

# Innovation 101



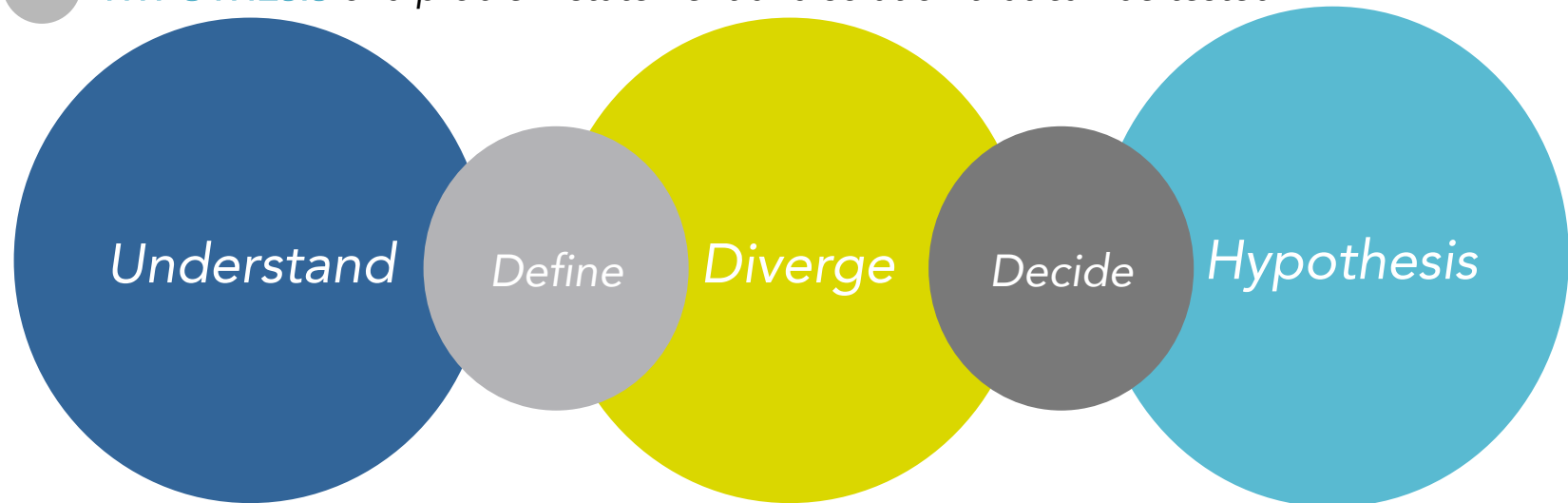
# What is Innovation?



Innovation is  
implementing  
new ideas that  
create value.



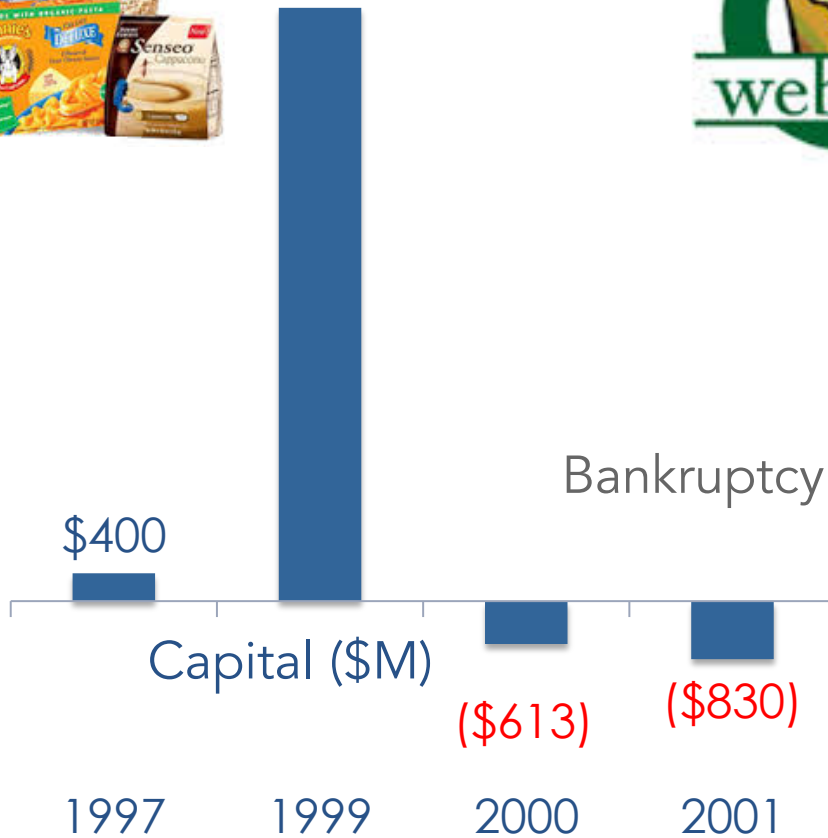
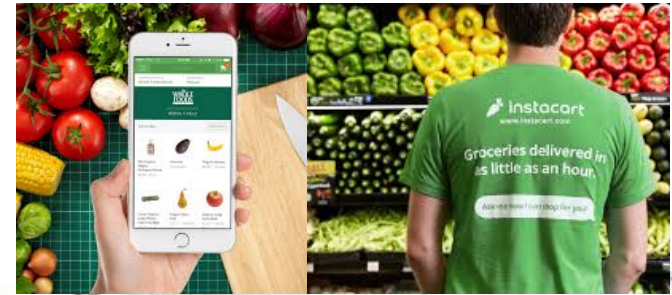
- 1 **UNDERSTAND** user needs, business value and technology capacity
- 2 **DEFINE** the problem, key strategy and focus
- 3 **DIVERGE** from a single potential solution to create diversity of options to explore
- 4 **DECIDE** on the most promising ideas from the range of options
- 5 **HYPOTHESIS** of a problem statement and solution that can be tested







\$8,500



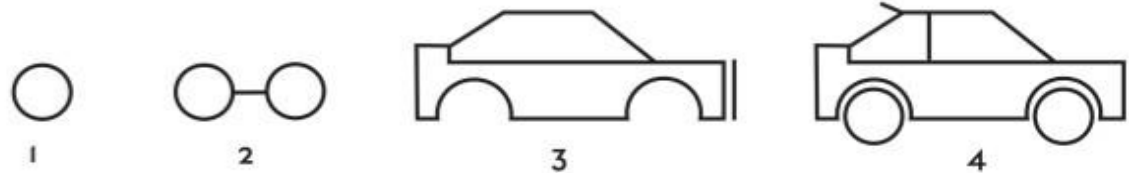
2500 Orders Per Day

8000 Orders Per Day

MGVBP

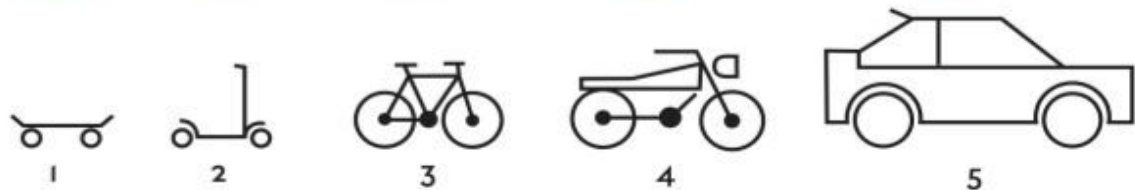
# Minimum Viable Product (MVP)

Not this...



Must be able to test along the way

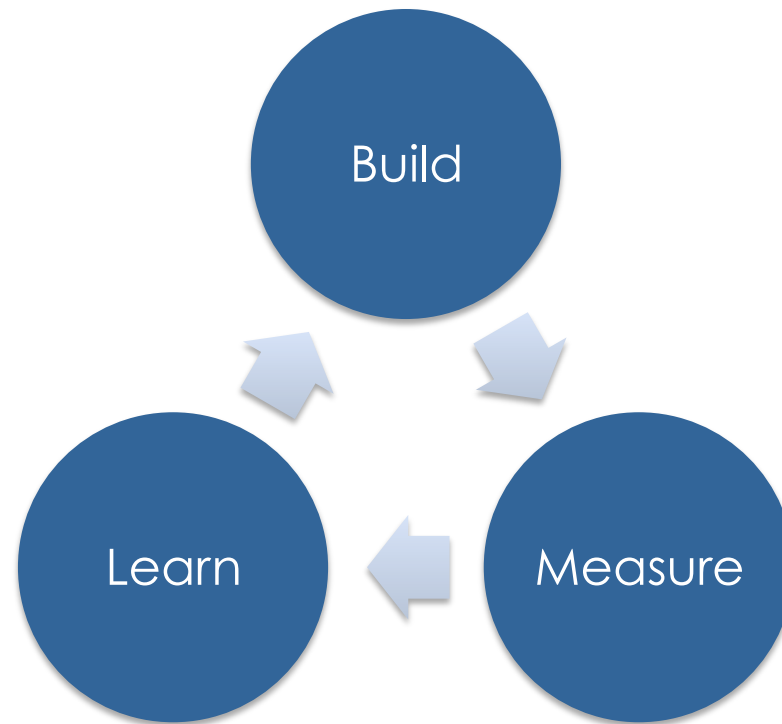
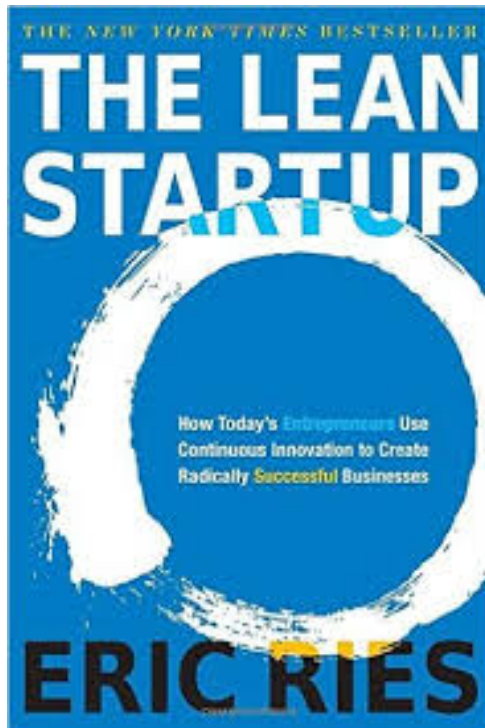
But this!



Iterations help build value at every stage



# Lean Startup



The Lean Startup, Eric Ries, 2011



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UberCab Beta is currently live in San Francisco.

### Learn how it works



### What are people saying

-  **sacca**  
9:24pm, May 30 from Twitter for iPhone  
I don't always take sedans, but when I do, I use @ubercab. Stay in need of transportation, my friends.
-  **trammell**  
9:01pm, May 30 from Twitter for iPhone  
Rolling in an @ubercab w/ @mm @robweichert. Hella-swanky, super-simple black car service on your iPhone. Feeling quite undeservedly baller.

twitter

### As seen on



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# Stealth Mode



Data > Secrecy



EPISODE 4

# IMPERFECT IS PERFECT

With Mark Zuckerberg  
Founder and CEO  
of Facebook

Cameo appearances: Kara Goldin (Hint), Susan Danzinger (Ziggeo), Sheryl Sandberg (Facebook) and Dick Stockton (Hall of Fame sportscaster)

Photography By Jacqui Ipp

**“If you’re not embarrassed by your first product release, you’ve released it too late”**

Reid’s theory:

Imperfect is perfect. Why? Because your assumptions about what people want are never exactly right. Most entrepreneurs create great products through a tight feedback loop with real customers using a real product. So don’t fear imperfections; they won’t make or break your company

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Please allow four to six weeks for results.



Bank Innovation in an Era of Digital Disruption

13

PCBS | JP Nicols





Plan your Work,  
Work your Plan  
Doesn't work anymore.

