

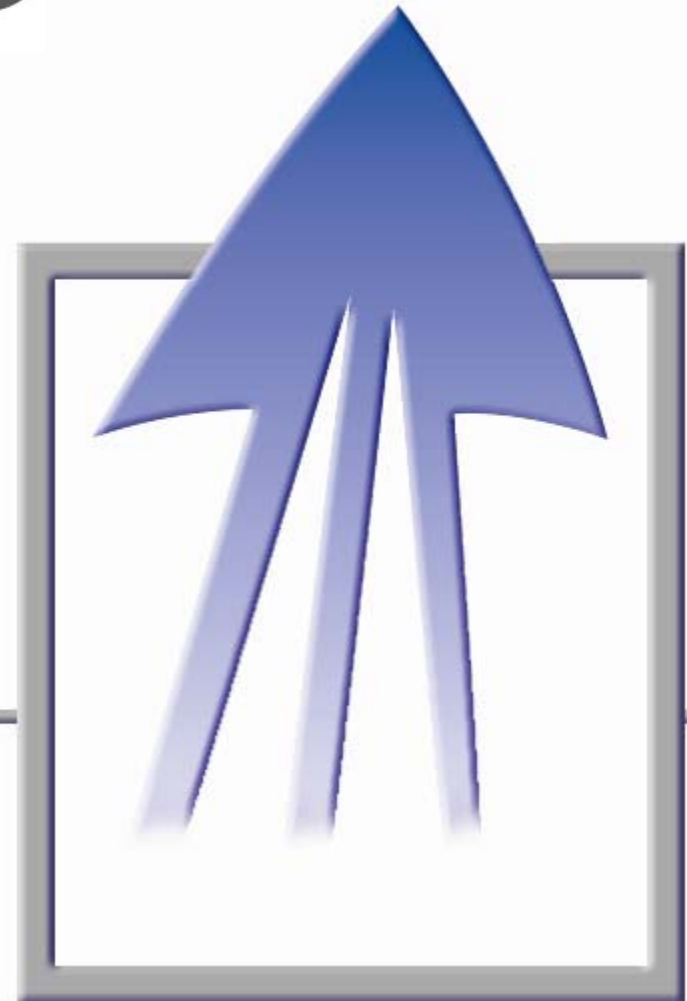


## 2008 Annual Conference

Simplifying Innovation Methods  
for a Complicated World

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Straight Path Management, Inc.  
April 28, 2008



# What's the Buzz on Innovation



- What is innovation and what does it mean to me?
- Why is innovation important and how do I make it a focus in my business?
- “I have a job to do, and I can't read 40 books on innovation.” With all the media hype, what do I really need to know and how should I pursue innovation?



## From Buzzword to Passé



What do you think about when you hear the following?

- Total Quality Management (TQM)
- Business Process Reengineering (BPR)
- Balance Scorecard
- Six Sigma
- Web 2.0
- Innovation, Collaboration and the Learning Organization

# Pathway to Value

Product/Service Offering – What we do to provide value

Process – How we do what we do

Innovation  
Success

Innovation Success = New Value

*Successful innovation brings about specific advances in an organization's ability to generate positive economic and/or social impact; it is the means by which an organization increases its value contribution to a target audience and by which that same audience comes to recognize and appreciate this new value paradigm*

