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Innovation in a digital world

Deep Dive

March 29th, 2017

TEN TYPES OF INNOVATION



CONFIGURATION

OFFERING

EXPERIENCE

Flipping orthodoxies

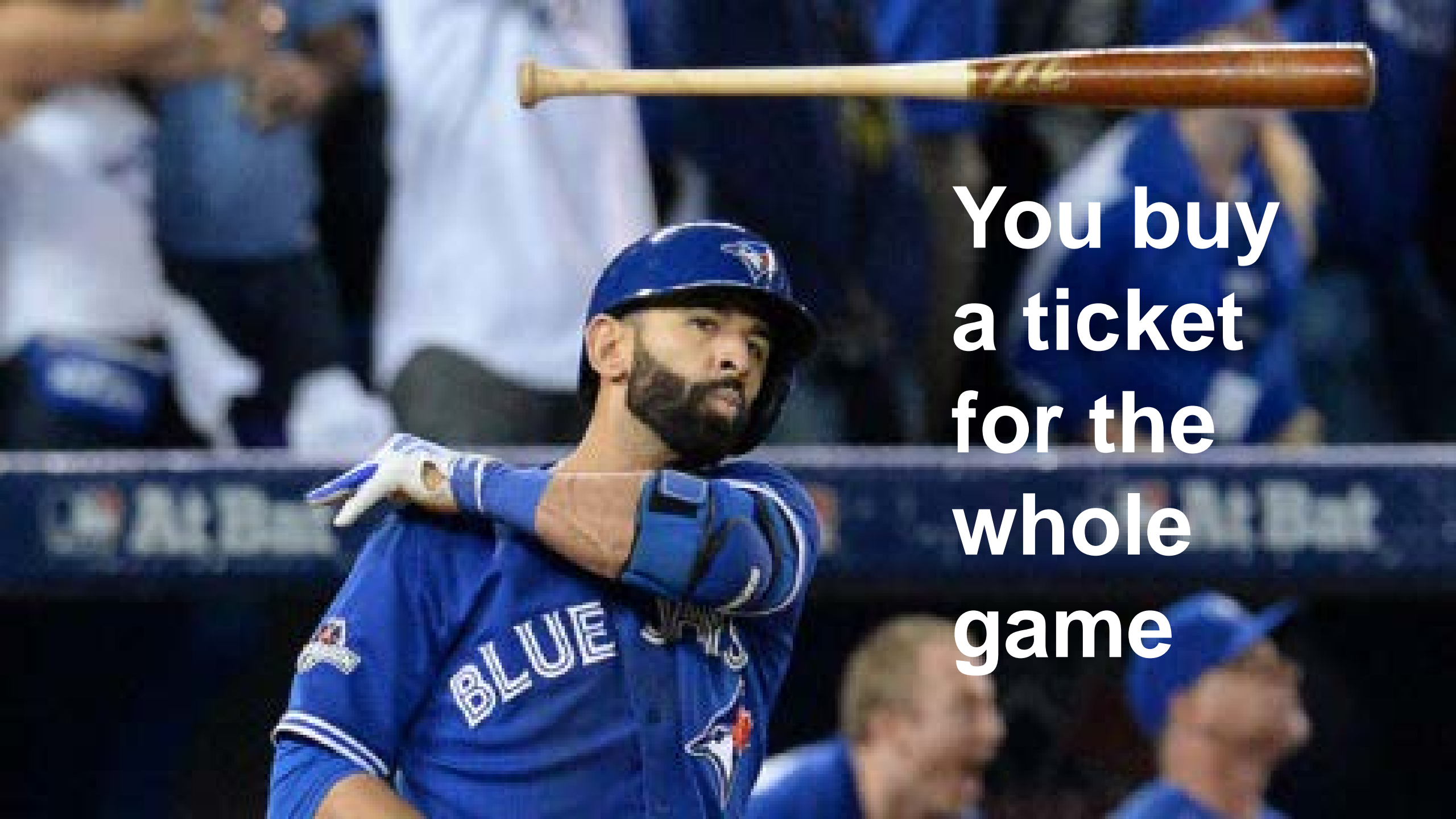
Industries and organizations tend to develop a set of habits and rules that shape **conventional wisdom** over time; we call these rules **orthodoxies**.

Unchallenged, they shape strategy, create blind spots, and can inhibit progress.

All companies and industries have particular beliefs and practices about “how we do things around here”

They can get in the way of breakthrough opportunities as they prevent unconventional solutions from being considered





**You buy
a ticket
for the
whole
game**

Every industry and firm has deeply held beliefs about “how we do things around here”— a few examples...

Grocery stores

Customers with smallest purchases get the fastest line

Banks

Provide all critical consumer services through ATMs

Rental cars

Only by serving business people will we make money

Music

People will go to record stores to buy CDs

Xerox

Copiers must only be serviced by professionals

Governments

It is okay if procedures are mystifying

Emerging markets

Poor people don't know what to do with money



**Every time you imagine
an orthodoxy...**

Imagine life without it;

*Consider a user group that wouldn't,
couldn't, or doesn't behave this
way or expect this norm;*

*Imagine a business or service that
specifically does the opposite;*

*Think about a place in the world—
or a time in history—where this
is or was very different.*

Time for a quick exercise

CUSTOMERS

What orthodoxies shape how customers interact with our products and services?

INDUSTRY

What orthodoxies are evident in the actions of our competitors? What orthodoxies reflect how business gets done in this industry?

ORGANIZATION

What internal orthodoxies do we have about the types of offerings we provide, how we capture value, and how we're configured to develop and deliver them?