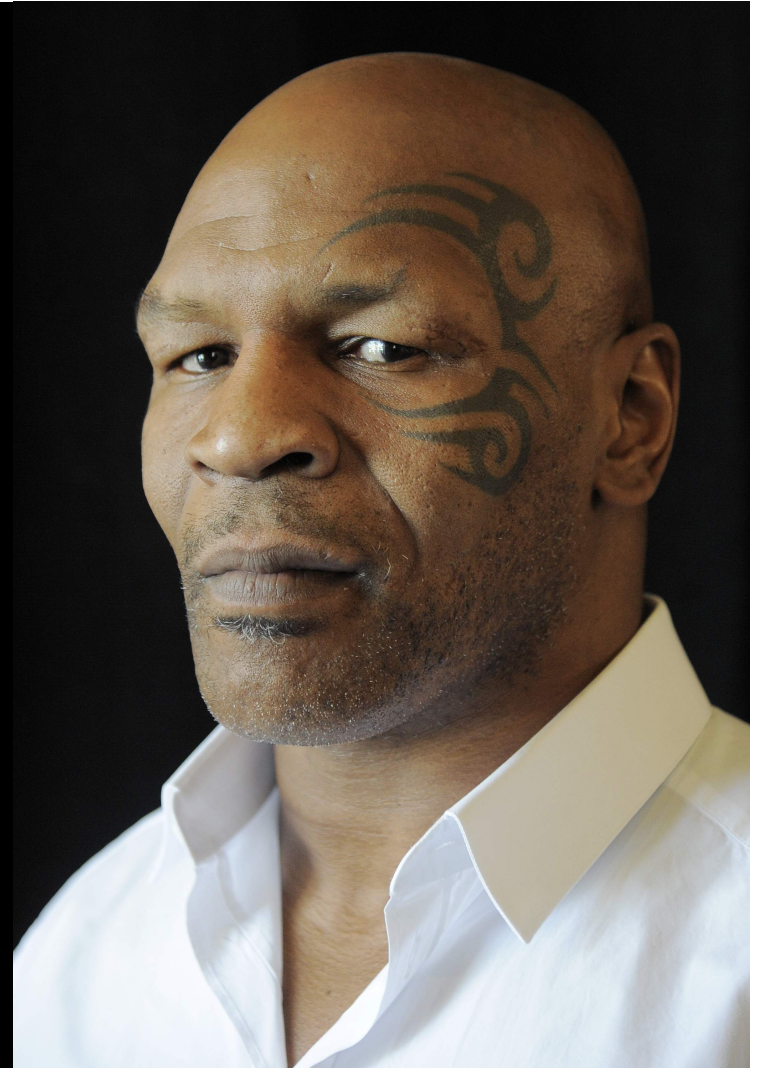
No Battle  
Plan  
Survives  
Contact  
with the  
Enemy

- Helmuth von Moltke

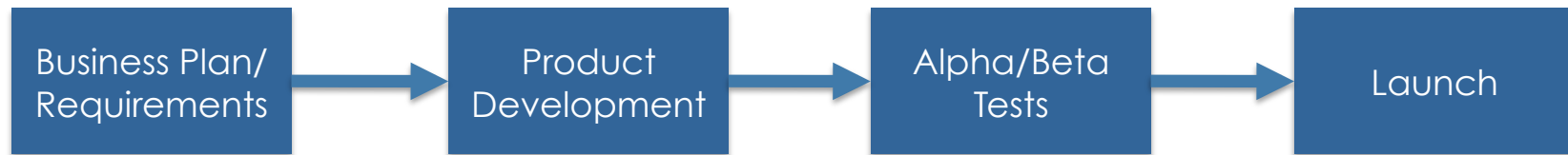


Everybody has a  
plan until they  
get punched in  
the face.

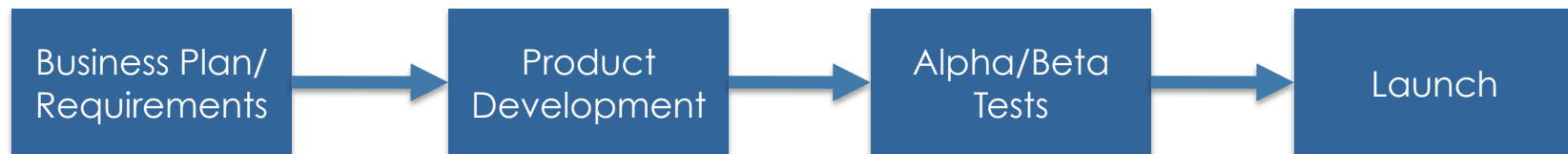
- Mike Tyson



# Product Development







## What does this mean to:

Sales?

- Hire first sales staff

- Build sales organization

Marketing?

- Create materials
- Create Positioning

- Hire PR Agency
- Create early buzz

- Create Demand
- Splashy launch
- “Branding”

Finance?

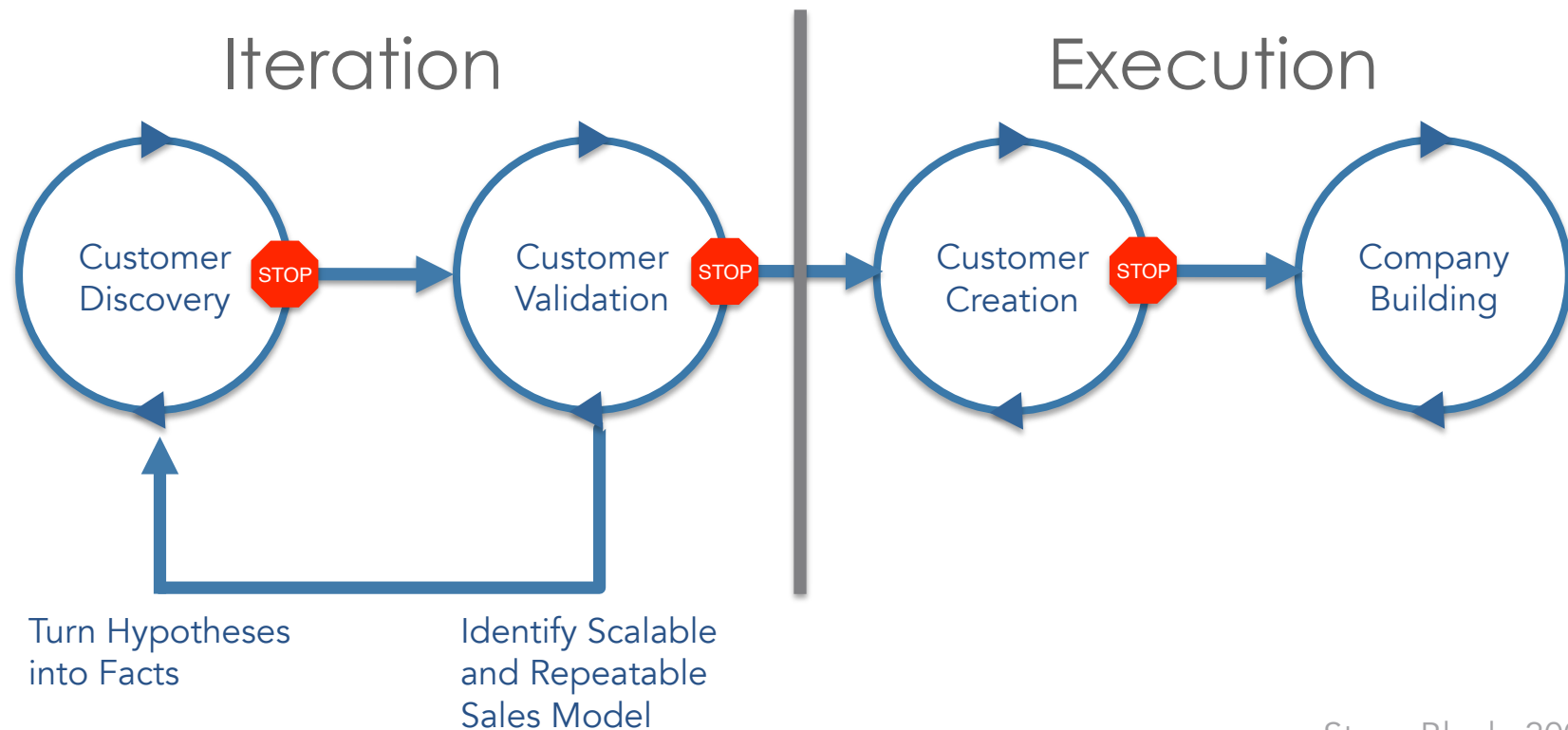
- Initial forecast: revenue and expenses