Market – Who perceives that we are valuable

# Markets Always Moving

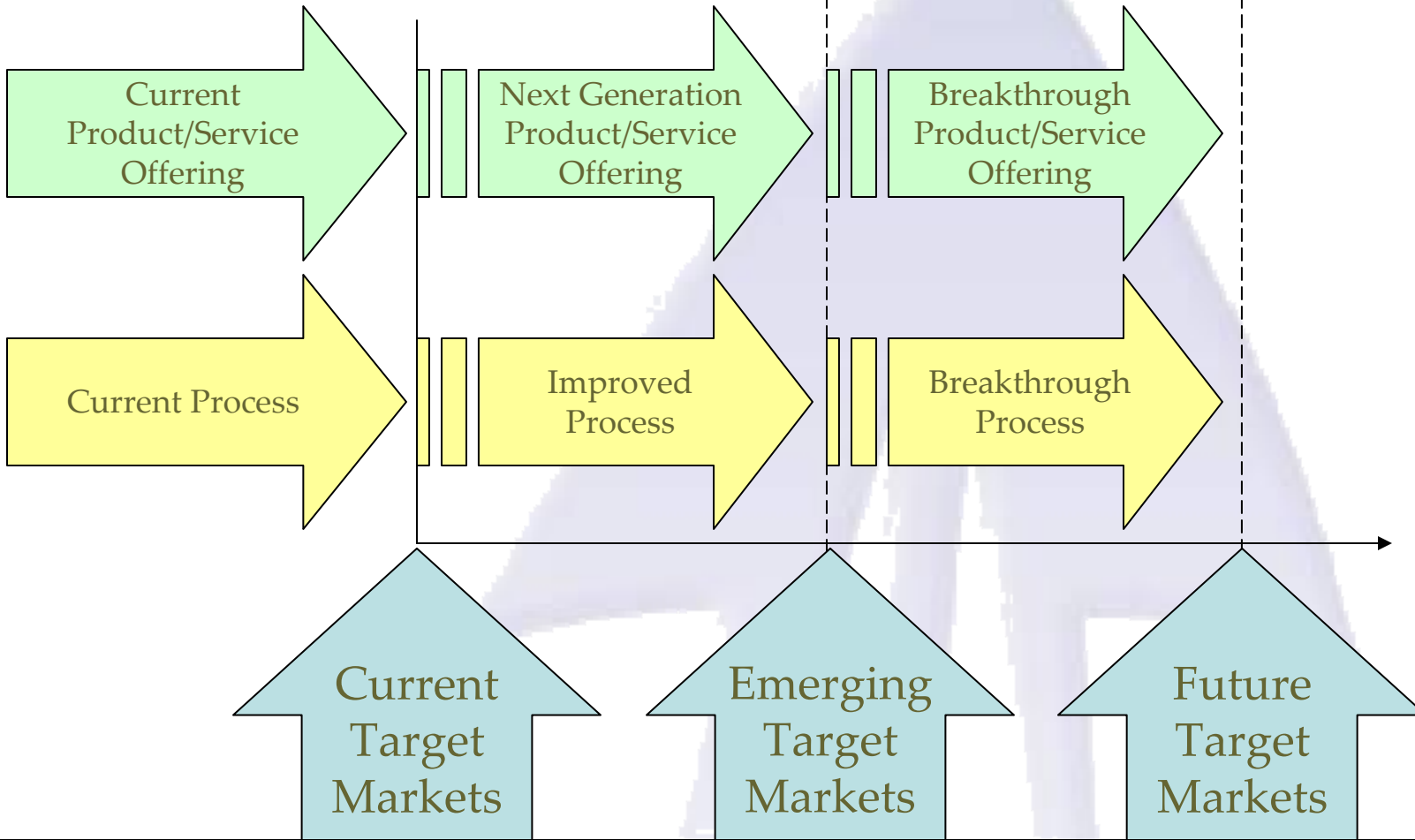


Product/Service Offering – What we do to provide value

Process – How we do what we do

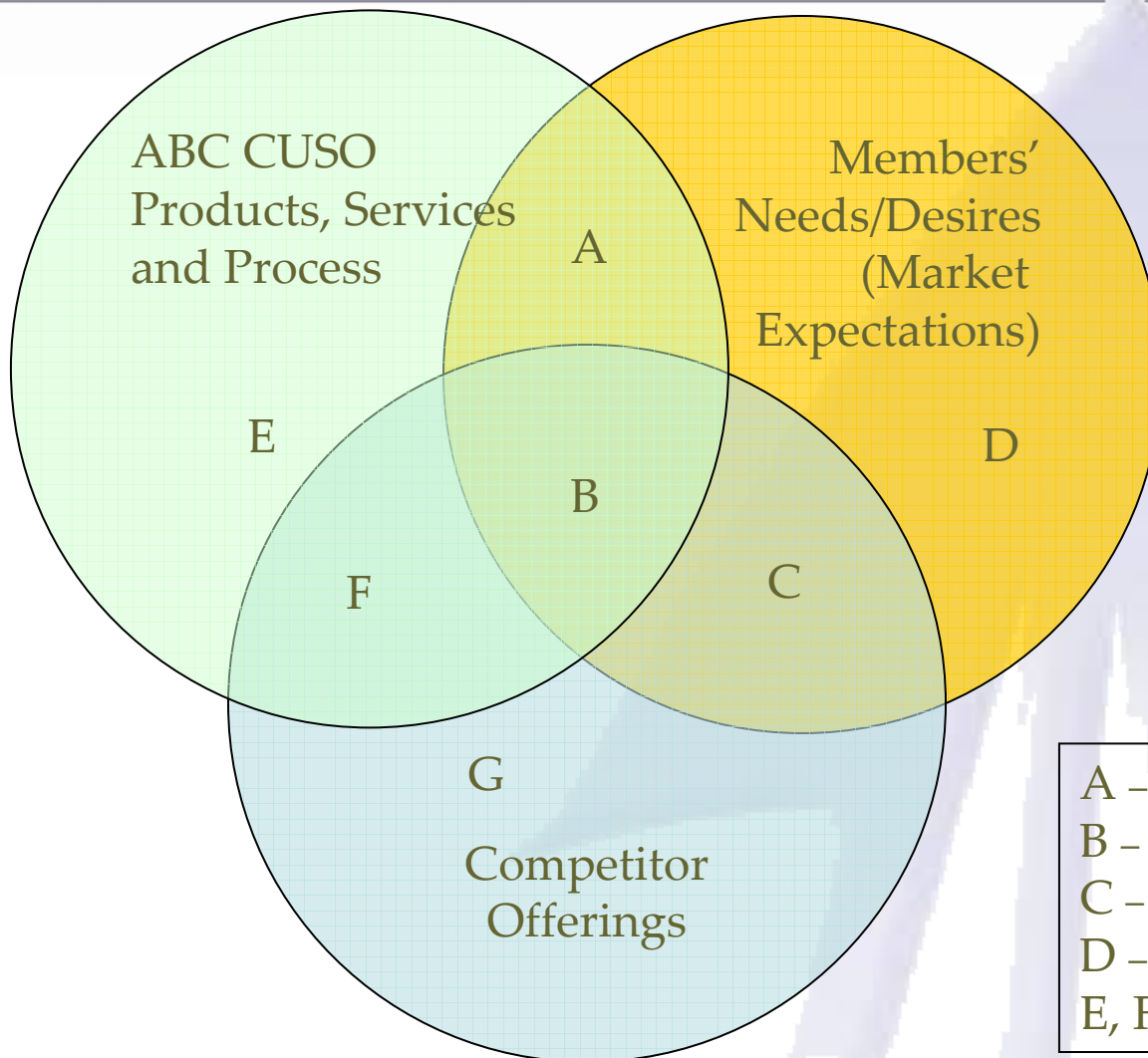
Market – Who perceives that we are valuable

# Innovation Framework





# In Search of the Next Big Innovation

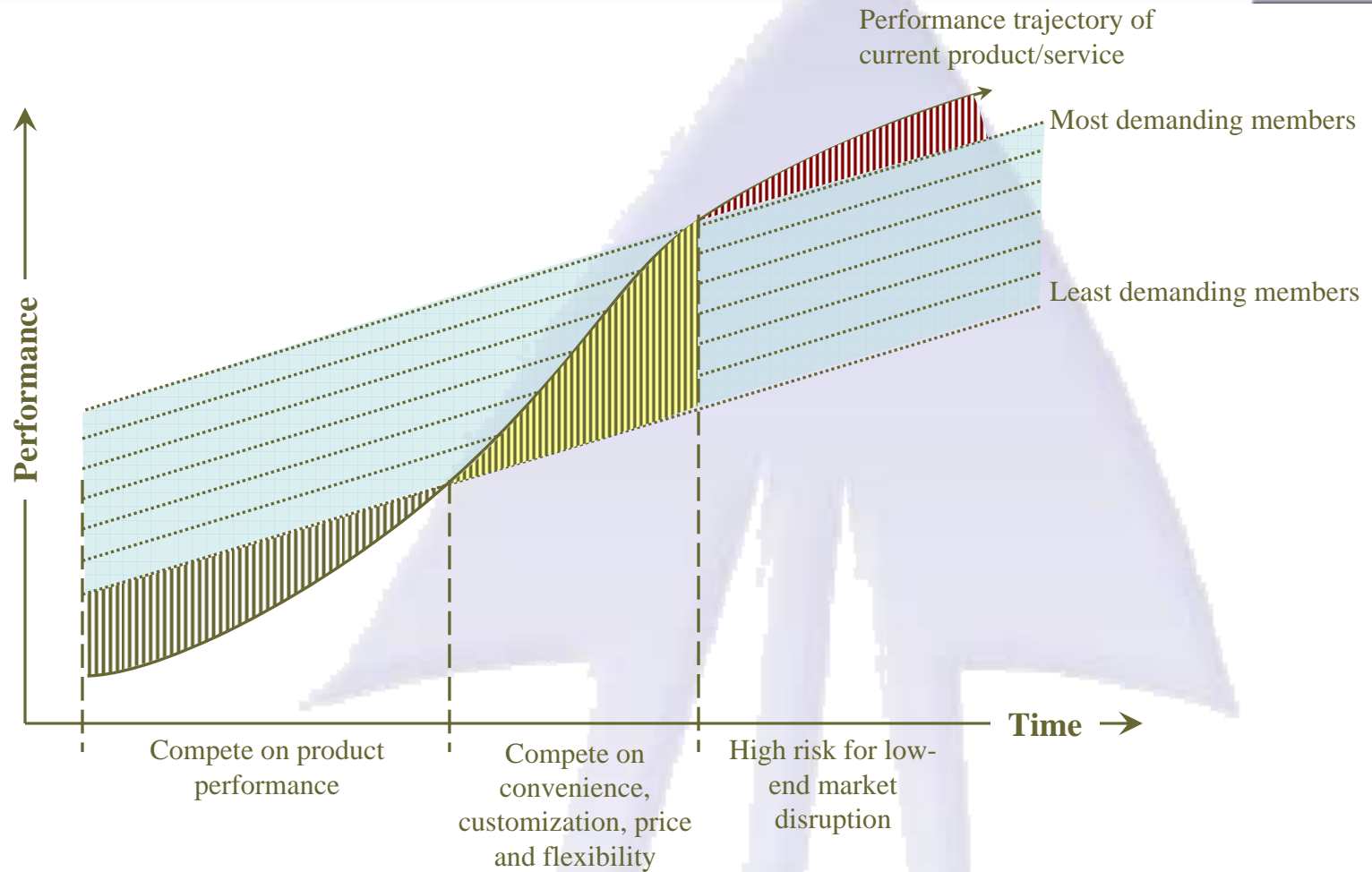


Successful innovation occurs through the identification of new ideas in the undiscovered market space (D), while also identifying and eliminating waste in the non-value adding space (E & F)

- A – ABC's points of difference
- B – Points of parity
- C – Competitor's points of difference
- D – Undiscovered market value
- E, F, G – Non-value adding effort

Source: Joel E. Urbany and James Davis. *Strategy Insight in Three Circles*. HBR. November 2007, pg 28.