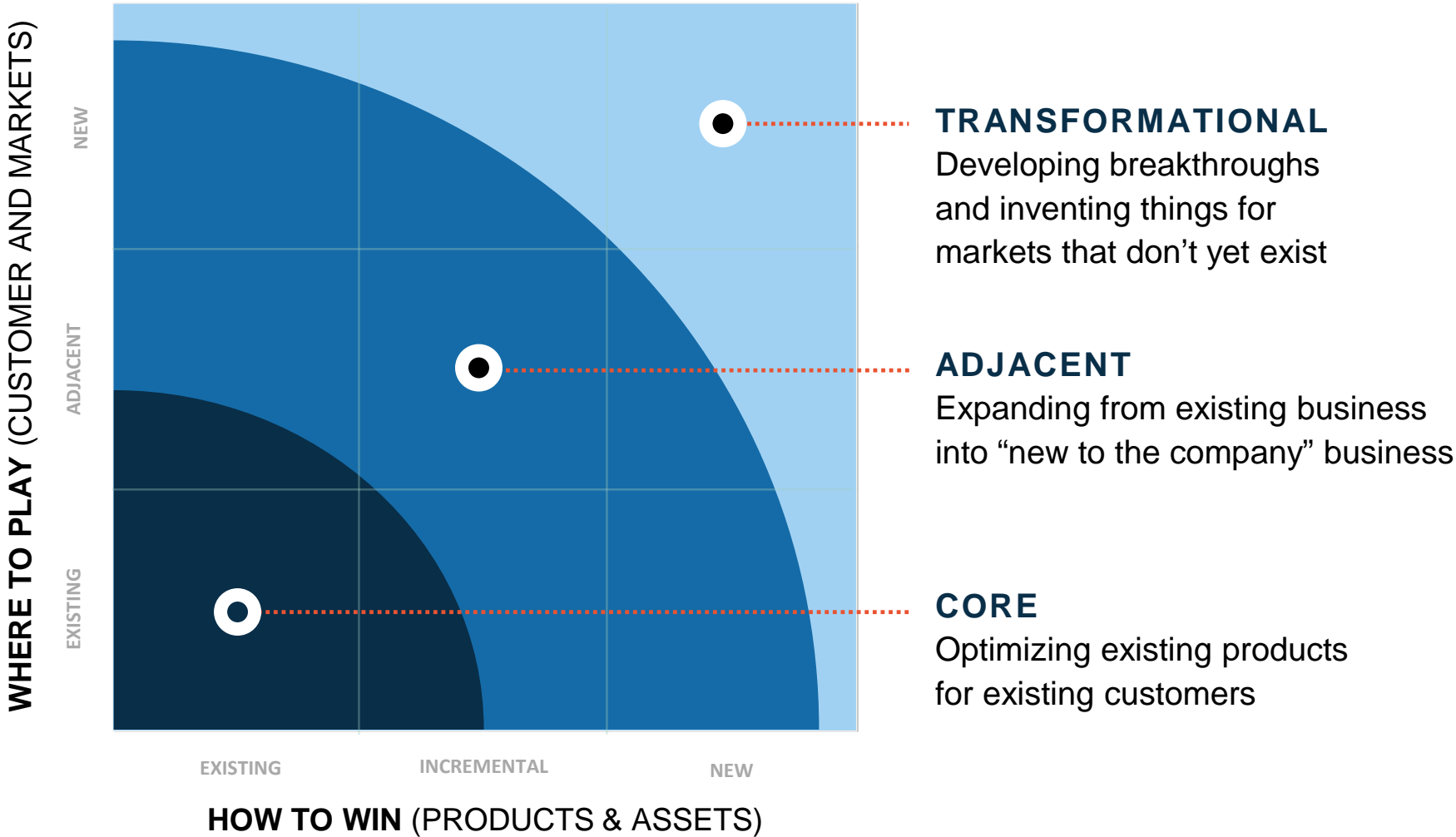


Defining your innovation ambition

What's your innovation intent?