- Finalize budget

- Measure/report results

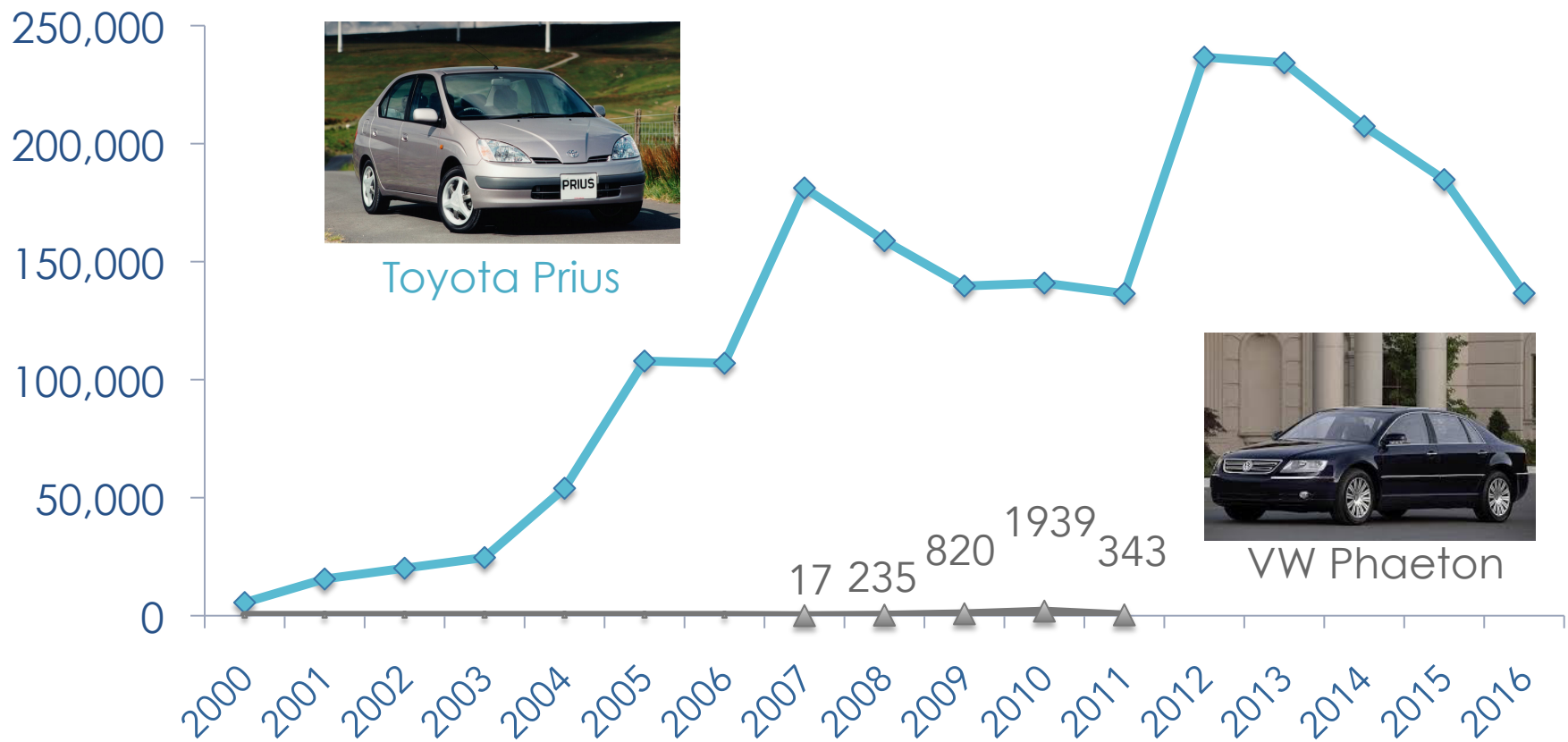
Adapted from Steve Blank, 2007

# Customer Development



Steve Blank, 2007

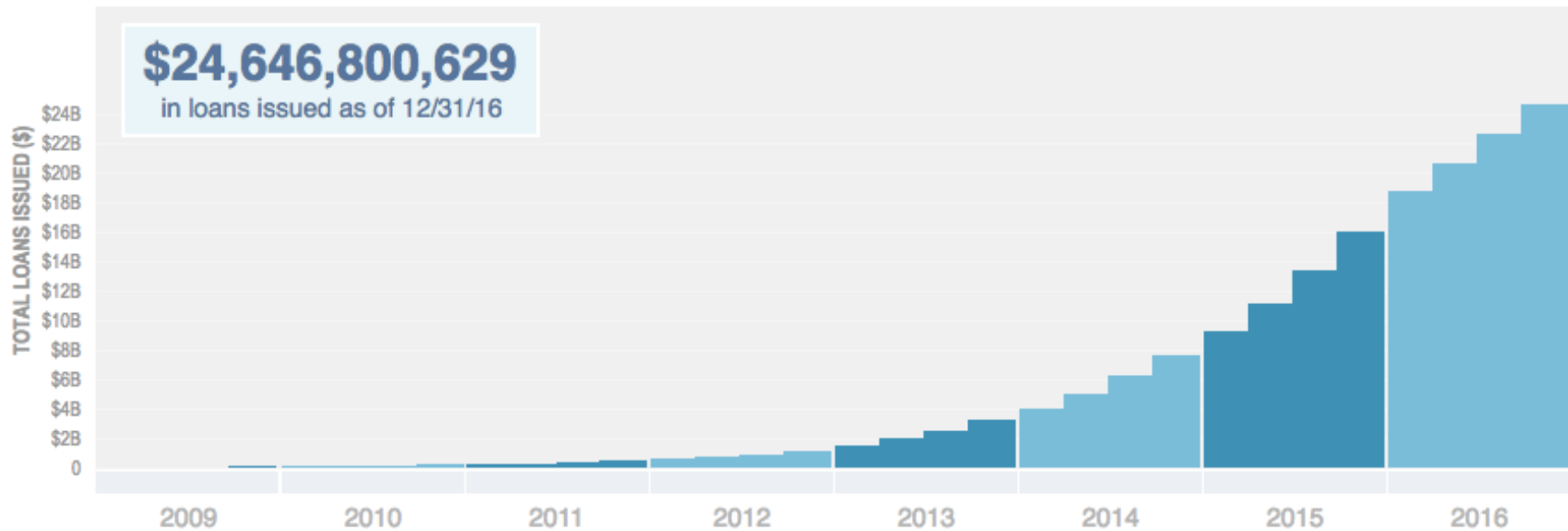
Nail it  
then  
Scale it







### TOTAL LOAN ISSUANCE



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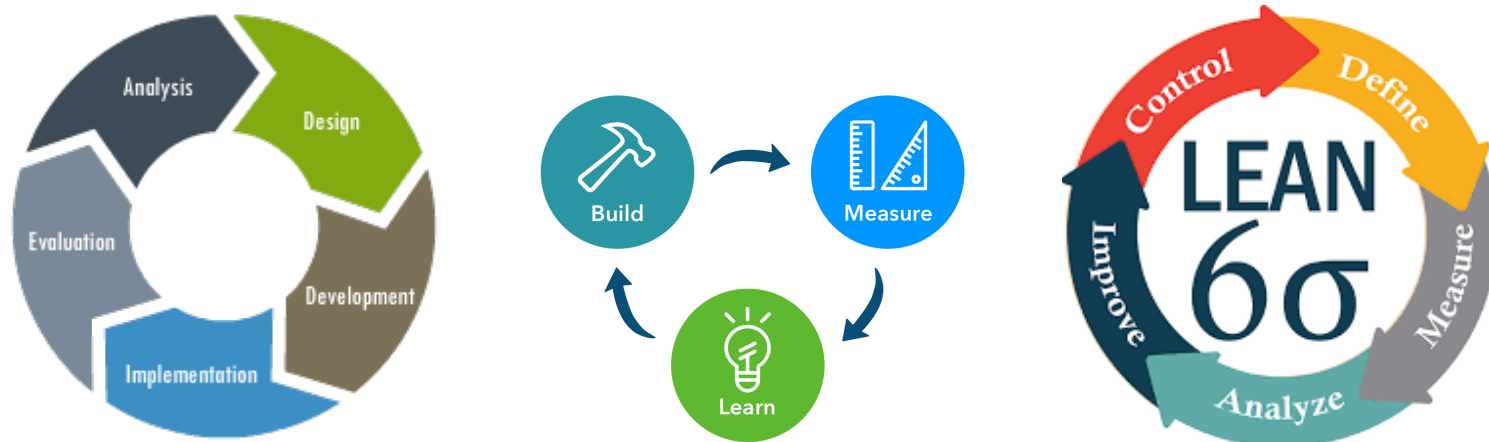
Make fixed monthly payments