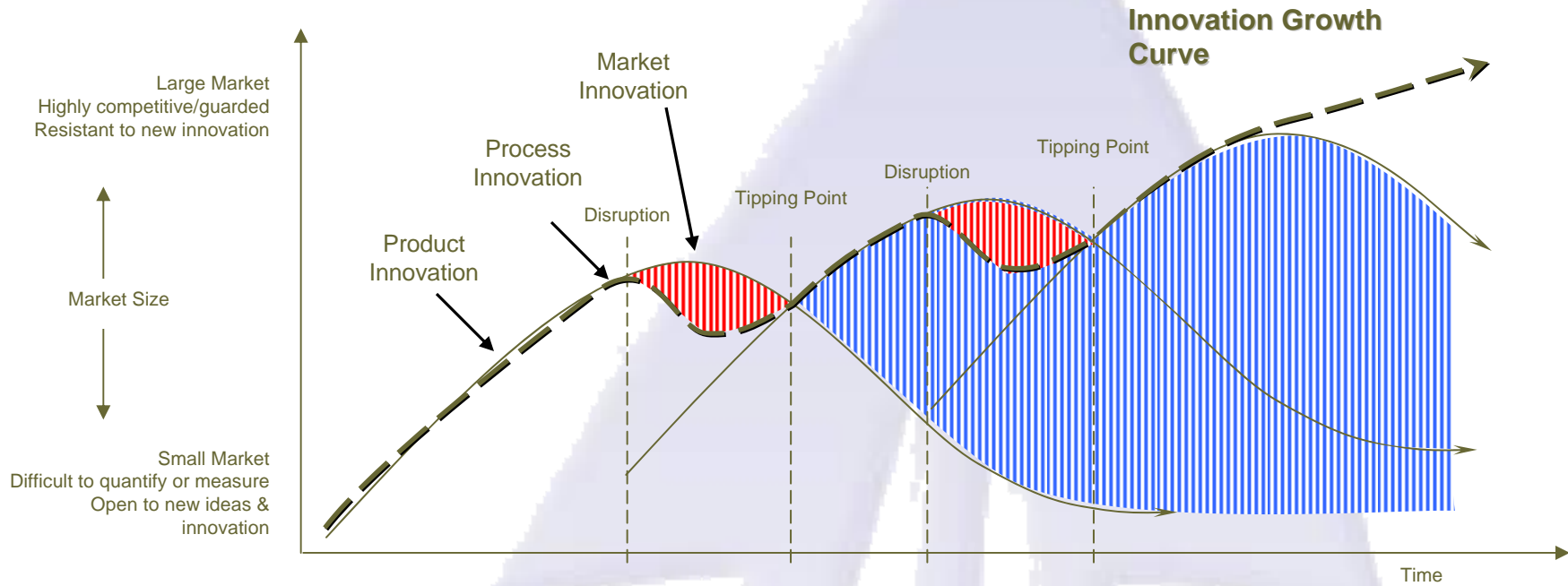
# Disruptive Innovation



Source: adapted from: Christensen, Clayton M., *The Innovator's Solution*. Harvard Business School Press, 2003.



# Innovation Cycles



# Practical Innovation in Four Steps



Step 1: **Segment** the market (current, targeted and future market)

Step 2: Identify **desired outcomes** for each segment (i.e., what determines value in the eyes of the customer/consumer?)

Step 3: **Analyze target segments** to identify areas where desired outcomes are underserved or over-delivered

Step 4: **Brainstorm** possibilities to address gaps (add/increase value where underserved and reduce/eliminate value where over-delivered)

## Step 1 – Identify Target Market Segments



**Market segmentation** – process of dividing your target market into smaller segments in order to help focus on the specific needs of various subsets of desirable members.

- Identify segmentation categories
  - Age/gender
  - Deposit size
  - Loans volume
  - Occupation Status
- Define target subgroups within each category

## Step 2 – Identify Desired Outcomes



Why do members come to the Credit Union or the CUSO? What outcomes do they want? What would they enjoy?

- Financial Reasons
- Safety/Security Reasons
- Convenience Reasons
- Advice and Counsel
- Community
- Others?

## Step 2 – Identify Desired Outcomes



### Financial Reasons

- Help accomplishing goals and dreams
- Traditional solution for conducting financial transactions
- Quick, discrete access to capital
- Stable financial institution
- Low costs/fees

### Safety/Security Reasons

- Privacy, confidentiality and integrity
- Safety/security with wealth and valuable possessions
- Fraud protection
- Relationship with staff, access to key decision makers
- Local management and decision making

### Convenience

- Locations, delivery options
- Minimal transaction hassle
- Excellent service
- Knowledge staff
- Simplicity of products

## Step 2 – Identify Desired Outcomes (cont.)



### Advice and Counsel

- Source of knowledge regarding financial issues; valuable advice
- Credit Union/CUSO considered a strategic partner
- Business integration services

### Community

- Benefits of association; special amenities, programs offered to employees of SEGS and preferred member groups
- Professional community experience
- Networking opportunities with other members
- Friendly and caring service
- Other non-traditional business services (e.g., conference rooms, internet café, business networking opportunities, etc.)

# How Do You Score?



## Financial Reasons

	Low 1	2	3	4	High 5
Assistance with financial goals and dreams					
Traditional solutions for routine financial transactions					
Quick, discrete access to capital					
Stable financial institution					
Low costs/fees					

## Safety/Security Reasons

	Low 1	2	3	4	High 5
Privacy, confidentiality and integrity					
Safety/security with wealth and valuable possessions					
Fraud protection					
Relationship with staff, access to key decision makers					
Local management and decision making					



# How Do You Score?



## Convenience

	Low 1	2	3	4	High 5
Locations, delivery options					
Minimal transaction hassle					
Excellent service					
Knowledgeable staff					
Simplicity of products					

## Advice and Counsel

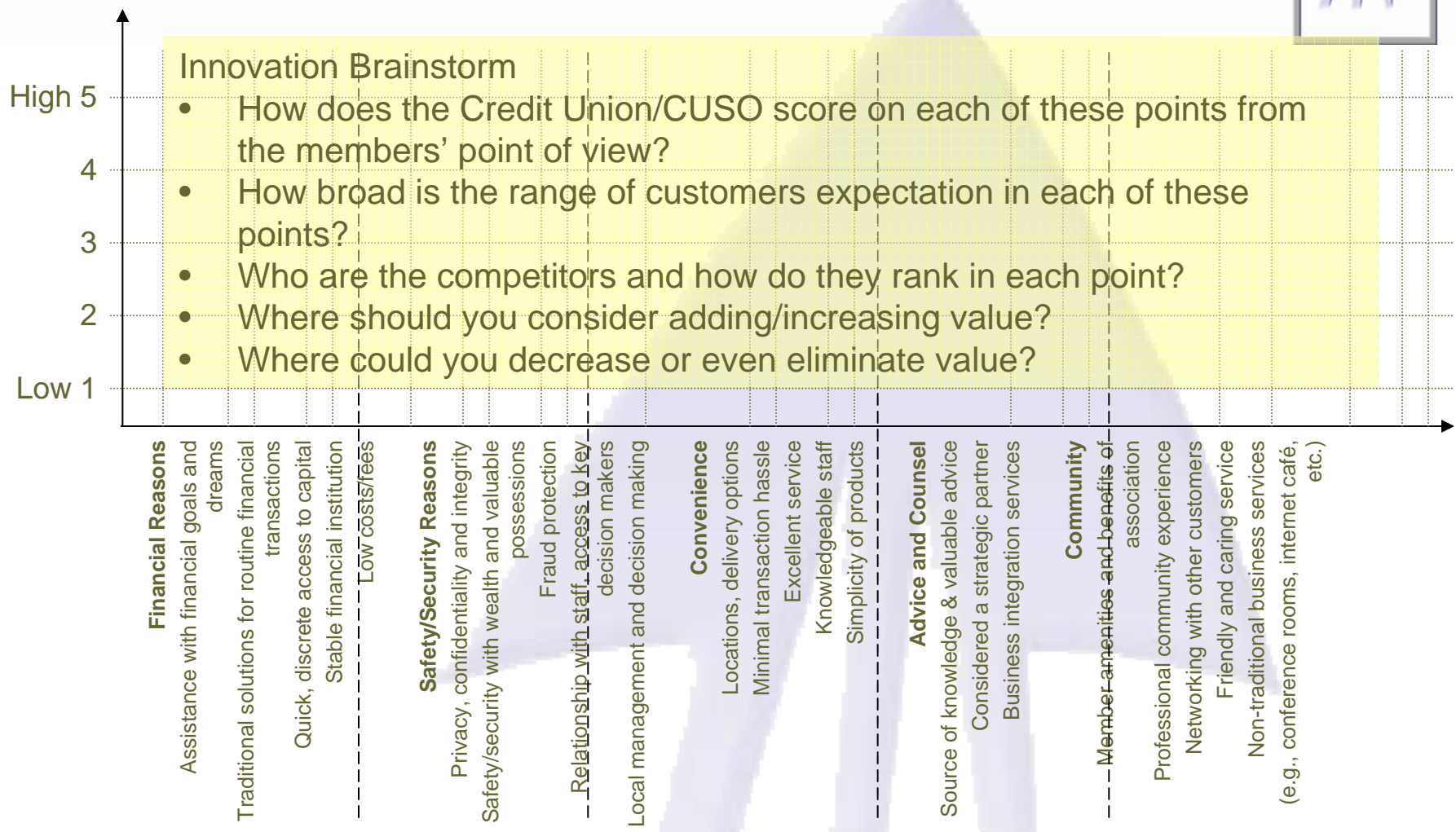
	Low 1	2	3	4	High 5
Source of knowledge & valuable advice					
Considered a strategic partner					
Business integration services					