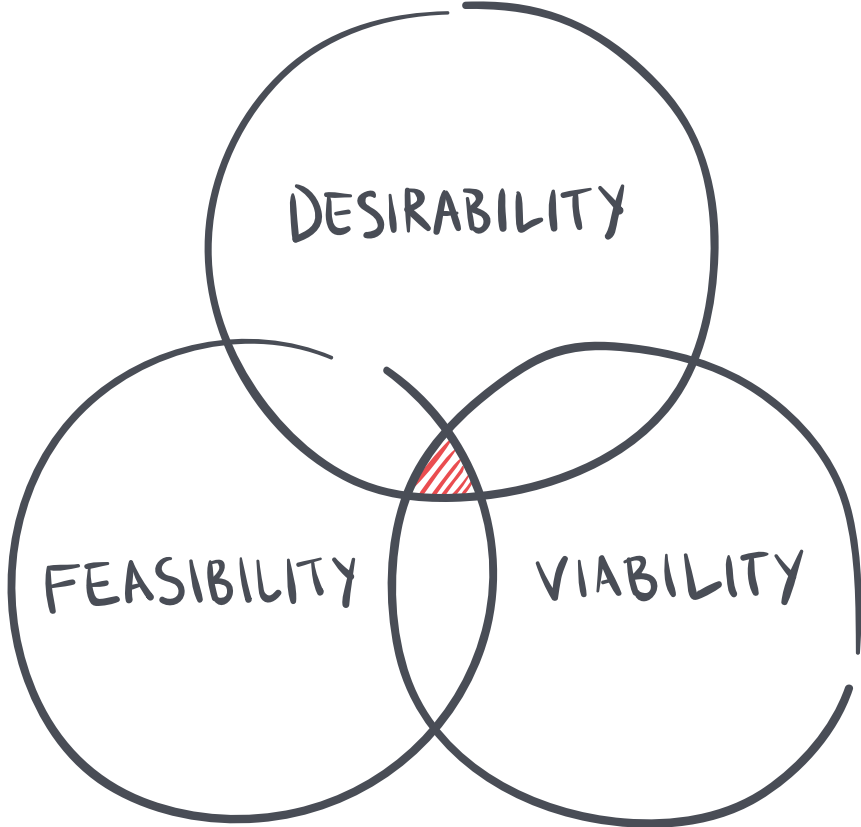


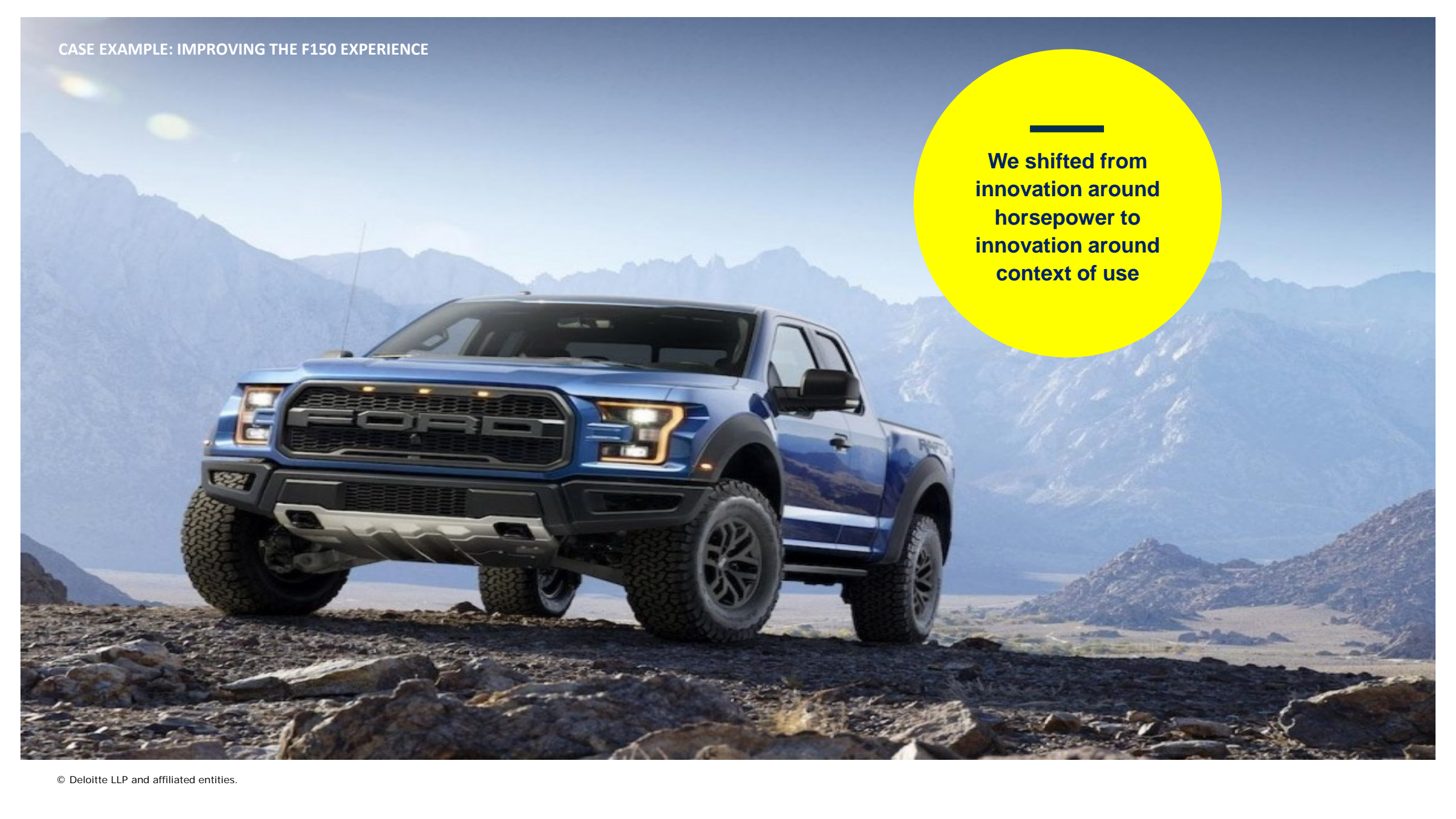
Successful innovators manage a portfolio of initiatives across ambitions



Getting serious about understanding your customers

We start with our users and their needs



A blue Ford F150 pickup truck is shown from a front-three-quarter view, parked on a rocky, mountainous terrain. The truck's headlights are on, and the 'FORD' logo is prominent on the grille. In the background, there are rugged mountains under a clear blue sky. A large yellow circle is overlaid on the right side of the image, containing text.

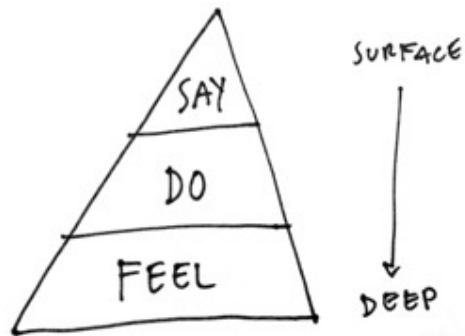
**We shifted from
innovation around
horsepower to
innovation around
context of use**

Instead of worrying about how to make the truck more productive, we focused on how to make contractors more productive.



We let the needs of the user take the concept design in different directions that we anticipated.