Test and Learn

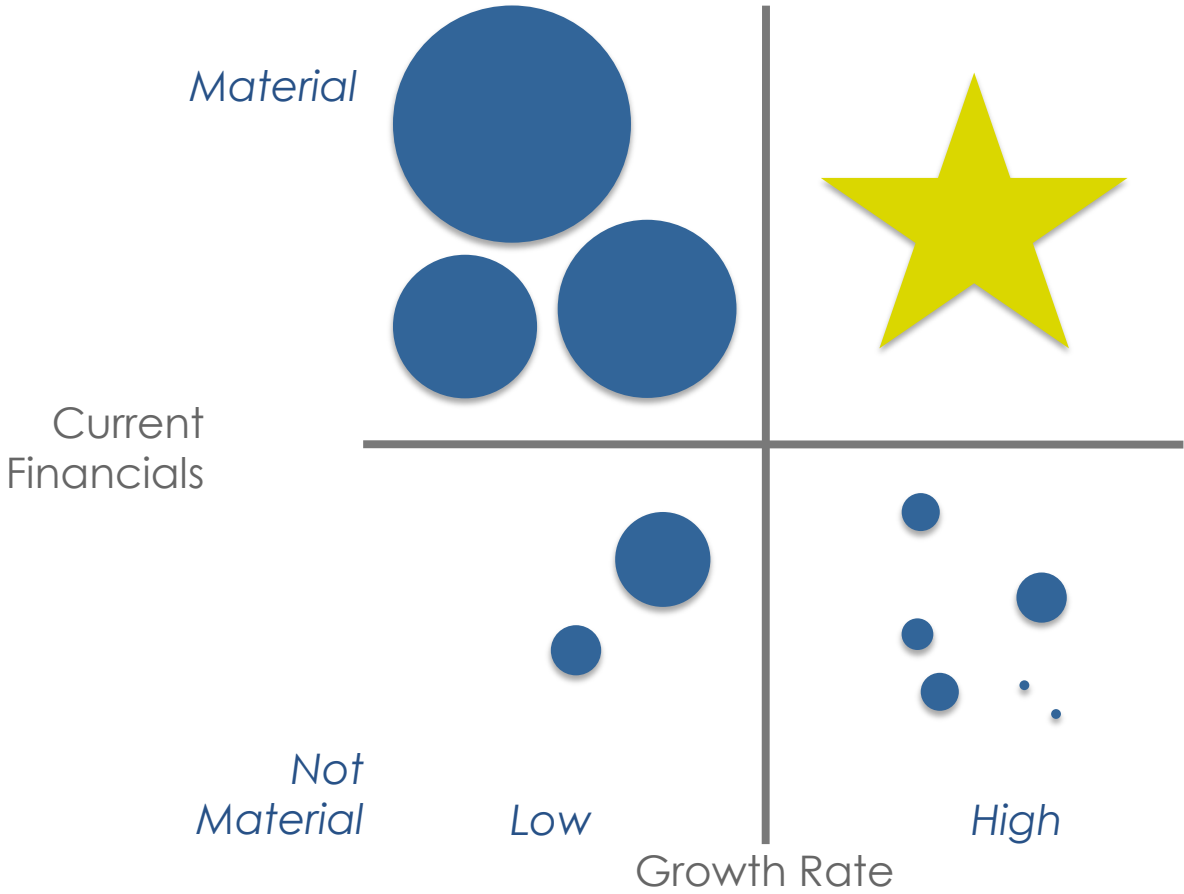
# Fast Iterative Responsive Experiments





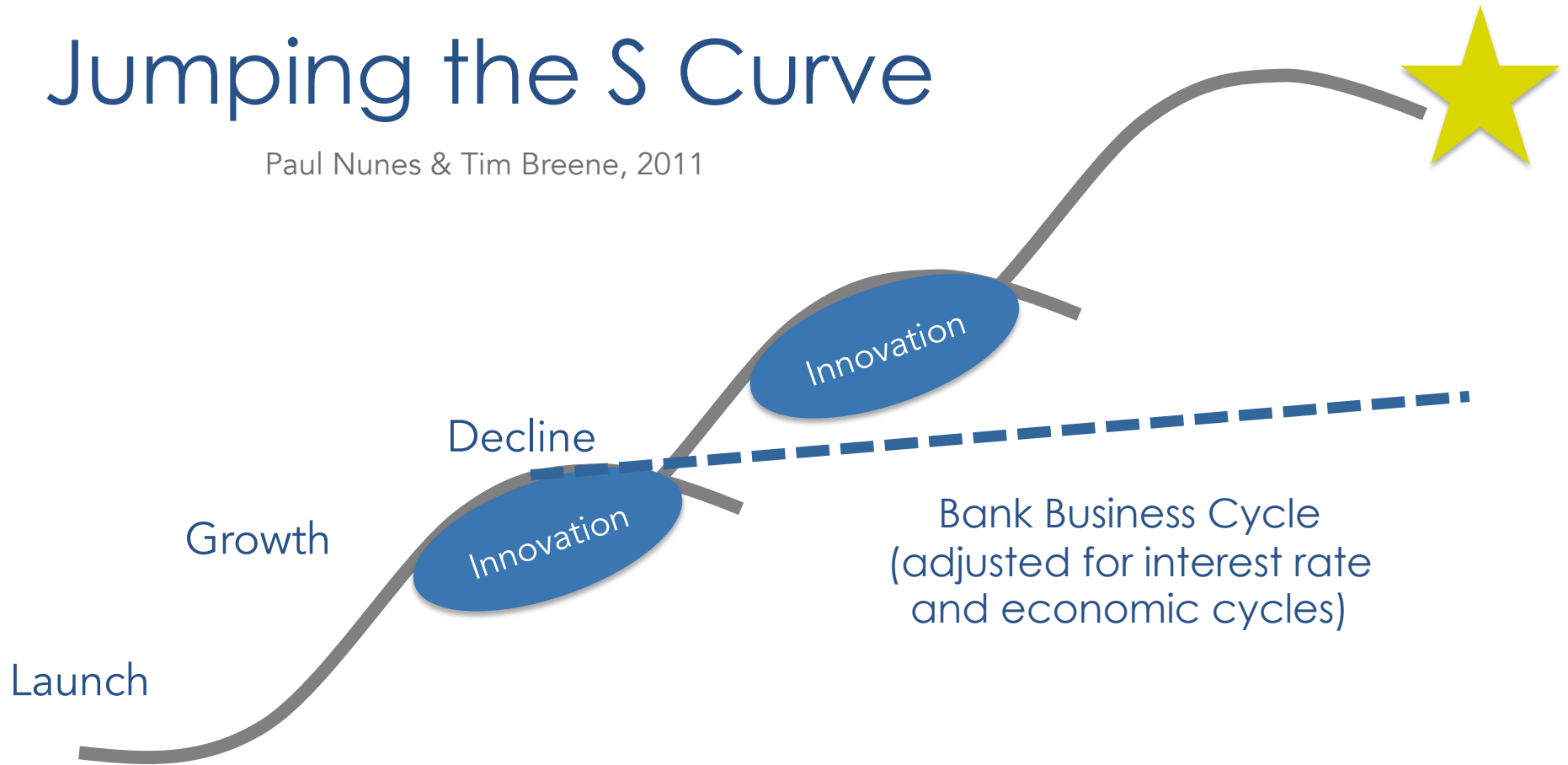
## FIRE™ Process

Escape Velocity, Geoffrey Moore, 2011



# Jumping the S Curve

Paul Nunes & Tim Breene, 2011



# Three Horizons Model



Kinsey, 1999



# Goals and Metrics: Three Horizons

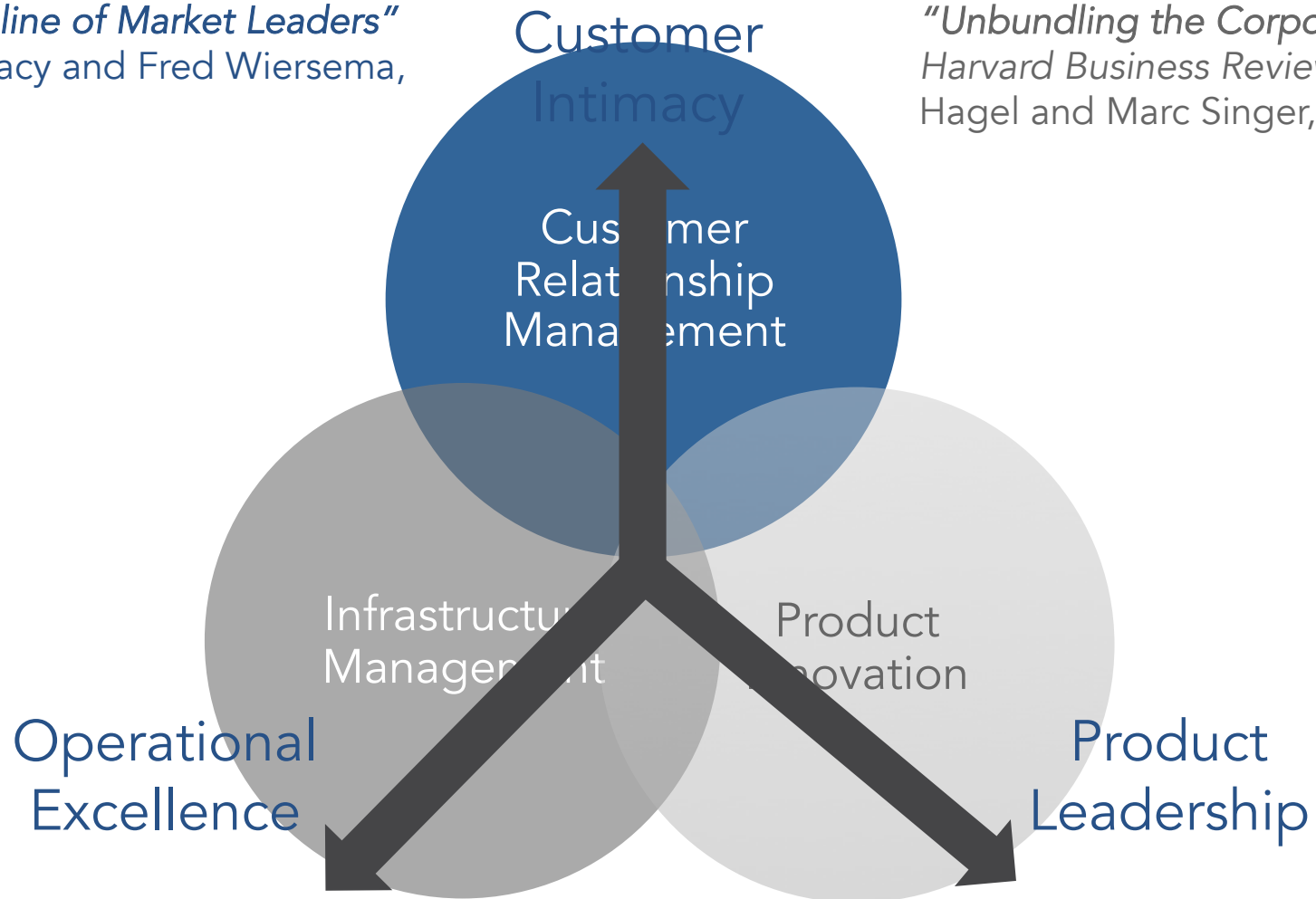
Time Frame	Horizon 1 (0-12 Mos.)
Driving Goal	Maximize Economic Returns
Key Performance Indicators	<ul style="list-style-type: none"><li>• Revenue vs. Plan</li><li>• Bookings</li><li>• Contribution Margin</li><li>• Market share</li><li>• Wallet share</li></ul>

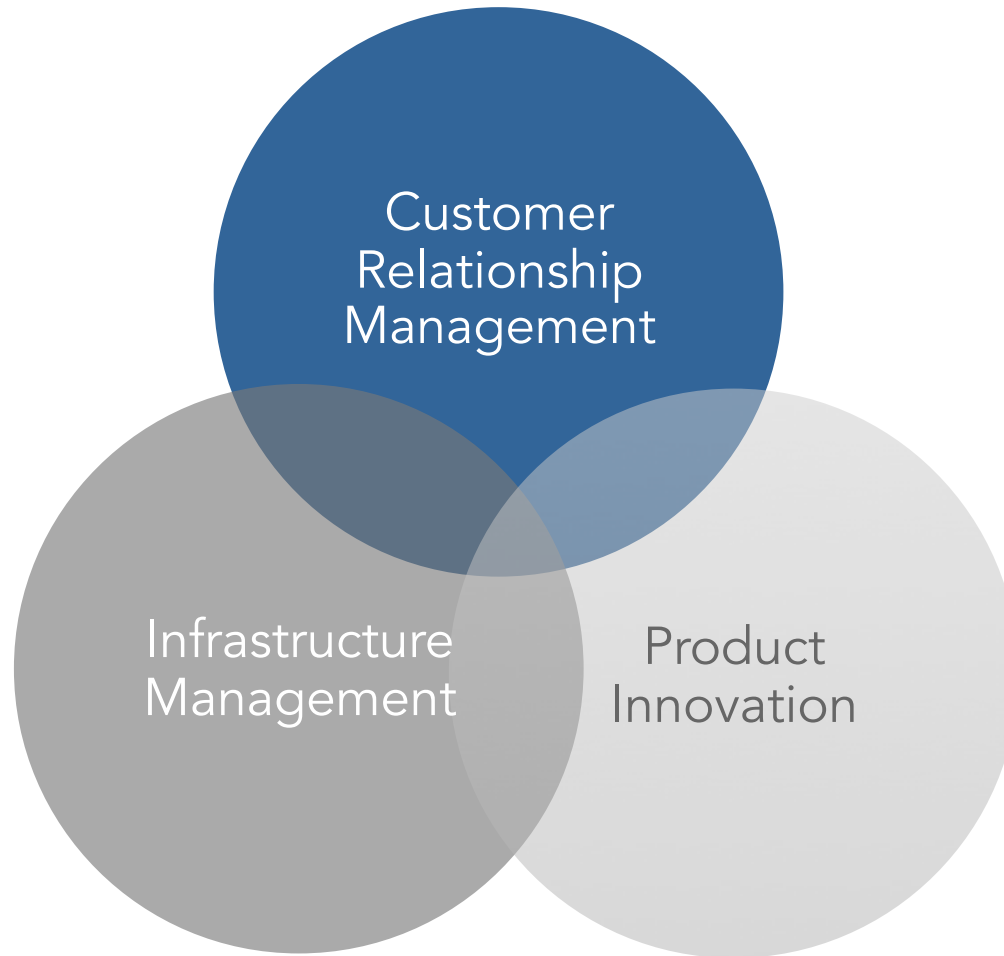
*Escape Velocity*, Geoffrey Moore, 2011

Precious Commodity: **OPEX**

*"The Discipline of Market Leaders"*  
Michael Treacy and Fred Wiersema,  
1995

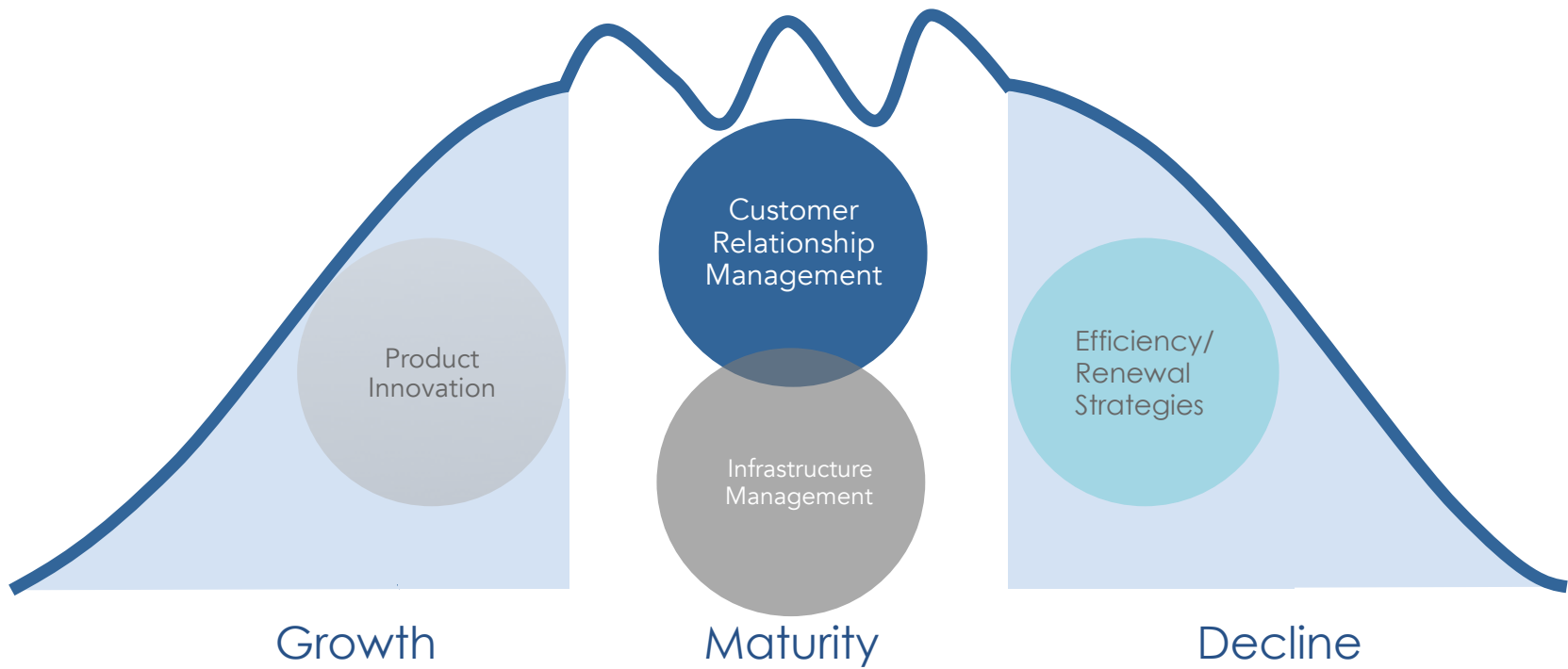
*"Unbundling the Corporation"*  
Harvard Business Review– John  
Hagel and Marc Singer, 1999





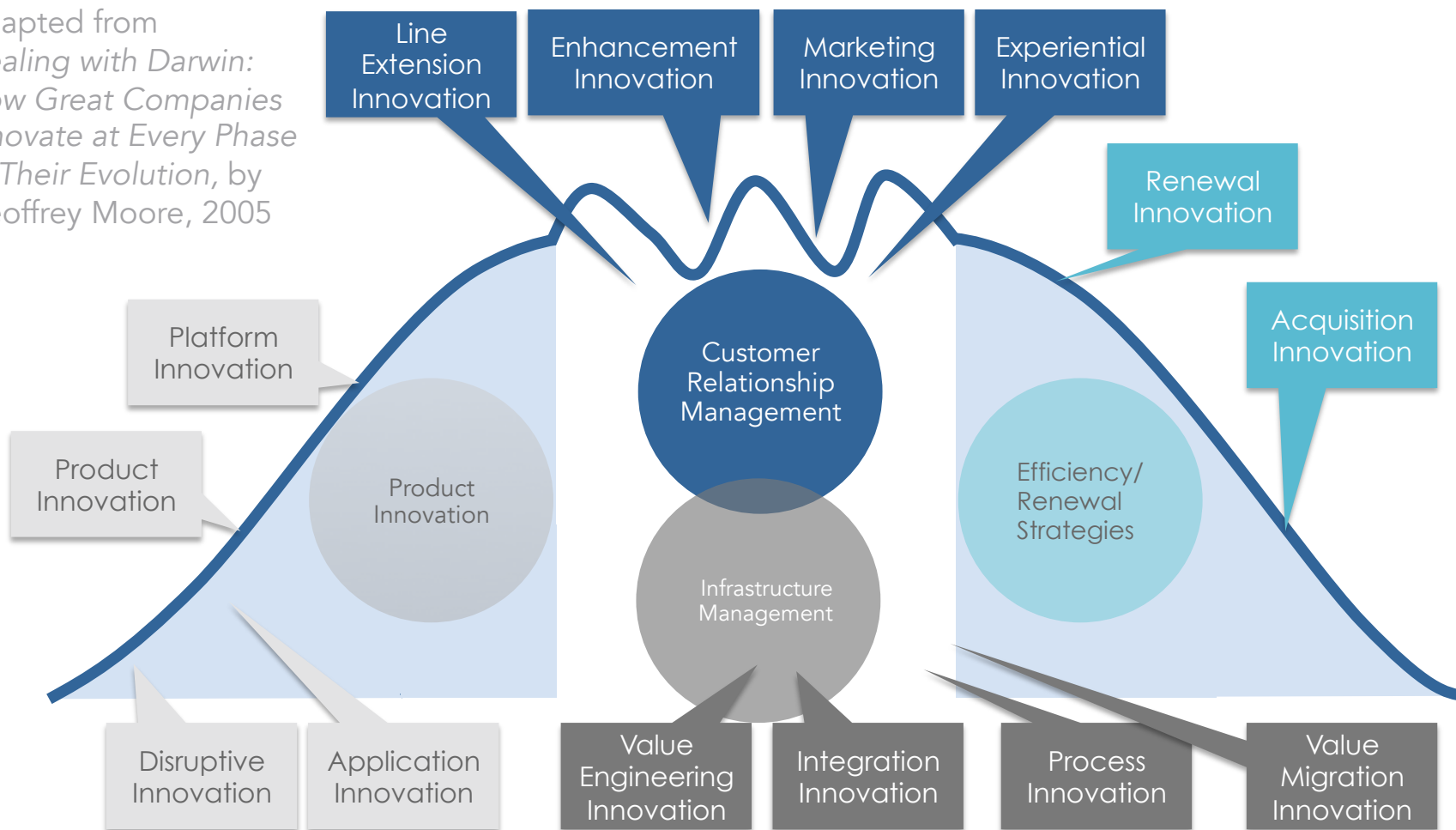
	Product Innovation	Customer Relationship Management	Infrastructure Management
Economics	Early Market entry enables premium prices and acquiring large market share; speed is key.	High cost of customer acquisition makes it imperative to gain large wallet share; economies of scope are key.	High fixed costs make large volumes essential to achieve low unit costs; economies of scale are key.
Competition	Battle for talent; low barriers to entry; many small players thrive	Battle for scope; rapid consolidation; a few big players dominate	Battle for scale; rapid consolidation; a few big players dominate
Culture	Employee centered; coddling the creative stars	Highly service oriented; customer-comes-first mentality	Cost focused; stresses standardization, predictability, and efficiency