## Community

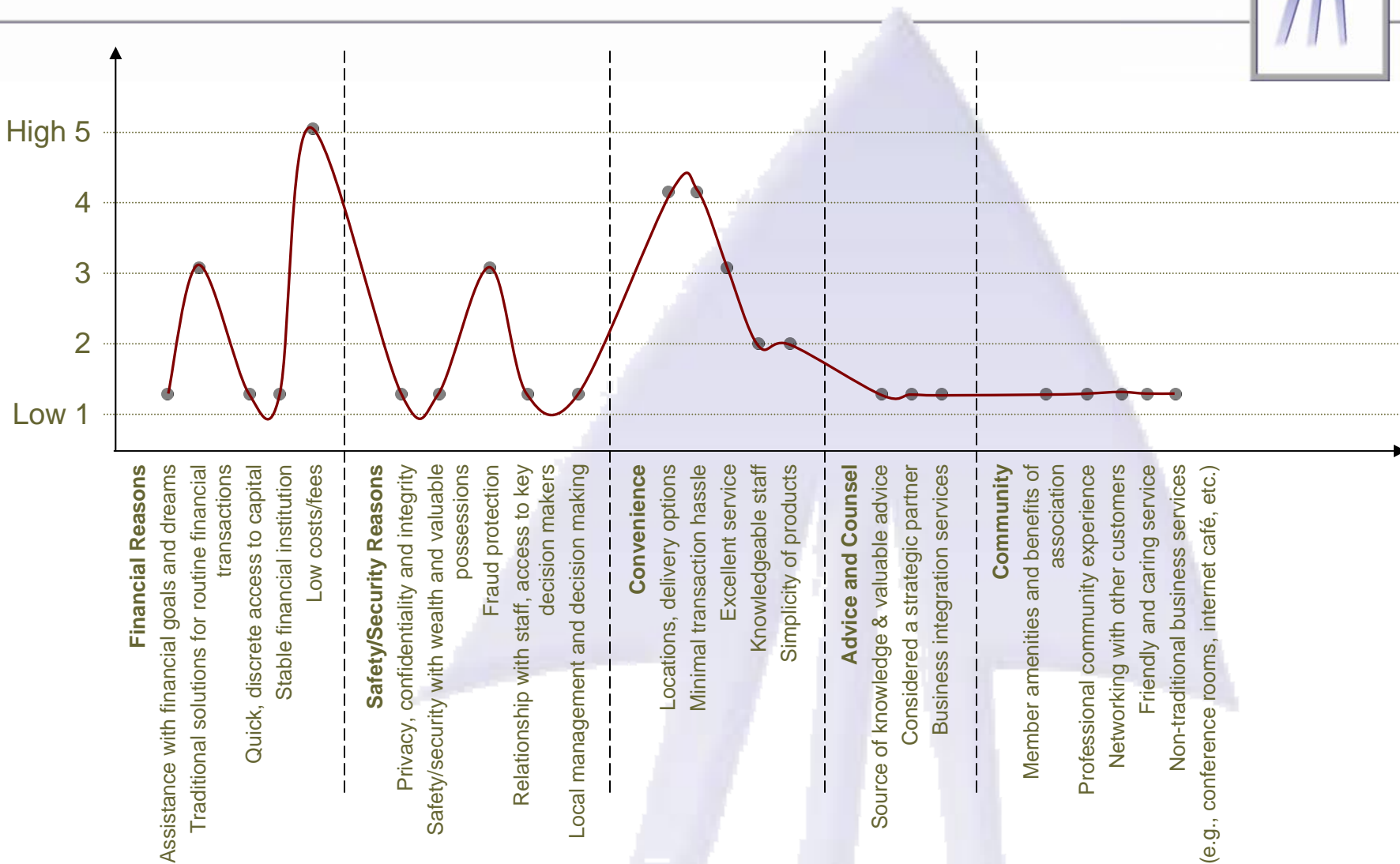
	Low 1	2	3	4	High 5
Member amenities and benefits of association					
Professional community experience					
Networking with other customers					
Friendly and caring service					
Non-traditional business services					

(e.g., conference rooms, internet café, etc.)