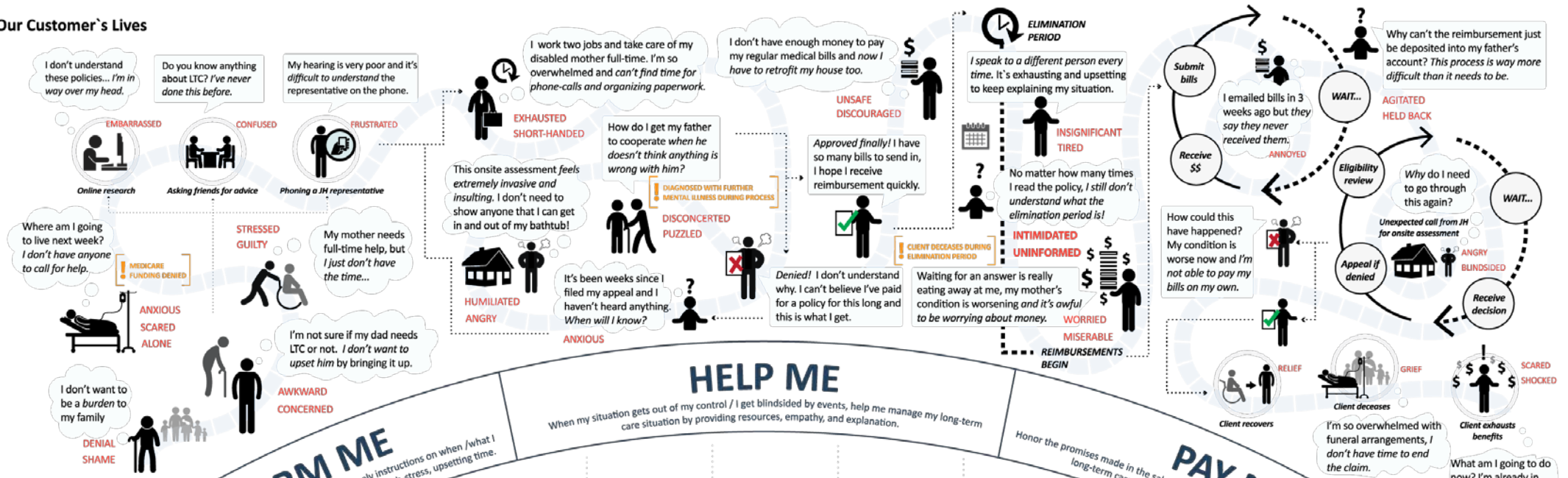
To understand user needs, we conduct design research



- Understanding what users (e.g. employees, citizens, customers, etc.) want requires looking at both surface and deeper level needs.
- Explicit needs are easy for people to talk about in a traditional Q+A style interview, but deeper needs are not.
- We observe customers in action, since what someone says can differ from what they do.
- Deep-seated needs are challenging to uncover since feelings are hard to articulate. We pull them out with design exercises and stimuli that get users to map out their complex thoughts on paper.

Putting it into action

Our Customer's Lives



Their Expectations of Us

INFORM ME
Make sure I have everything I need and give me clear, timely instructions on when / what I need to do to avoid surprises & getting blind-sided during a high-stress, upsetting time.

HELP ME
When my situation gets out of my control / I get blindsided by events, help me manage my long-term care situation by providing resources, empathy, and explanation.

PAY ME
Honor the promises made in the sales process/policy in a timely fashion. Reimburse my legitimate long-term care expenses as quickly as possible, with minimum hassle.

Their Experience With Us

"I visited the John Hancock website and still don't understand how the claims process works."
"I don't have time to call the LTC Customer Service Center. There's got to be a more convenient way to ask questions or initiate a claim."
EXPERIENCE OR PLAN FOR EVENT
Experience event that requires LTC
Anticipate the need for LTC
Gather information about LTC

"Why can't I initiate a claim? My father obviously needs long term care."
"Why can't anyone tell me how long it will take to file my claim and get paid?"
"I'm glad I know what information I need to fill out the Claim Initiation Kit."
INITIATE CLAIM
Contact JH to initiate claim
Receive Claim Initiation Kit and return forms
Receive Claim Acknowledgment Package

"I need care now. I can't wait much longer to find out if my provider is approved."
"I haven't heard from JH in weeks and I'm still paying for care bills. What is the status of my eligibility decision?"
"How do I write an appeal letter? How much longer is this appeal process going to take?"
REVIEW & CONFIRM ELIGIBILITY
Determine Provider Eligibility
Respond to additional documentation request
Participate in Onsite Assessment
Receive Benefits Eligibility Decision
Appeal BE Decision

"I still have no idea what my Elimination Period requirements are."
"How many more bills are going to be credited to the Elimination Period? I want to get paid already!"
"Why wasn't I told earlier that old bills could be used to satisfy the Elimination Period? I'm not sure if I even still have them."
WAITING PERIOD
Meet Elimination Period

"I submitted my bills weeks ago. It's taking JH forever to reimburse me."
"This reimbursement amount is less than the amount on the bill I sent it."
"My provider just told me that the last two bills haven't been paid. Why didn't JH notify me?"
RECEIVE REIMBURSEMENTS
Set up payment options
Submit LTC Bills
Receive reimbursements

"I just received a Letter of Ineligibility. Why wasn't I even notified that the ongoing review was taking place?"
"I don't understand why I am benefits ineligible."
"I can't believe I have to go through the entire appeal process and pay for care bills when my father obviously should be getting paid."
ONGOING REVIEW
Approve new provider
Participate in Onsite Assessment
Receive confirmation of eligibility / ineligibility
Appeal Benefits Ineligibility

"Why was I not notified that my benefits were running out?"
"I'm glad I got this warning that my claim was going to be closed. I forgot to send in bills for the last couple of months."
"I can't believe my claim was closed. How do I reopen it? Is this going to take a long time?"
END CLAIM
Insured Recovers
Insured Deceases
Exhaust Benefits
Stop submitting bills
Receive confirmation of claim end

Our Service Level Indicators

Use our claim process website and understand our process.
Call us before there is a provider in place so we can influence type.