Hagel and Singer, 1999



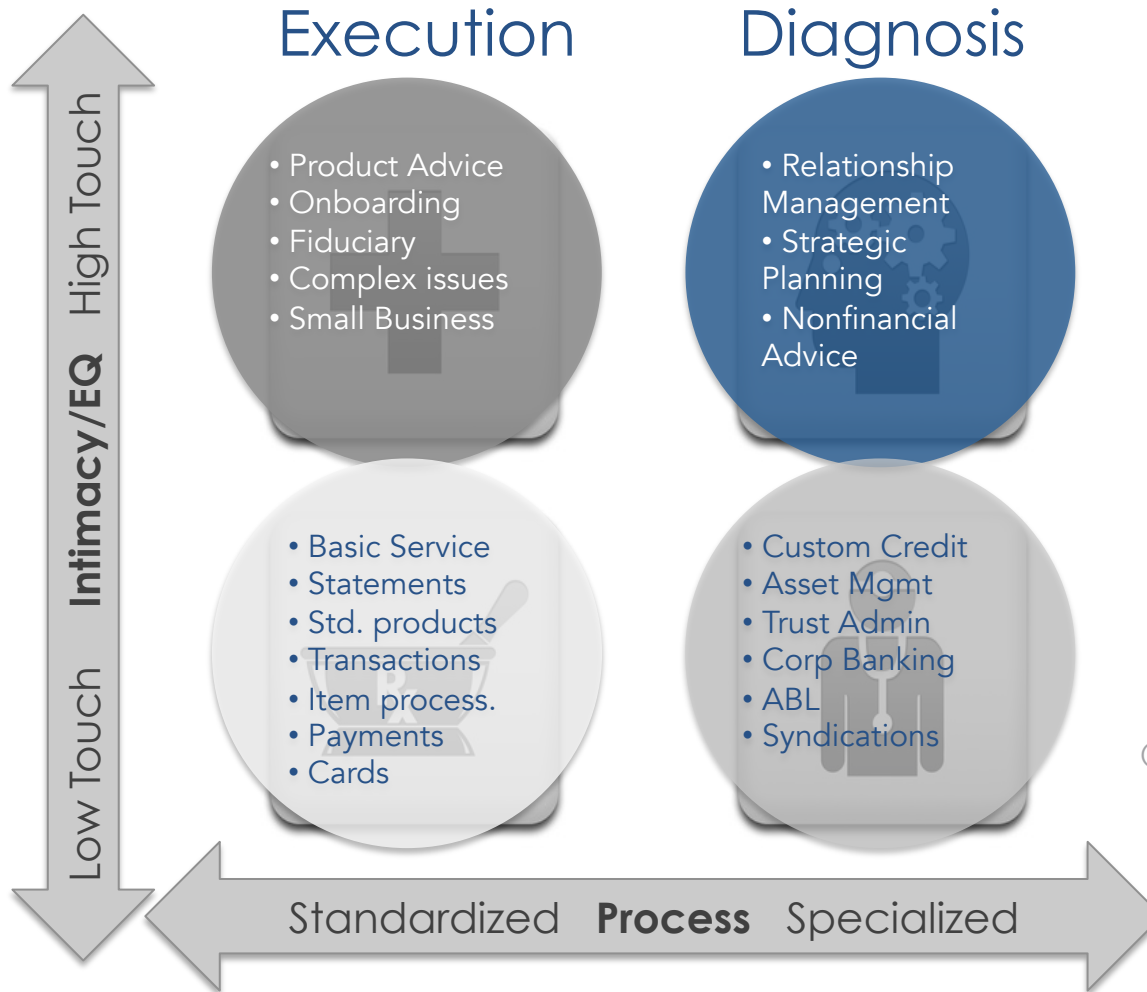


Adapted from  
*Dealing with Darwin:  
How Great Companies  
Innovate at Every Phase  
of Their Evolution*, by  
Geoffrey Moore, 2005

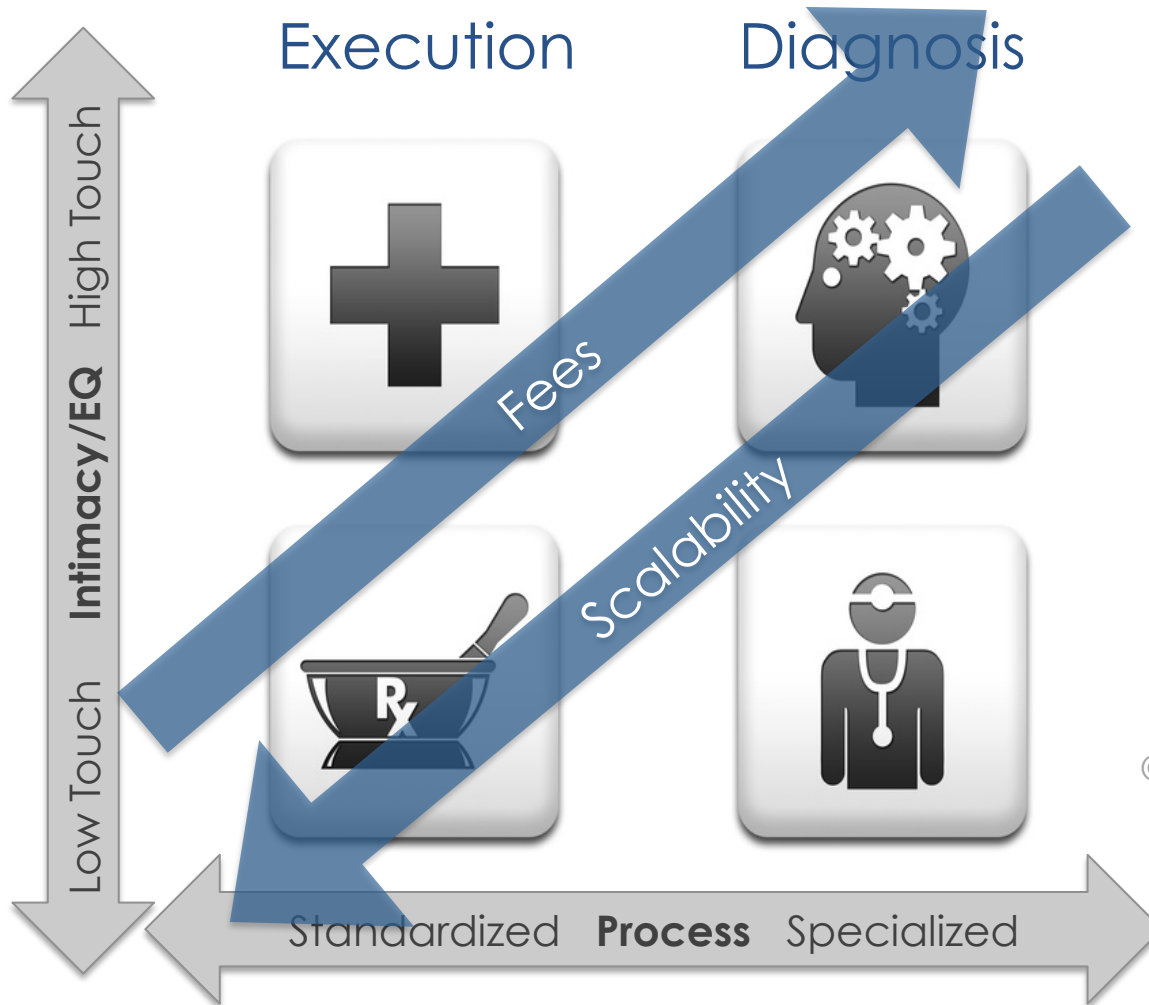


Product Leadership	Disruptive Innovation	Horseless Carriage, Napster, iTunes
	Application Innovation	Delivery vans, Desktop Publishing
	Product Innovation	Auto transmission, Hybrid engines
	Platform Innovation	Assembly line, Microsoft Windows
Customer Intimacy	Line-Extension Innovation	SUVs, ESPN2
	Enhancement Innovation	Anti-lock brakes, airbags,
	Marketing Innovation	Ford Mustang, Tesla, IKEA
Operational Excellence	Experiential Innovation	Lexus, Tesla, Uber, Disney
	Value-Engineering Innovation	Toyota, Hyundai, Flat screen TVs, computers
	Integration Innovation	Printer/scanners, Mutual funds
	Process Innovation	Toyota, Dell, IKEA
Category Renewal	Value-Migration Innovation	Uber, Salesforce
	Organic Innovation	IBM, Apple
	Acquisition Innovation	Cisco, Daimler (Car2Go)

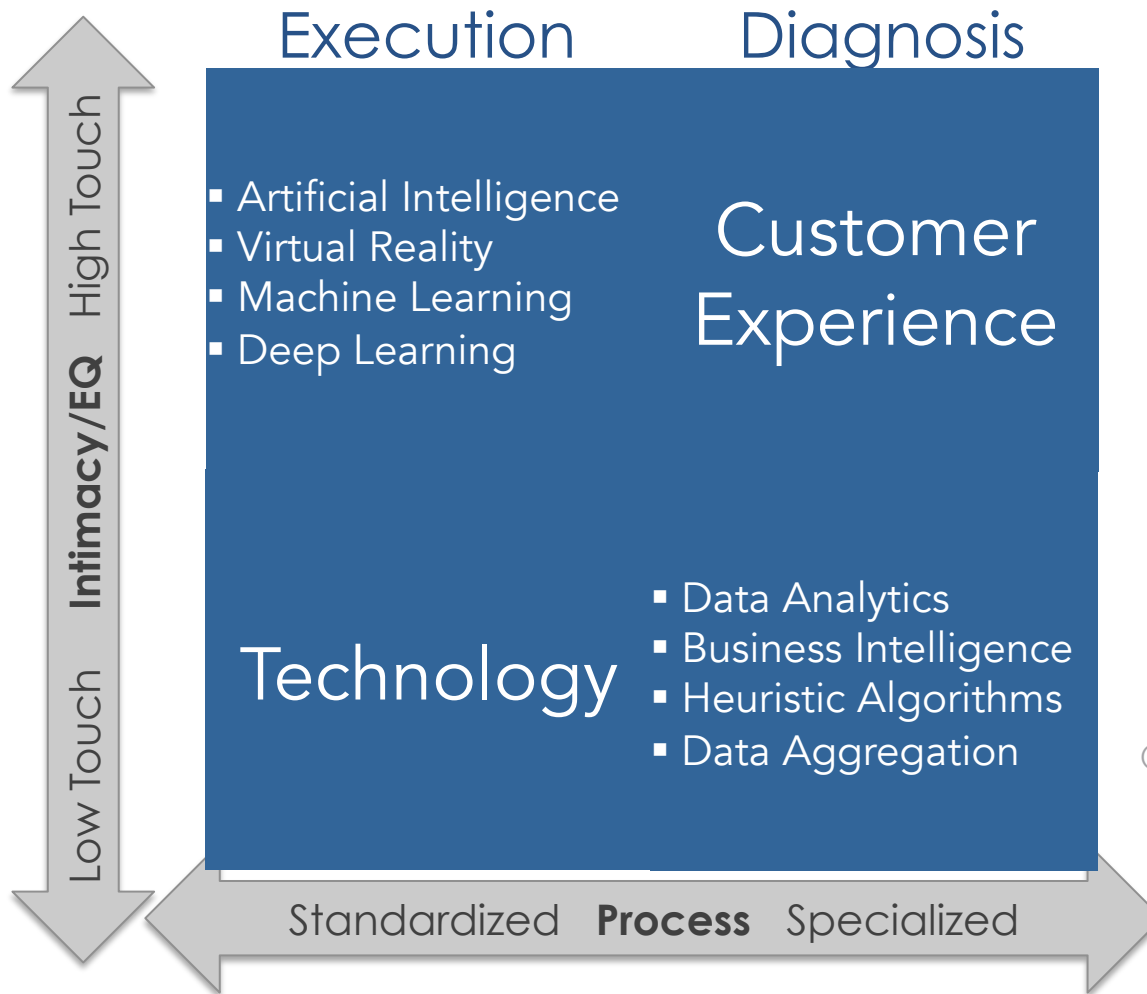
Adapted from *Dealing with Darwin*, Geoffrey Moore, 2005