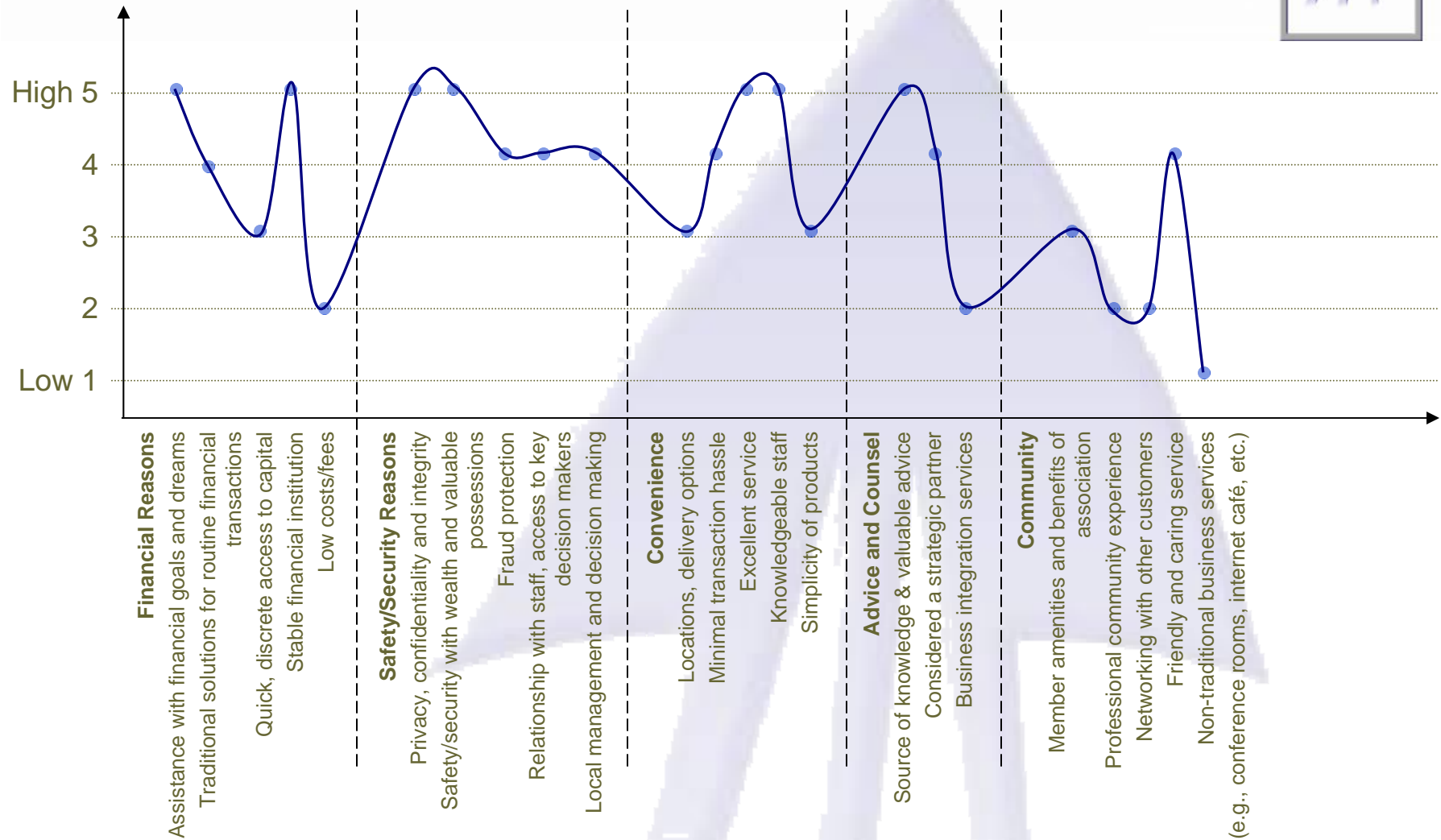
# Strategy Canvas



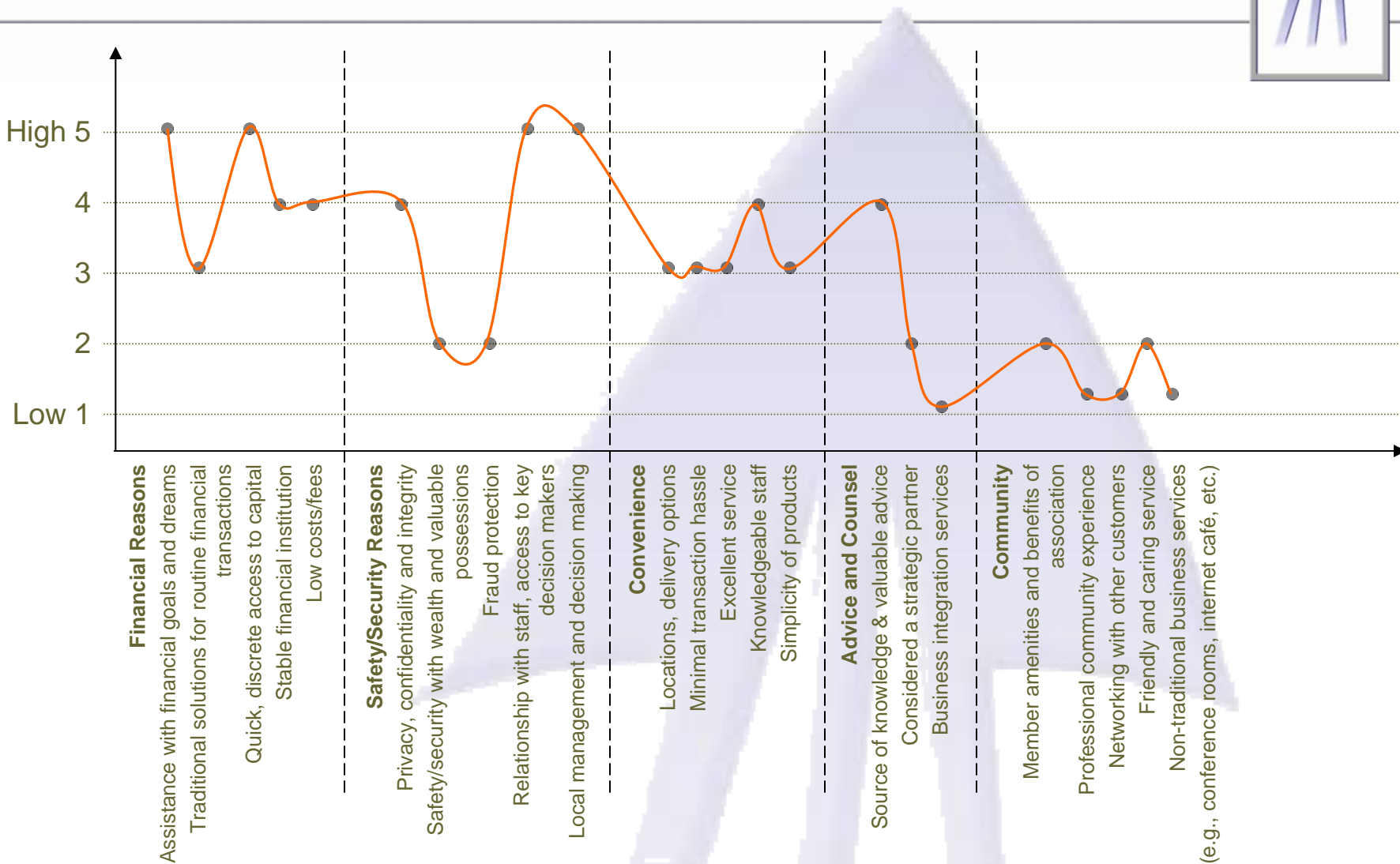
# Value Curve of a Price Sensitive Member