Send claim kit out within two business days of the customer calling us to 'start claim'.
Take 10 minutes or less on Claim Initiation call.

Provider meets policy criteria.
We order the appropriate type of med evidence at lowest cost.
Vendor submits evidence IGO/timely.
Decision (provider and benefit) is accepted by client with no further action (no appeals, etc).

Client submits all paid invoices at once in chronological order.
80% of calls answered in less than 30 seconds.

Client uses EFT to bill us. Client bills at minimum monthly.
Client completes our paperwork IGO.
Client bills only for covered services.
JH pays within state standards.

Client notifies us immediately of setting or med condition change.
JH only reviews client when necessary and at lowest cost (next review date algorithm).

JH notified immediately if death or recovery.
Minimal to no reopening of claim.

BUSINESS FRAMING

How might we [fulfill business objective]

USER FRAMING

How might we help [user] to [fulfill their want or need]

By understanding the overall journey inside and outside of the process, we can then start to gain deeper insights into the needs of our customers

Fred Wells, Age 84

SETTING: Rehab Hospital

EP TYPE: Service Day (EP not met)

CLAIM TYPE: Second

NEEDS: Personal, Honest service

EMOTIONAL STATE: *Suspicious, confused, angry, feels cheated*

PRIMARY CONTACT: **Son**, Ken Wells, *Age 50*

Ken was frustrated with LTC when he lost his mom a few years ago. She died quickly from cancer, and **did not live long enough to be paid any benefits from her policy**. Ken thought that was disgraceful, and **does not have much respect for the company**.

Fred now needs assistance with bathing and dressing due to a recent small stroke. **Son Ken expects to have to fight for his policy benefits** when his father gets out of the rehab facility.

By understanding the overall journey inside and outside of the process, we can then start to gain deeper insights into the needs of our customers

Anne O'Neill, Age 92

SETTING: Home

EP TYPE: Service Day

CLAIM TYPE: First

NEEDS: Speed

EMOTIONAL STATE: Anne is *nervous*,
Ms. Campbell is irritated and frustrated

PRIMARY CONTACT: **Attorney**, Rebecca Campbell, Age 35
Anne lives with multiple medical diagnoses, including COPD, Coronary Artery Disease, vertigo, and general failure to thrive. Her Attorney is her advocate and POA. Anne's invoices were **recently denied**, and Anne says she was told that they would be covered. **She was very upset**, and reached out to her attorney.

Ms. Campbell is skeptical of the claims process, impatient, and pays good attention to detail. Anne is one of many clients, and time is of the essence. **She wants a quick resolution to the problem.**

By understanding the overall journey inside and outside of the process, we can then start to gain deeper insights into the needs of our customers

Bill Mistrewski, Age 81

SETTING: Hospital

EP TYPE: Service Day (EP not met)

CLAIM TYPE: Second

NEEDS: Information, Speed

EMOTIONAL STATE: *Worried, out of control, exhausted, limited resources*

PRIMARY CONTACT: **Self**

Bill has been caregiver to his wife Lorraine for 6 years. She has **advanced dementia and requires 24/7 care**. He cares for her almost around the clock, unless one of their adult children is visiting from out of state. He has **always refused any offers of help and didn't utilize formal care** because he felt it was his place to give the care.

Bill recently had a hip replacement. His son cared for Lorraine, but an infection delayed his recovery. A second surgery was needed. **Bill needs to set up care for his wife and for himself.**

BUSINESS FRAMING

How might we [fulfill business objective]



**It's time to pick
sides**

USER FRAMING

How might we help [user] to [fulfill their want or need]



Concept Construction: Ten Types of Innovation™

Concept Name _____

Concept Description Summarize the concept in 2 or 3 sentences

Customer Who is the target customer?

Customer needs What key customer needs are you solving for?

Challenges What are the major obstacles this offering may face, internally and externally?

Defining your concept: Remember that sophisticated platform innovations typically use five or more types of innovation.

| | | | | | | | | |
|----------------------|----------------|------------------|----------------|----------------------------|-----------------------|----------------|-------------------|--------------|
| Profit Model | Network | Structure | Process | Product Performance | Product System | Service | Channel | Brand |
| CONFIGURATION | | | | OFFERING | | | EXPERIENCE | |

Consider how new **Configuration** models can help you build a business that operates well and gets vastly more valuable as it scales.

Consider how **Offerings** will contribute to a business that does something your customer perhaps never knew to ask for, but simply cannot live without.

Consider how **Experience** can make your ecosystem the easiest to do business with—and the one that steadily develops lock-in over time.

| | | |
|---|---|--|
| Profit Model The ways in which you make money | Product Performance Distinguishing features and functionality | Service Support and enhancements to the offering |
| Network Connections with others to create value | Product System Complementary products and services | Channel How your offerings are delivered |
| Structure Alignment of your talent and assets | Brand Representation of your offering | Customer Experience Distinctive interactions |
| Process Signature or superior methods for doing your work | | |

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Innovation tactics

Profit Model
 Premium: Price at a higher margin than competitors, usually offering experience, service or brand.
 Cost Leadership: Keep variable costs low and sell high volumes at low prices.
 Scaled Transactions: Maximize margins by pursuing high volume, large-scale transactions when unit costs are relatively fixed.
 Microtransactions: Many items for as little as one cent—or even only a fraction of a cent—to drive impulse sales.
 Scarcity: Supply offerings by quantity, time or price.
 Payable Cash: Offer cash back to customers.
 Licensing: Grant permission to some other group or individual to use your offering in a defined way for a specified period.
 Metered Use: Allow customers to pay for only what they use.
 Bundled Pricing: Sell two or more items that could be sold as standalone offerings.
 Disaggregate Pricing: Allow customers to buy exactly—and only—what they want.
 Risk Sharing: Waive standard fees/costs if certain metrics aren't achieved, but receive outside gains when they are.