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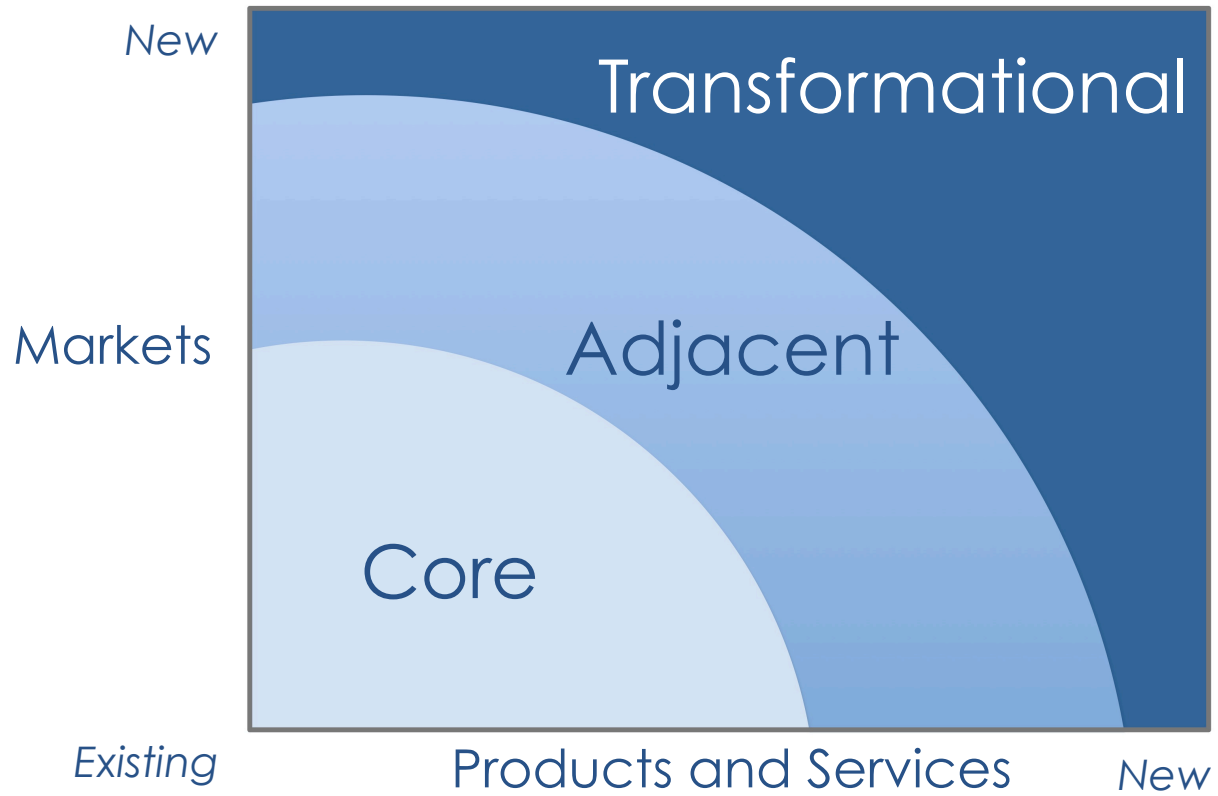


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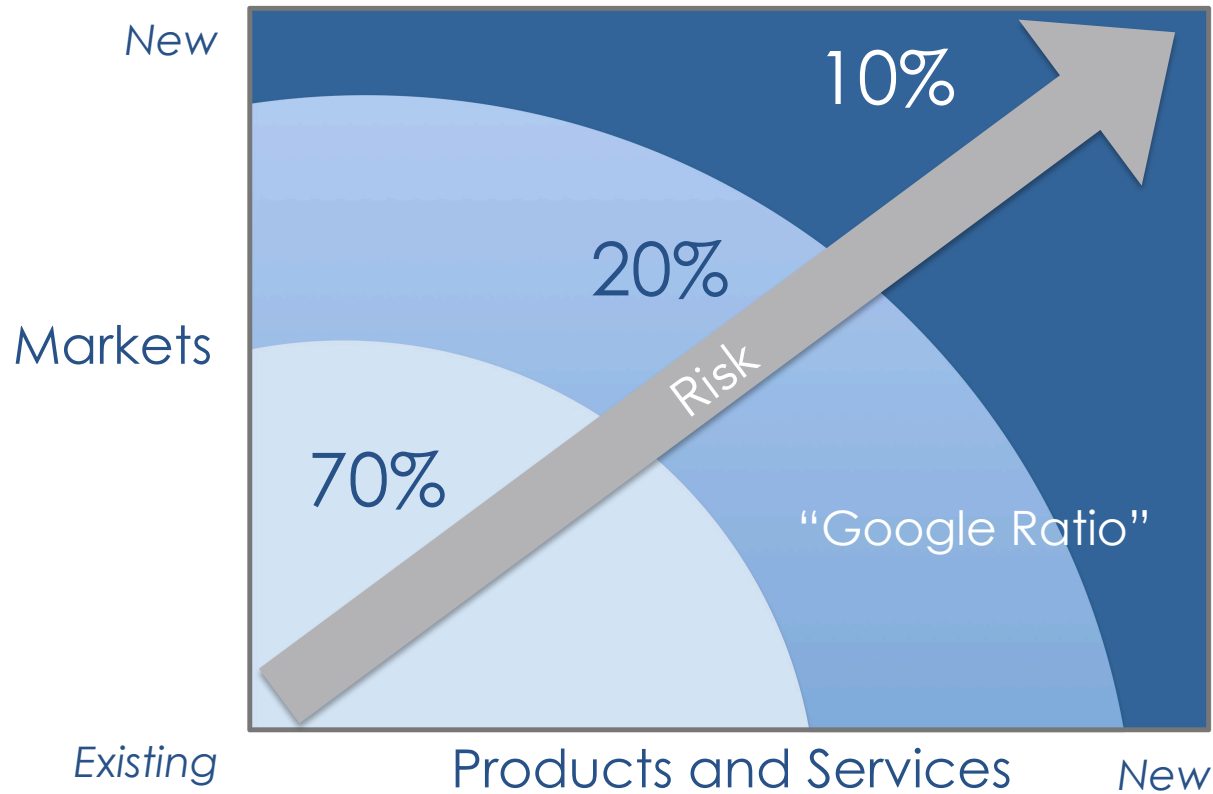


# Ansoff Product-Market Matrix



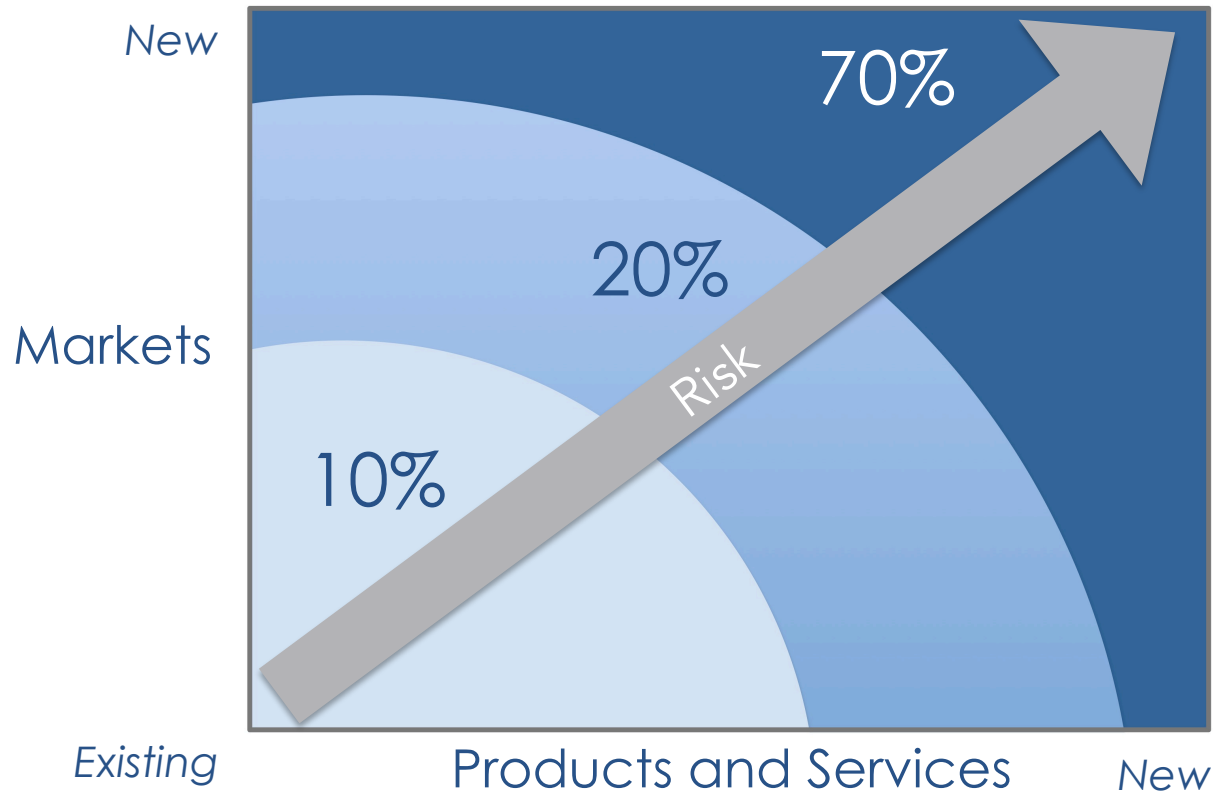


# Innovation Investments



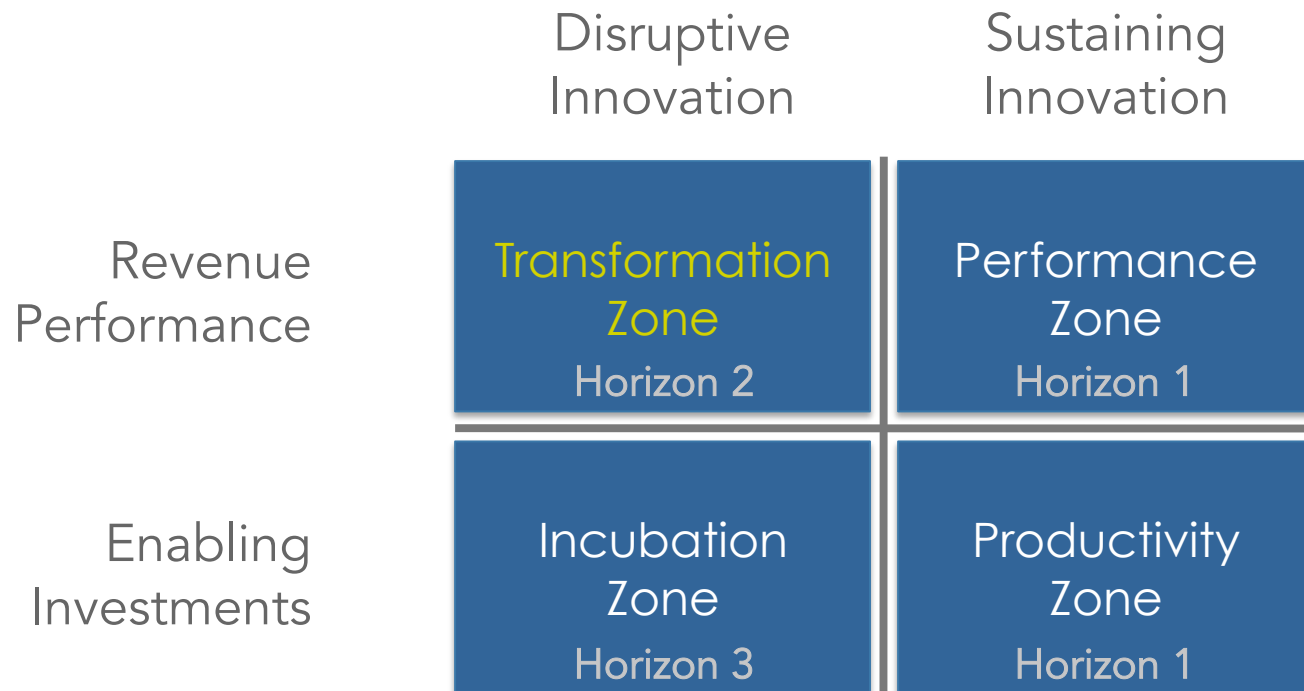
Monitor Group, 2012

# Return on Innovation



Monitor Group, 2012

# The Four Zones of Innovation



Zone to Win, Geoffrey Moore, 2015



# Innovation vs. Core Business

- 
- New Products
  - New Customers
  - New Markets
  - Partner with Others
  - Increase Variety
  - Create New Metrics
  - Nail it, then Scale it
  - Maximize Learning
  - Explore Unknowns
  - Discover *Next Practices*