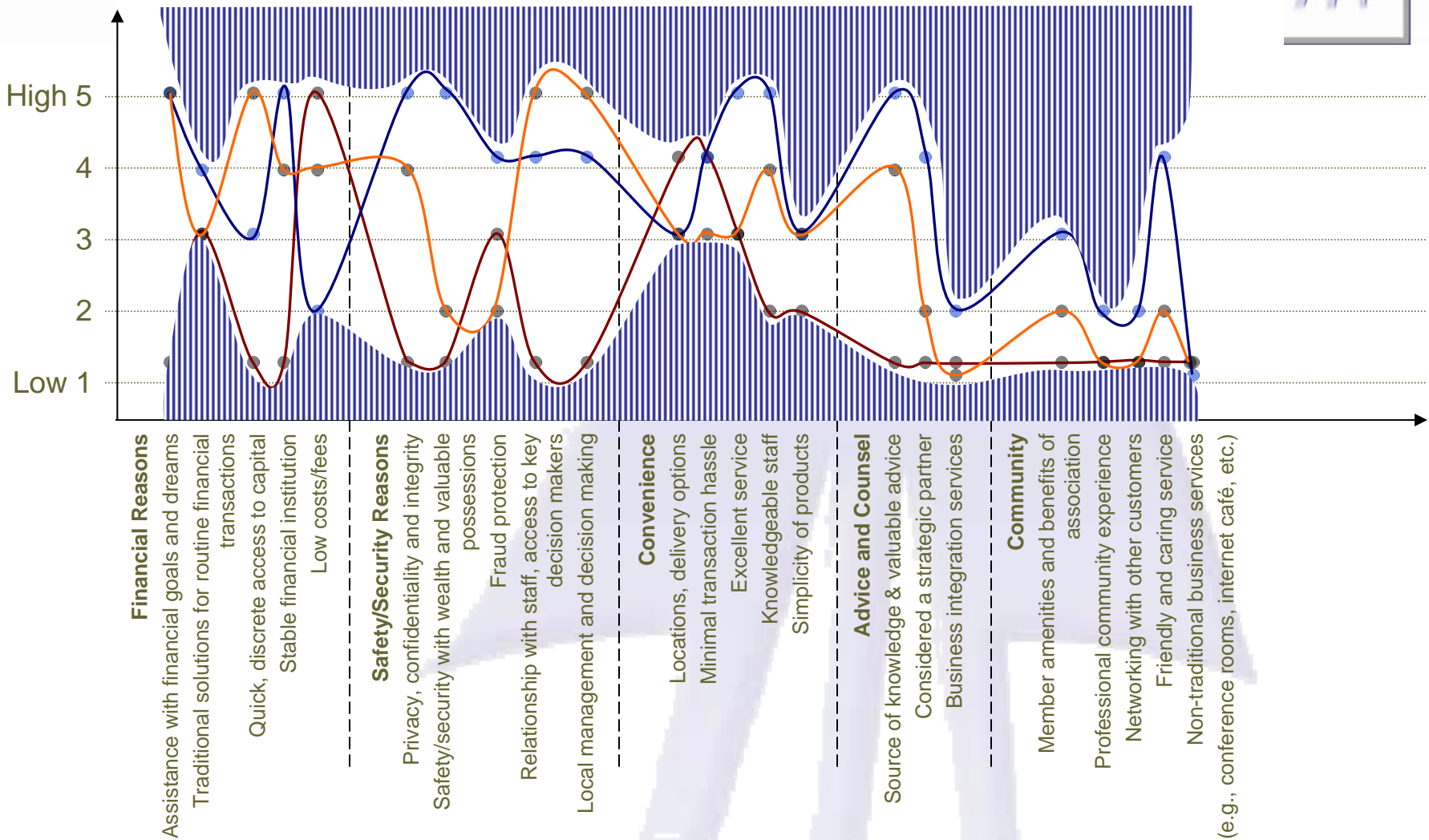
# Value Curve of a High Deposit Member



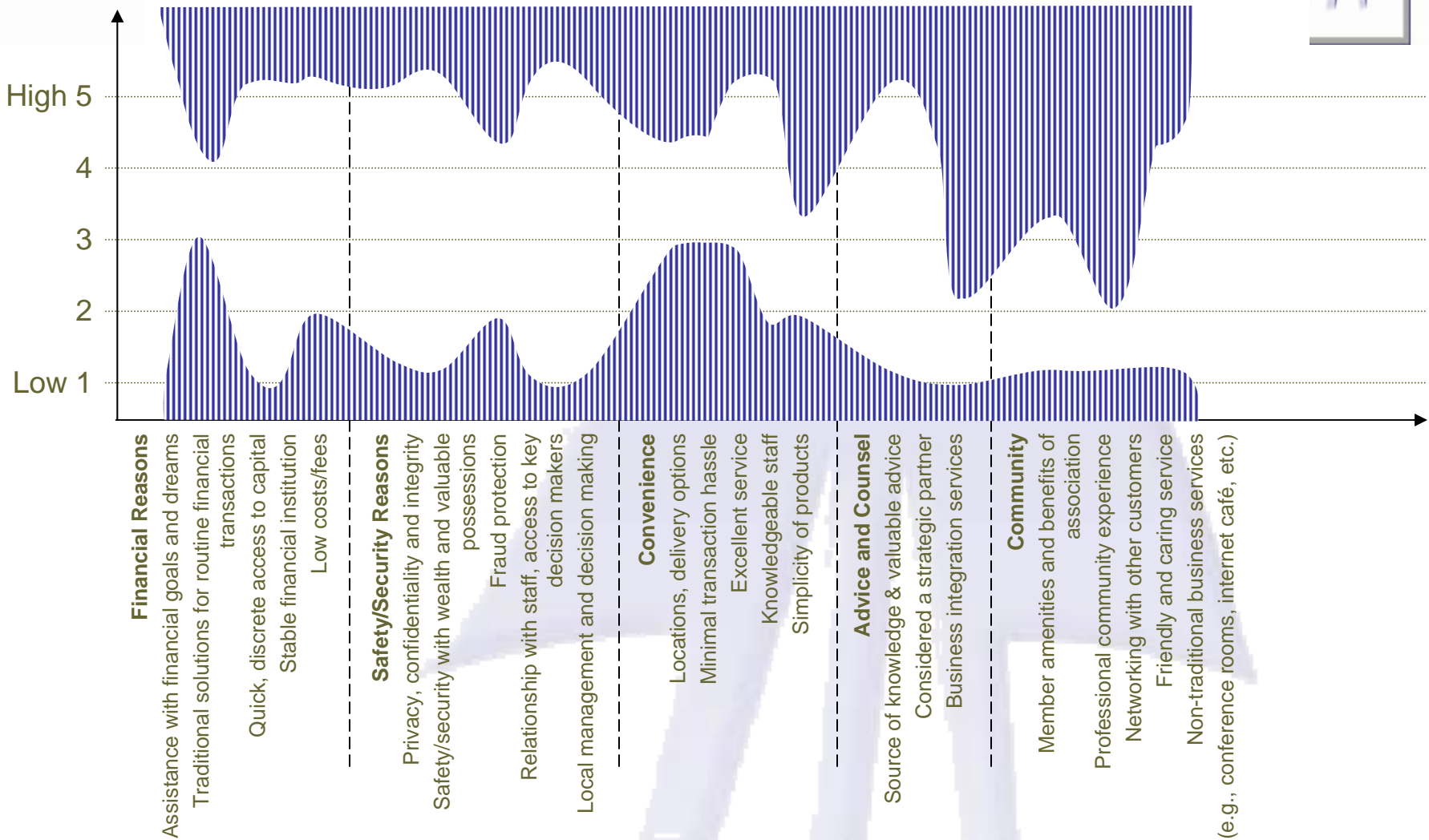
# Value Curve of High Volume Borrower



# Combined Value Curves of a Sample Population



# Combined Value Curves of a Sample Population

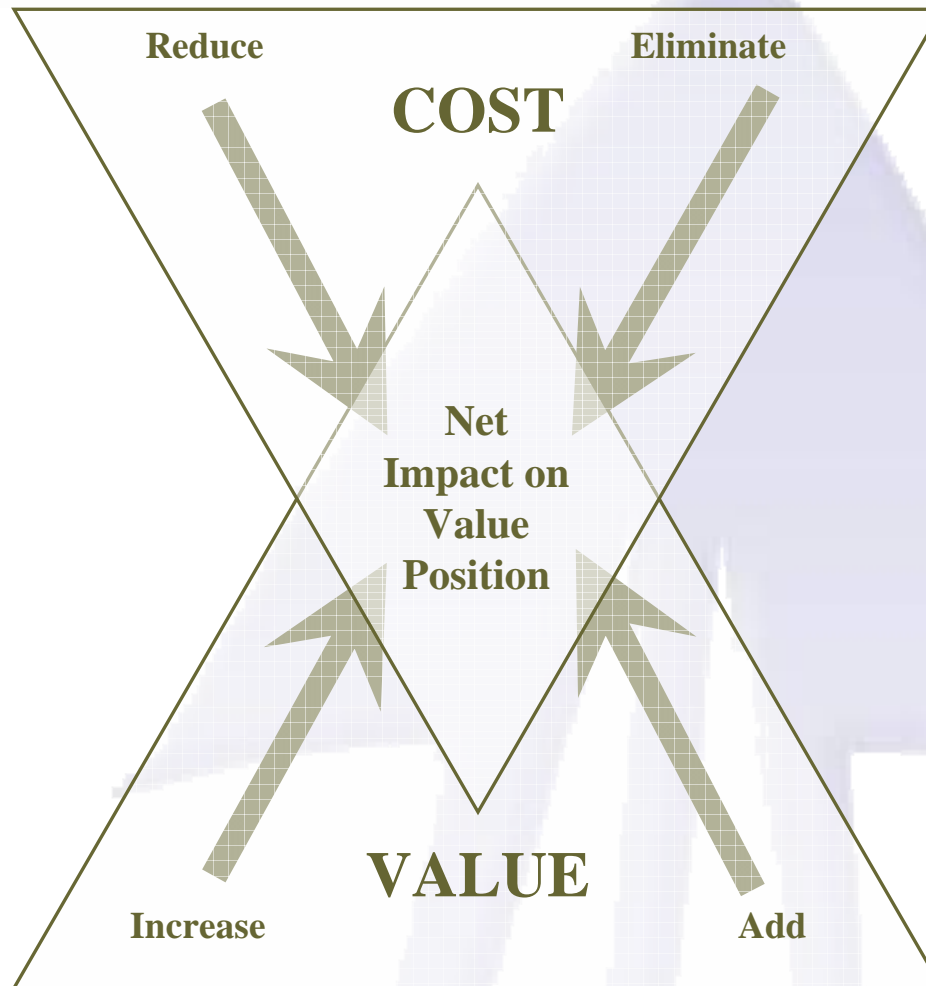




# Changing Your Value Proposition



What factors should be reduced to well below industry average?