User-Defined
 Invite customers to set a price they wish to pay.

Freemium
 Offer basic services for free, while charging a premium for advanced or special features.

Flexible Pricing
 Vary prices for an offering based on demand.

Float
 Receive payment prior to building the offering—and use the cash to earn interest prior to making margins.

Financing
 Capture revenue not directly from the sale of a product, but from structured payment plans and after-sale interest.

Ad-Supported
 Provide content/services for free to one party while selling listeners, viewers or "eyeballs" to another party.

Complementary Partnering
 Leverage assets by sharing them with companies that offer different products and services.

Alliances
 Share risks and revenues to jointly improve individual competitive advantage.

Franchising
 License business principles, processes, and brand to paying partners.

Coopetition
 Join forces with someone who would normally be your competitor to achieve a common goal.

Collaboration
 Partner with others for mutual benefit.

Network
 Merger/Acquisition: Combine two or more entities to gain access to capabilities and assets.
 Consolidation: Acquire multiple companies in the same market or complementary markets.
 Open Innovation: Obtain access to processes or patents from other companies to leverage and/or do the same with internal IP and processes.
 Secondary Markets: Connect waste streams, by products, or other alternative offerings to those who want them.
 Supply Chain Integration: Coordinate and integrate information and/or processes across a company or functions of the supply chain.
 Complementary Partnering: Leverage assets by sharing them with companies that offer different products and services.
 Alliances: Share risks and revenues to jointly improve individual competitive advantage.
 Franchising: License business principles, processes, and brand to paying partners.
 Coopetition: Join forces with someone who would normally be your competitor to achieve a common goal.
 Collaboration: Partner with others for mutual benefit.

Structure
 Organizational Design: Make firm follow function and align infrastructure with core qualities and business processes.
 Incentive Systems: Offer rewards (financial or non-financial) to provide motivation for a particular course of action.
 IT Integration: Integrate technology resources and applications.
 Competency Center: Cluster resources, practices and expertise into support centers that increase efficiency and broader organization.
 Outsourcing: Assign responsibility for developing or maintaining a system to a vendor.
 Corporate University: Provide job-specific or company-specific training for managers.
 Decentralized Management: Distribute decision-making governance closer to the customer or other key business interfaces.
 Knowledge Management: Share relevant information internally to reduce redundancy and improve job performance.
 Asset Standardization: Reduce operating costs and modularity by standardizing your assets.
 Intellectual Property: Protect an idea that has recipe or industrial process—with legal tools like patents.
 User Generated: Put your users to work in creating and curating content that powers your offerings.
 Predictive Analytics: Model past performance data and predict future outcomes to design and price offerings accordingly.

Process
 Process Standardization: Use common processes, procedures, and policies to reduce complexity, costs, and errors.
 Localization: Adapt an offering, process, or experience to target a culture or region.
 Process Efficiency: Create or produce more while using fewer resources—measured in materials, energy consumption or time.
 Flexible Manufacturing: Use a production system that can rapidly react to changes and still operate efficiently.
 Process Automation: Apply tools and infrastructure to manage routine activities in order to free up employees.
 Crowdsourcing: Outsource repetitive or challenging work to a large group of semi-organized individuals.
 On-Demand Production: Produce items after an order has been received to avoid carrying costs of inventory.
 Lean Production: Reduce waste and cost in your manufacturing process and other operations.
 Logistics Systems: Manage the flow of goods, information and other resources between the point of origin and the point of use.
 Strategic Design: Employ a purposeful approach that manifests itself consistently across offerings, brands, and experiences.
 Intellectual Property: Protect an idea that has recipe or industrial process—with legal tools like patents.
 User Generated: Put your users to work in creating and curating content that powers your offerings.
 Predictive Analytics: Model past performance data and predict future outcomes to design and price offerings accordingly.

Product Performance
 Superior Product: Develop an offering of exceptional design, quality, and/or experience.
 Ease of Use: Make your product simple, intuitive and comfortable to use.
 Engaging Functionality: Provide an unexpected or newsworthy experiential component that elevates the customer interaction.
 Safety: Increase the customer's level of confidence and security.
 Feature Aggregation: Combine existing features found across offerings into a single offering.
 Added Functionality: Add new functionality to an existing offering.
 Performance Simplification: Omit superfluous details, features, and interactions to reduce complexity.
 Environmental Sensitivity: Provide offerings that do no harm—or relatively less harm—to the environment.
 Conservation: Design your product so that customers can reduce their use of energy or materials.
 Customization: Enable altering of the individual requirements or specifications.
 Focus: Design an offering specifically for a particular audience at the expense of others.
 Styling: Impart a style, fashion or image.