Bank Innovation in an Era of Digital Disruption

- 
- Existing Products
  - Existing Customers
  - Existing Markets
  - Internal Resources
  - Reduce Variability
  - Meet/Exceed Metrics
  - Increase Volume
  - Maximize Profit
  - Manage Known Knowns
  - Enforce Best Practices

Fast

Shorten the gap between idea and learning

Iterative

Process of continuous improvement

Responsive

Data drives subsequent iterations

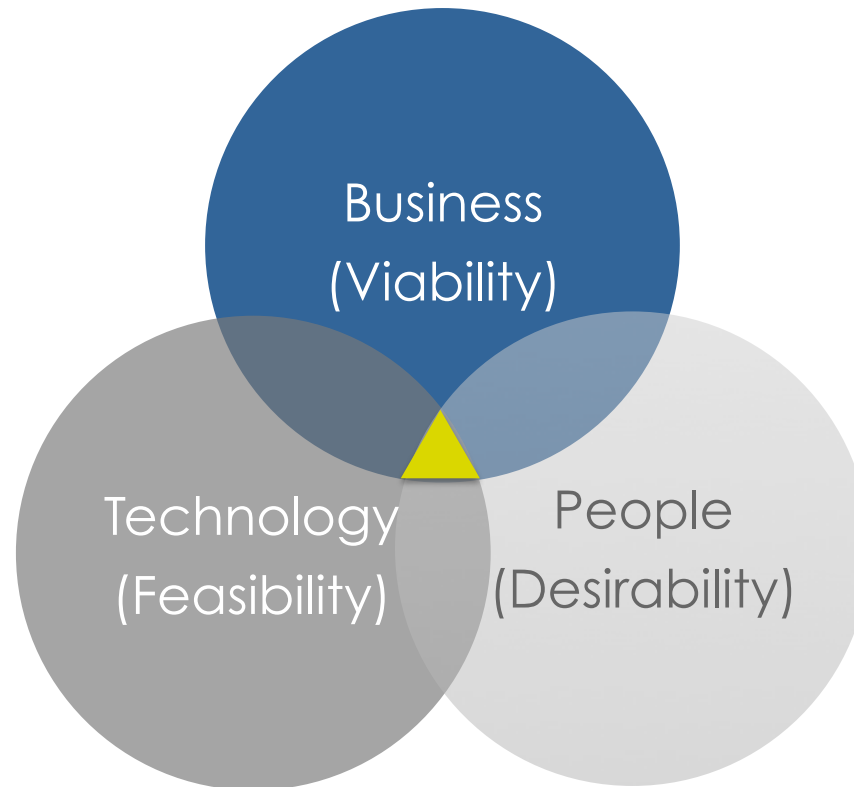
Experiment

Structured to maximize learning

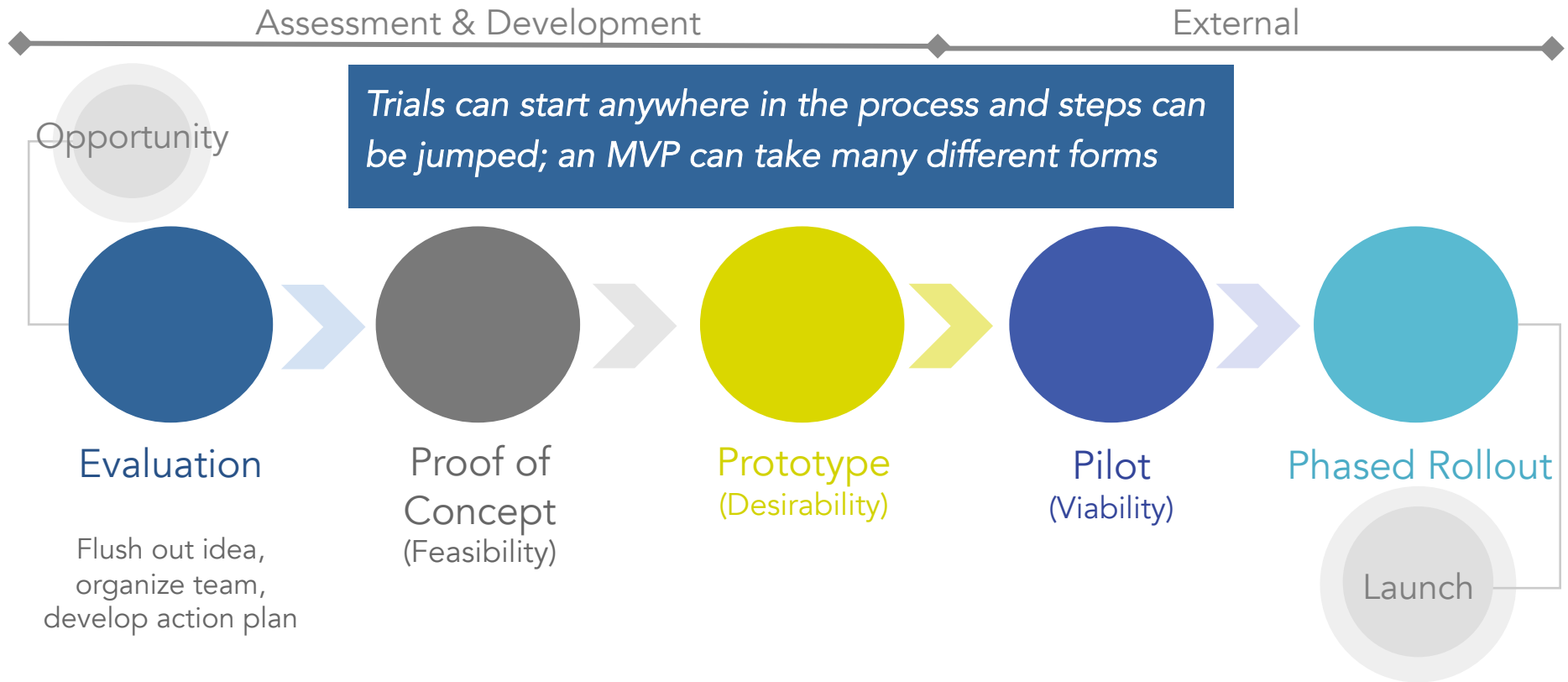
# Desired Outcomes of a Trial

- Both failure and success are expected.
- Goal is to reach a quick decision.
- After everything necessary has been learned, it's a waste of time to continue with the same trial.
- Success cannot be viewed as consistently moving along with the same idea.
- It is desirable to have trials that don't work. That means we are learning.

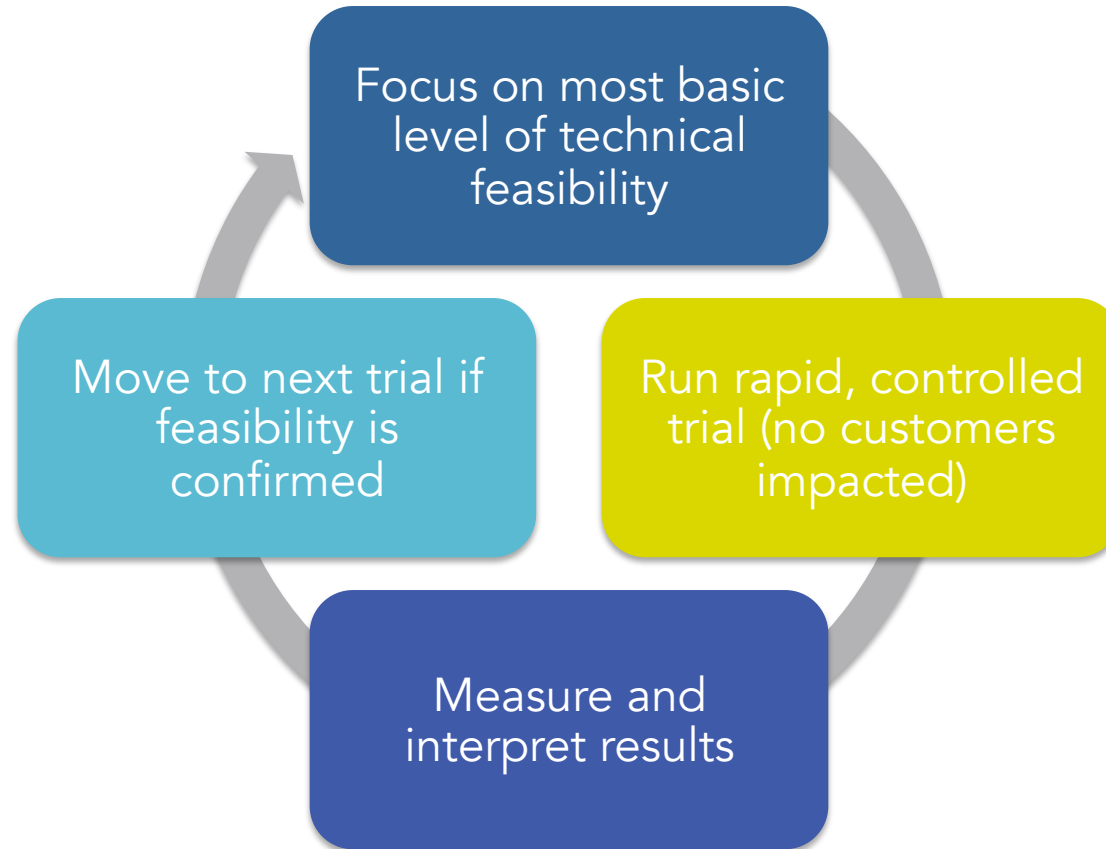
# The Sweet Spot



# Types of Innovation Trials

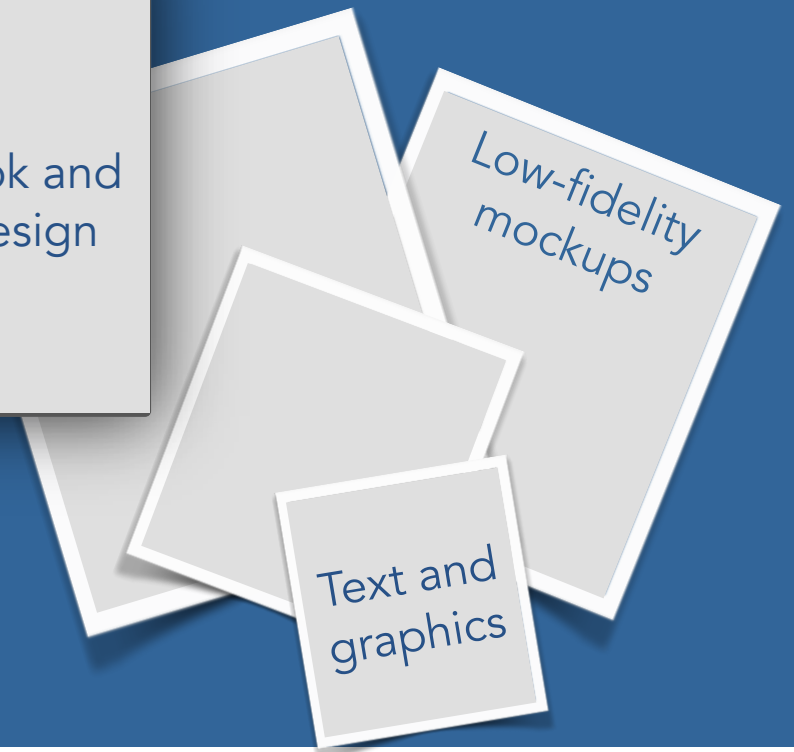
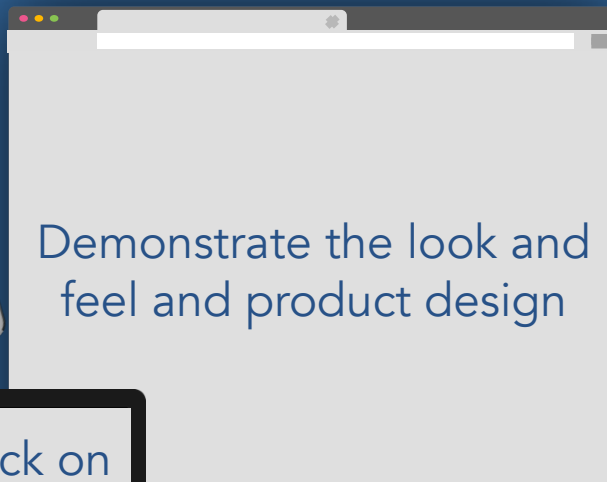