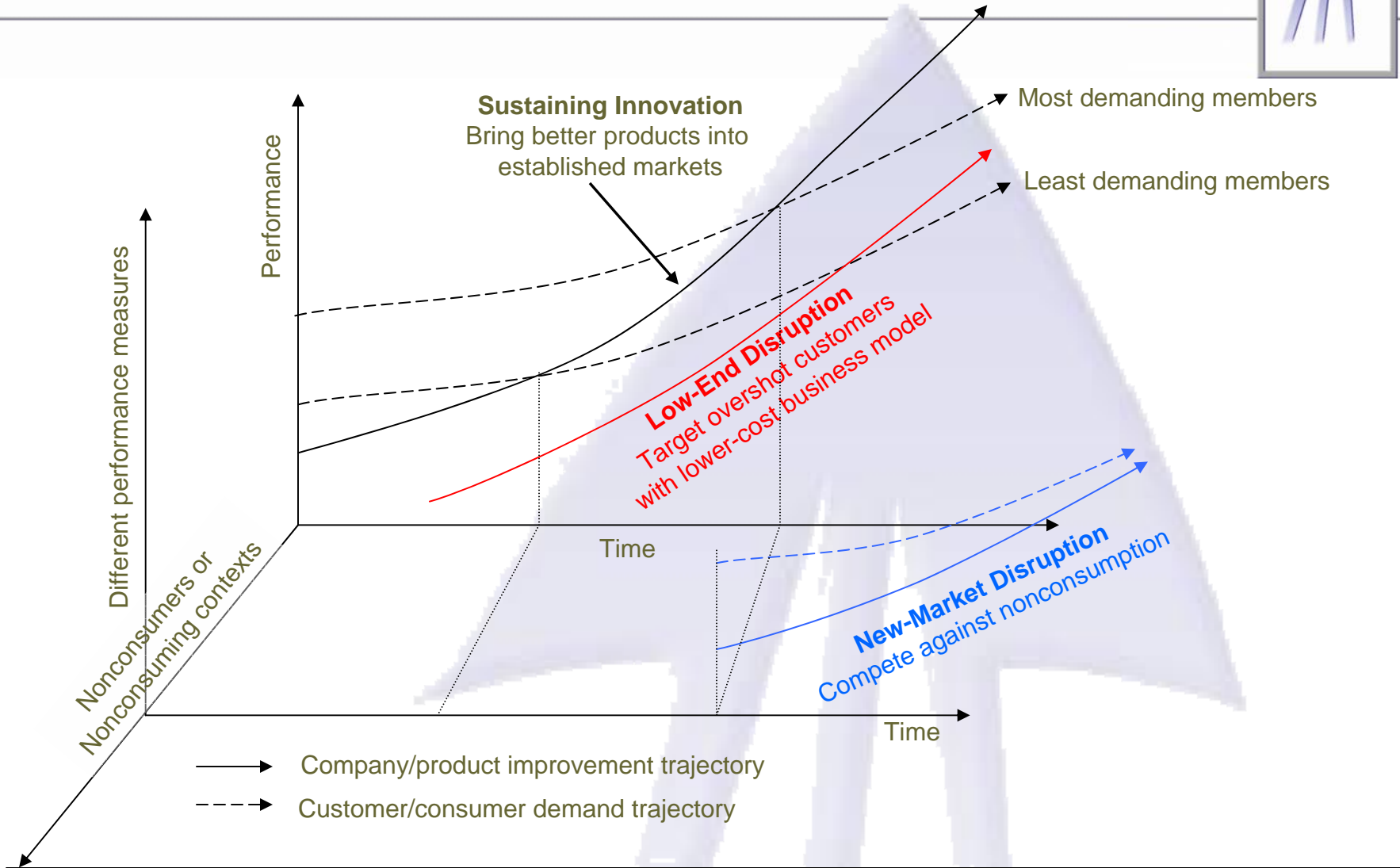
What factors are taken for granted and could be eliminated

What existing factors should be increased above industry average

What new factors should be added to Create Value

Source: Kim, Mauborgne. *Blue Ocean Strategy*. Harvard Business School Press, 2005.

# Disruptive Innovation (cont.)



Source: Christensen, Clayton M., *Seeing What's Next*. Harvard Business School Press, 2004.

# Innovation Culture



To expect great innovations requires also expecting many failures. The key is to manage the risk of those failures so that they are unremarkable. Remarkable innovation would be witnessed more often if unremarkable failures were not so carefully avoided.

A true learning organization will value learning as much or even more than the discovery of a valuable innovation. Learning comes from several sources such as:

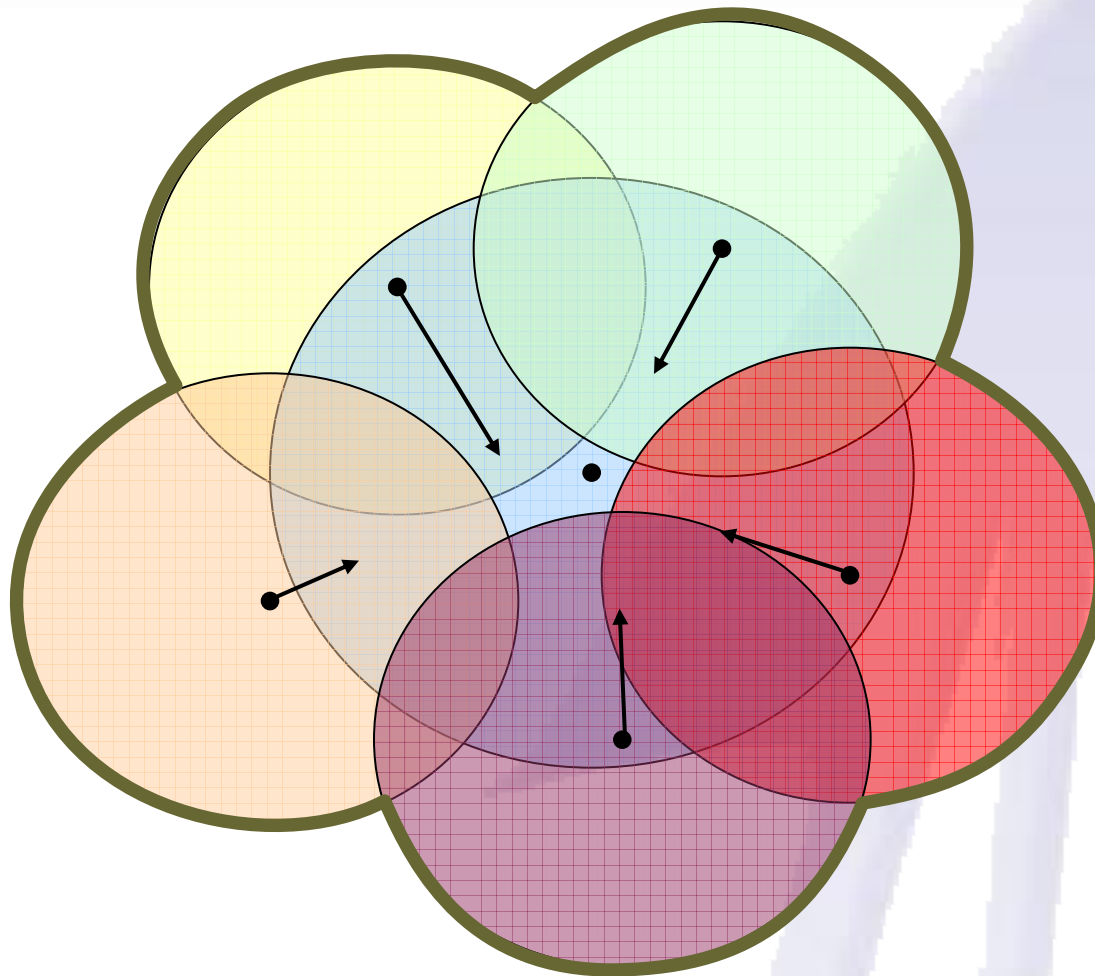
- Unexpected Failures or Success
- Process Incongruities
- Economic reality
- Process Needs
- Industry or Market Changes
- Changes in Perception
- New Knowledge

*“I didn’t fail ten thousand times. I successfully eliminated ten thousand times, materials and combinations which wouldn’t work”*

*“The three things which are essential to achievement are: hard work, stick-to-it-evenness, and common sense”*