Product System
 Complex: Sell a product that allows party A function.
 Exit: Offer several B's for sale as one combined product.
 Modular Systems: Provide a set of indiv. components that can be used independently, but gain utility when combined.
 Product/Service Platforms: Develop systems that connect with other partner products and services to create a holistic offering.
 Integrated Offering: Combine other wise discrete components into a complete experience.
 Tailor-Made: Provide, manage, consume an offering.
 Supplement: Offer ancillary A that fit with your A.
 Superior Service: Provide service(s) of high quality, efficacy, or with better experience than an competitor.
 Personalized Service: Use the customer's own information to provide perfectly calibrated service.
 User Communities/Support Systems: Provide a communal resource for product/service support, use and extension.
 Lease or Loan: Let customers pay over time to lower upfront costs.
 Self-Service: Provide users with control over activities that would otherwise require an intermediary to complete.
 Experience Co.: Create a space that encourages your customer to interact with your offerings—but purchases them through a different (often lower-cost) channel.

Concept Construction: Ten Types of Innovation™

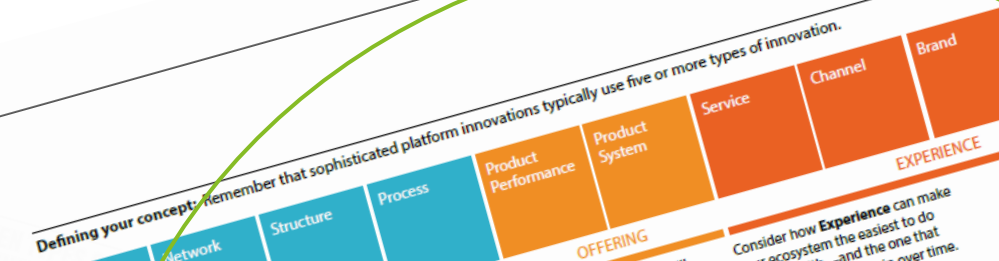
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Profit Model
 The ways in which you make money

Network
 Connections with others to create value

Structure
 Alignment of your talent and assets

Process
 Signature or superior methods for doing your work

Product Performance
 Distinguishing features and functionality

Product System
 Complementary products and services

Service
 Support and enhancements to the offering

Channel
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 Representation of your offering

