the-Next-Industrial-Revolution?gko=efd41> (accessed November 21, 2016).

²Bourree Lam, "Where Do Firms Go When They Die?" *The Atlantic*, April 12, 2015, <http://www.theatlantic.com/business/archive/2015/04/where-do-firms-go-when-they-die/390249/> (accessed August 3, 2016).

³ibid.

⁴Honeywell International Inc., <http://www.honeywell.com/who-we-are/our-history> (accessed August 29, 2016).

⁵Cognizant, <https://www.cognizant.com/careers/our-company> (accessed August 3, 2016).

⁶McKinsey & Company, "Building Capabilities for Performance," 2014.

⁷Bourree Lam, "Where Do Firms Go When They Die?" *The Atlantic*, April 12, 2015, <http://www.theatlantic.com/business/archive/2015/04/where-do-firms-go-when-they-die/390249/> (accessed August 3, 2016).