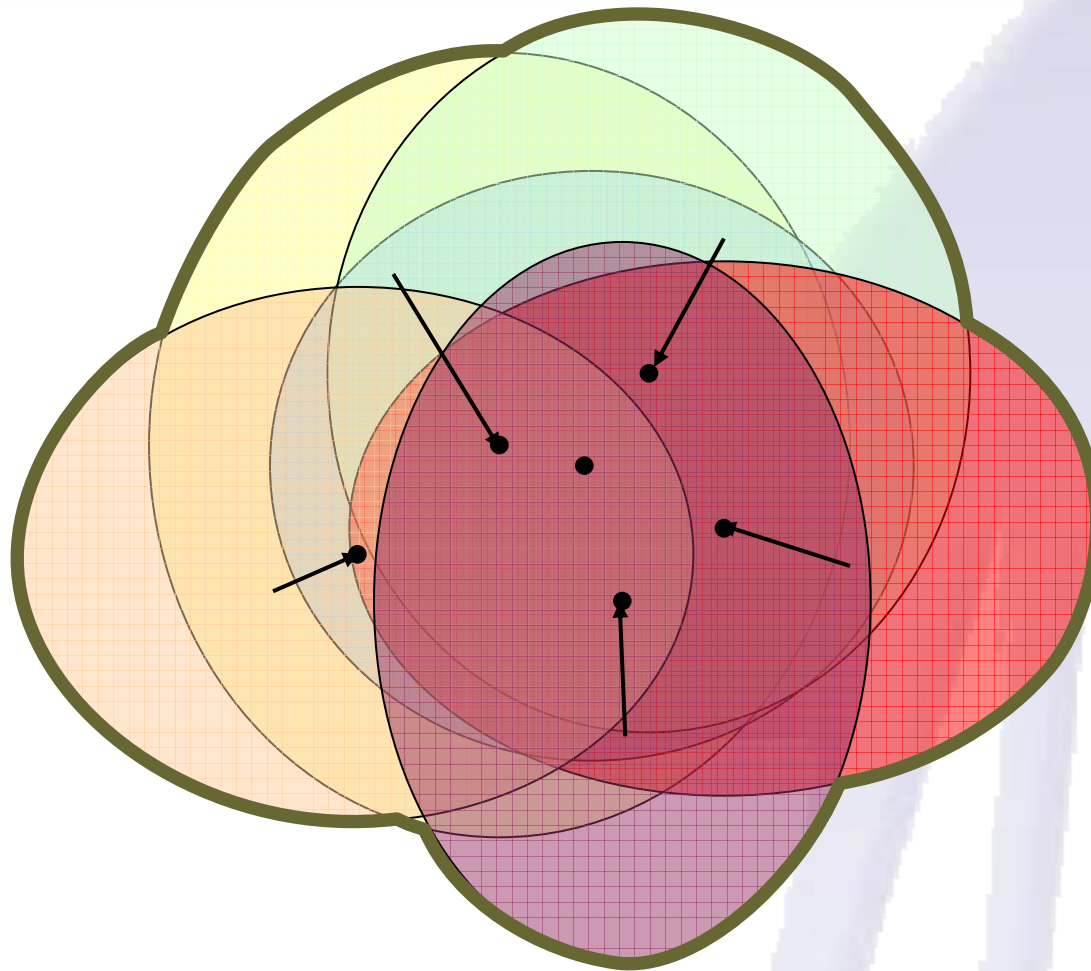
*Thomas Alva Edison*

# Learning Organization - Knowledge Share



Organizational training programs often foster a greater overlap in employee knowledge through cross-training on job skills and job-related knowledge.

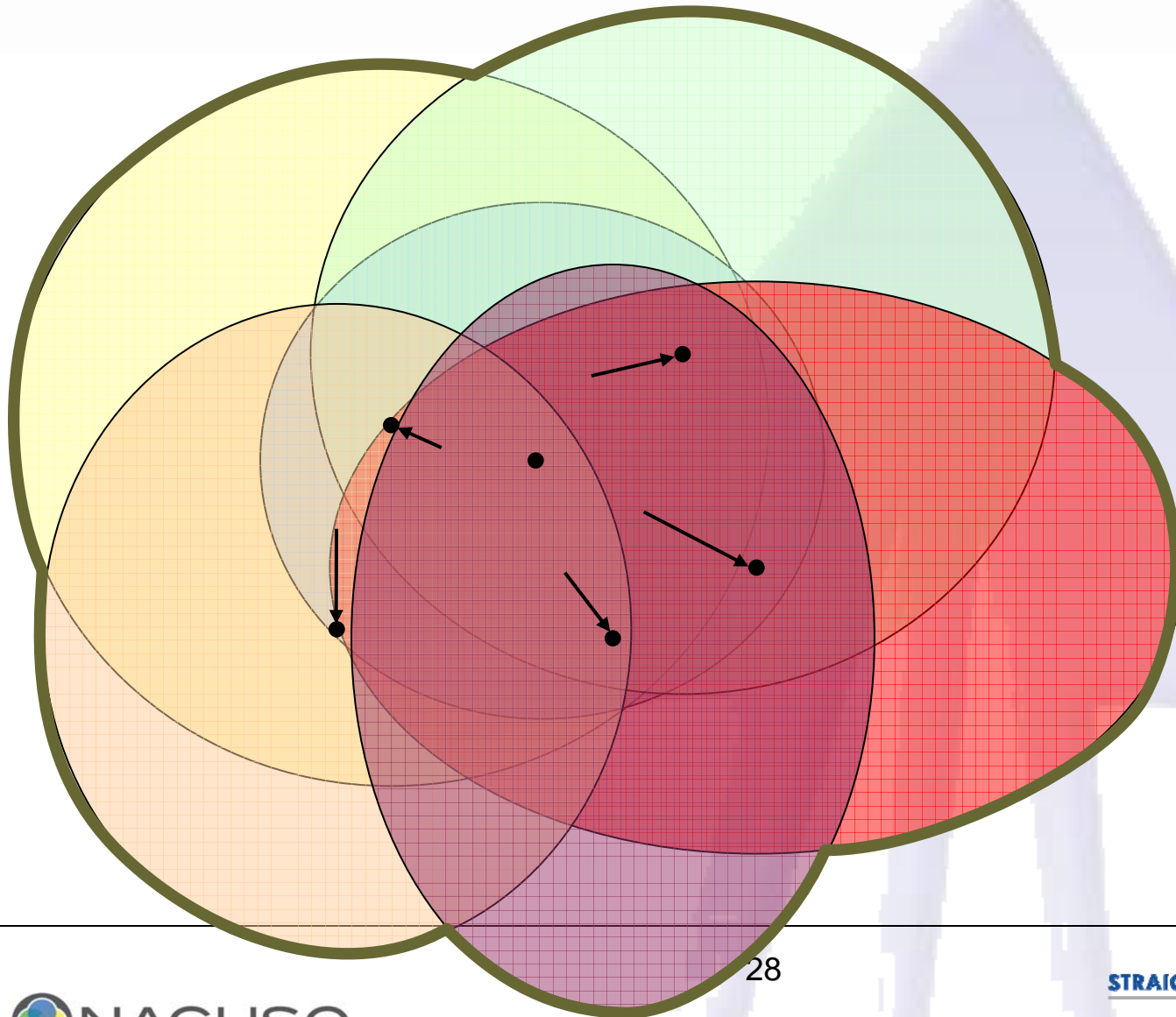
# Learning Organization - Knowledge Share



Organizational training programs often foster a greater overlap in employee knowledge through cross-training on job skills and job-related knowledge.

What happens to individual knowledge as well as collective knowledge when resources are applied toward knowledge acquisition?

# Learning Organization – Knowledge Gain



# Innovation Leadership



- Strong leadership is required for a successful long-term innovation culture
- Practical methods are needed for establishing, articulating and reinforcing innovation values – turning cliché, market hype and buzzwords into value-producing action
- Effective team communication, accountability and follow-through are imperative
- Aligning recognition and rewards to promote effective innovation

*"Despite all the pro-innovation rhetoric that one encounters in annual reports and CEO speeches, most still hold the view that innovation is a rather dangerous diversion from the real work of wringing the last ounce of efficiency out of core business processes. Innovation is fine so long as it does not disrupt a company's finely-honed operating model... As change becomes ever less predictable, companies will pay an ever-escalating price for their lopsided love of incrementalism."*

*Gary Hamel*



# Action Items



**What do you need to do before the end of the year to make your organization more innovative?**

1. Share with other leaders in your organization the key principles you learned today
2. Form an ad hoc team to begin assessing your innovation track record and potential
3. Commission a team to begin developing/revising your innovation process
4. Arrange for additional training on innovation for yourself and/or your team
5. Bring together a multi-disciplinary team and conduct an ideation workshop

*"Out there in some garage is an entrepreneur who's forging a bullet with your company's name on it. You've got one option now - to shoot first. You've got to out-innovate the innovators."*

*Gary Hamel*

# Make an Innovation Plan and Take Action



## Contact Information

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