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 Distinctive interactions

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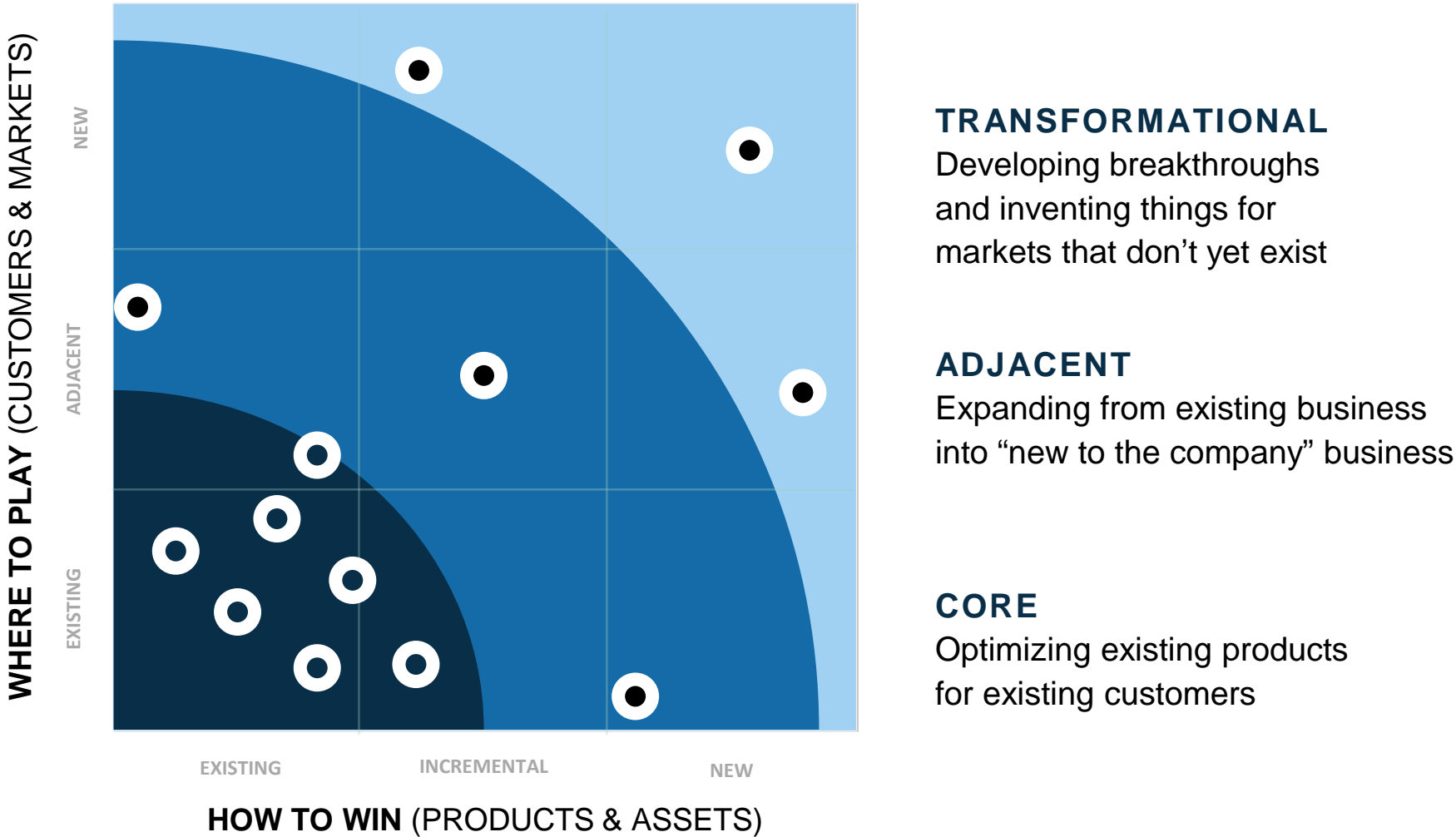
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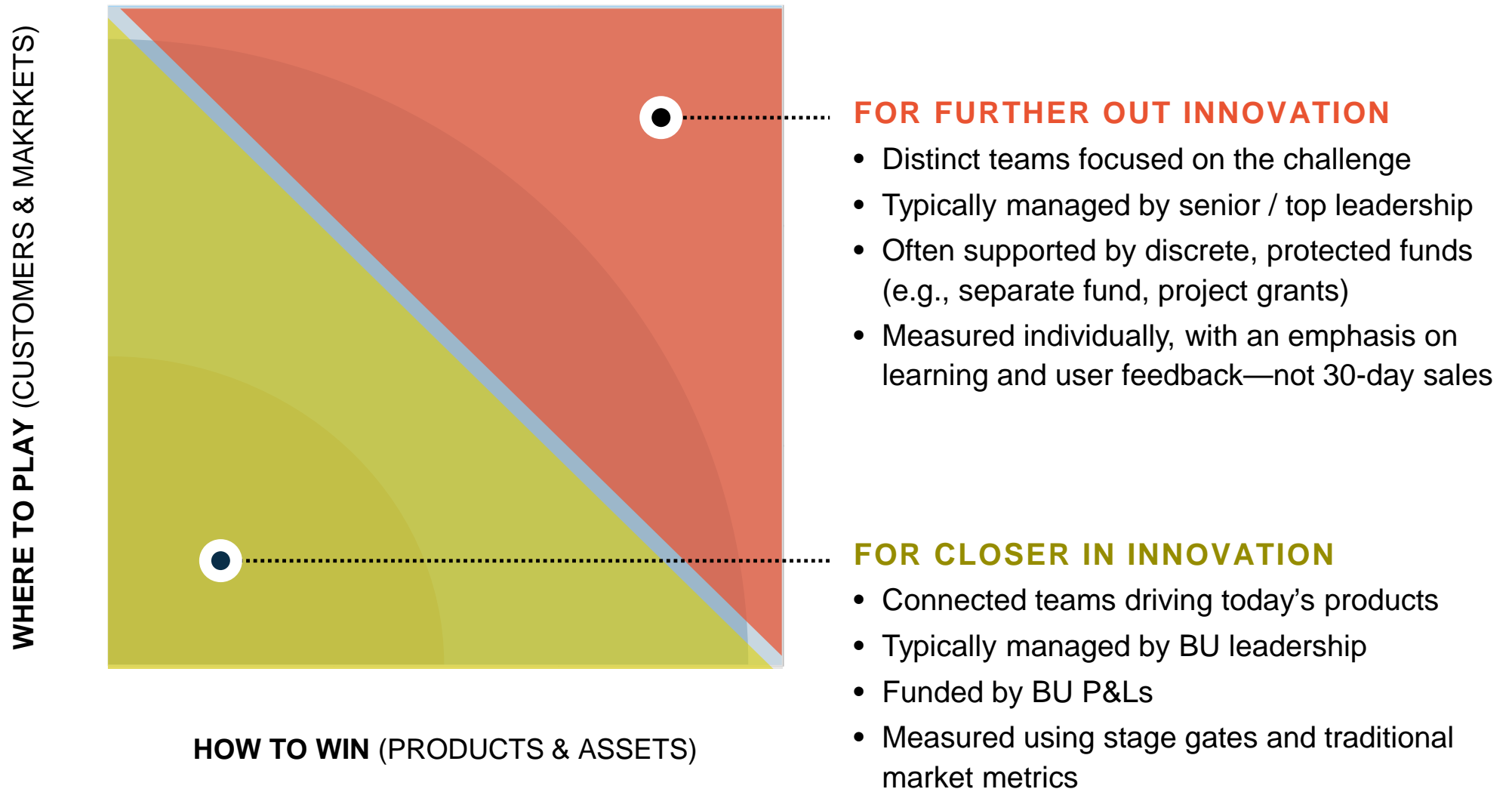
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Tying it all together

Successful innovators manage a portfolio of initiatives across ambitions

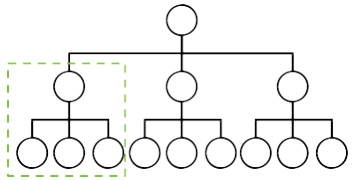


Depending on the type of initiative, very different management systems and measurements should be used

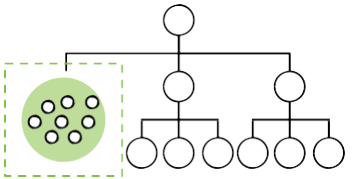


Unlocking the flexible organization

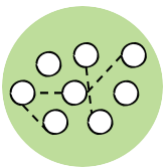
Organizational design for an uncertain future



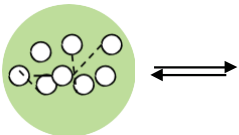
- 1** > Select an area **where immediate success is needed** (e.g. start with product areas that are being disrupted by competitors). It's about getting a big win or preventing a big loss.



- 2** > The incubated group **cannot be "too far" from the core**. The rest of the organization needs to understand the value and mandate of the team in the context of broader business objectives.



- 3** > Focus the incubated team on pace, use **the minimal viable mindset** for all decisions (e.g. on products and structures). In this sense it's important to not worry about building the perfect structure for this team.



- 4** > **Ensure the surrounding conditions for success are in place** (the appropriate budgets/leadership attention, etc.). Side of the desk innovation rarely produces results.

Let's continue the conversation

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