# Proof of Concept

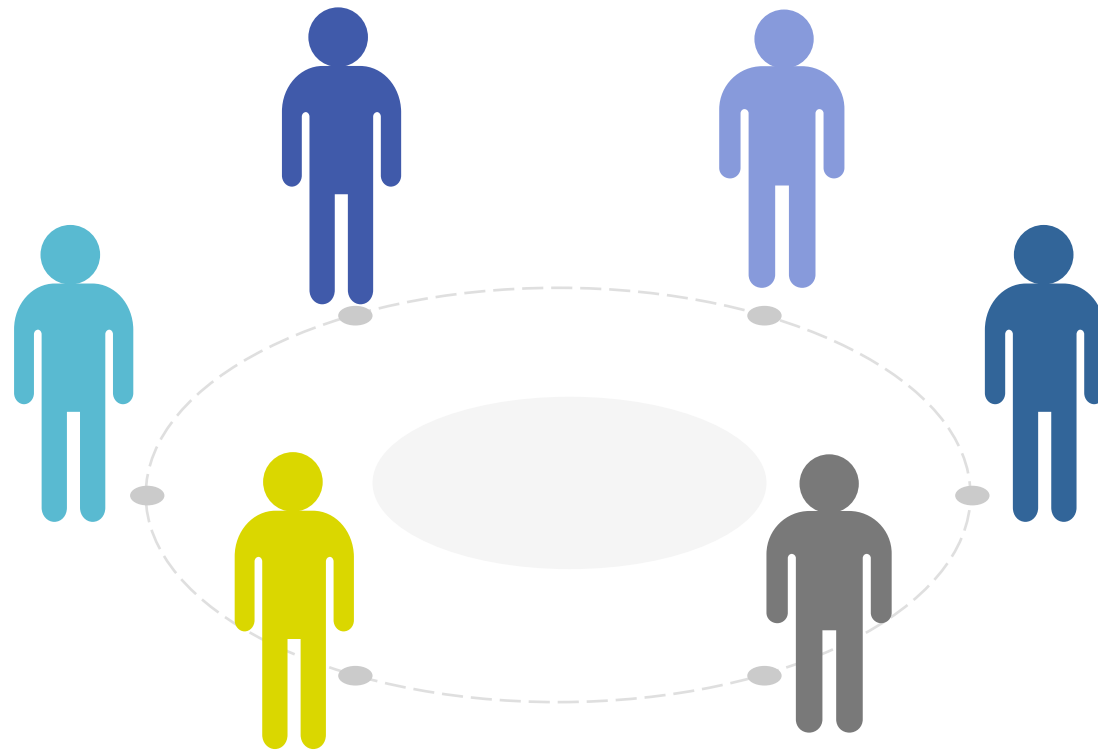




# Prototypes

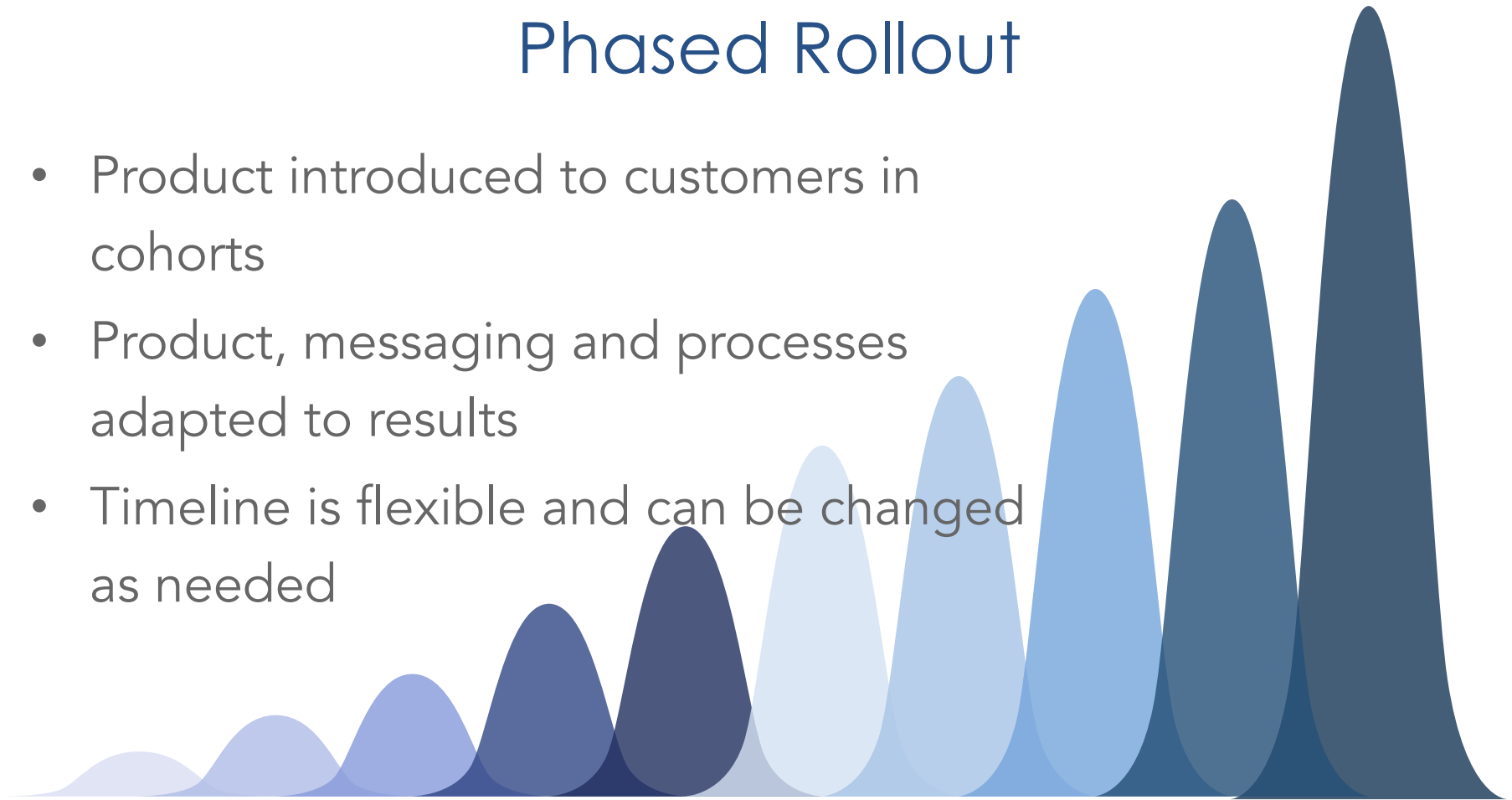


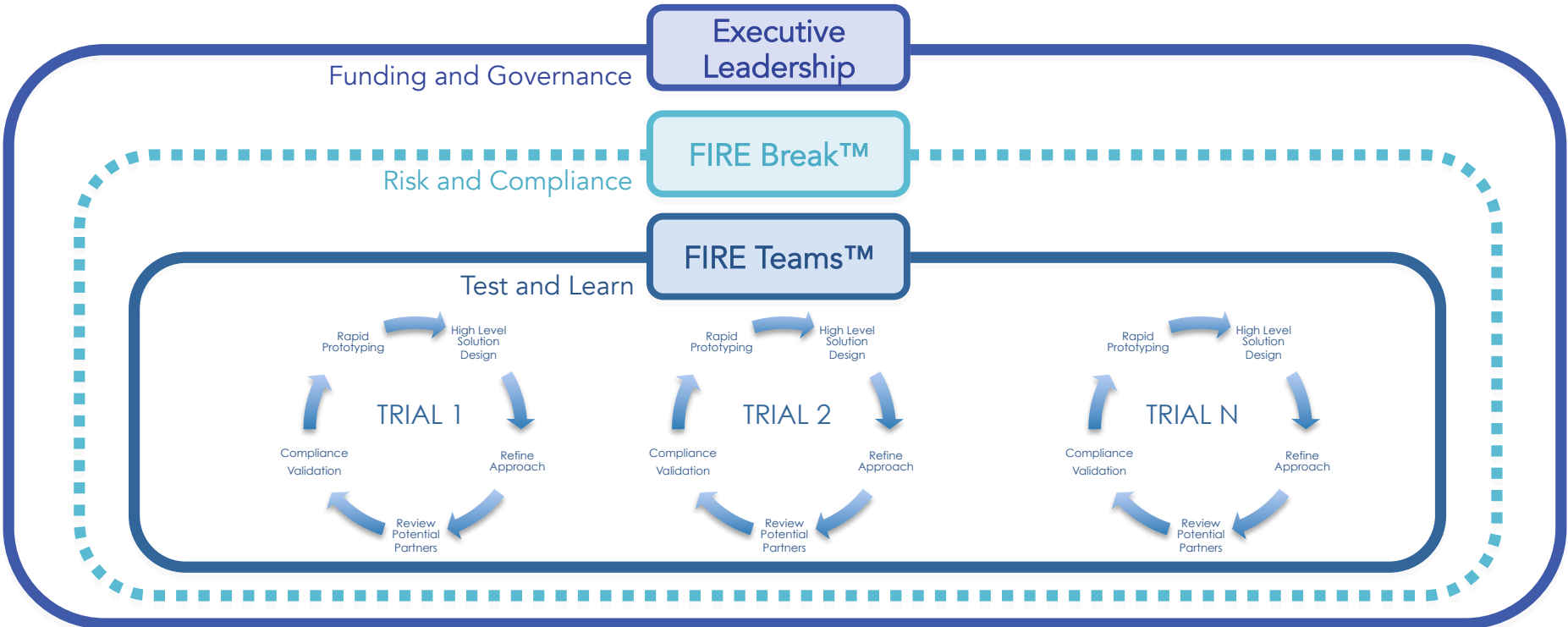
# Pilot



# Phased Rollout

- Product introduced to customers in cohorts
- Product, messaging and processes adapted to results
- Timeline is flexible and can be changed as needed

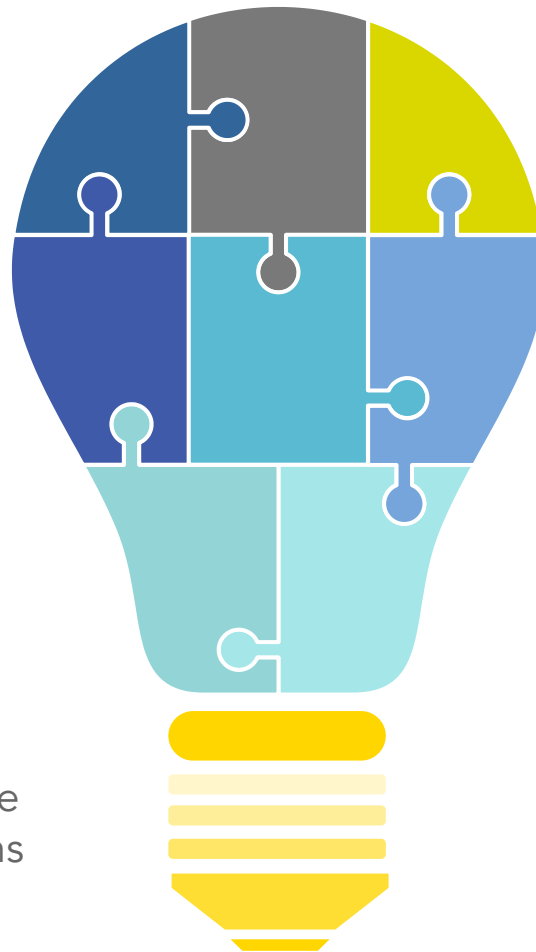




**1 Governance**  
Needs to be specifically identified; frameworks can be used to effectively structure team

**2 Resources**  
Internal and external resources (including financial budget) needed for the process

**3 Innovation Management**  
Small team will help make sure that day-to-day progress aligns with strategic vision



**4 Data Reporting**  
Capturing data in a systematic way and presenting finding versus relevant benchmarks will help inform conclusions

**5 Decision Making**  
1) Proceeding, 2) revising and redoing or 3) abandoning are all successful outcomes

**6 Taking Action**  
Based on the data and the decision, the team will craft an action plan to proceed

RASCI Matrix: Framework helps assign and display responsibilities for individuals within an organization. Everyone on the team can be categorized into a role

**RESPONSIBLE** Responsible for actually completing the task.

**ACCOUNTABLE** Accountable for the completion of the task.  
Delegates work to those responsible.

**SUPPORT** Resources allocated to responsible to actually support completion of the task.

**CONSULTED** Consult with opinions on project via two-way communication.

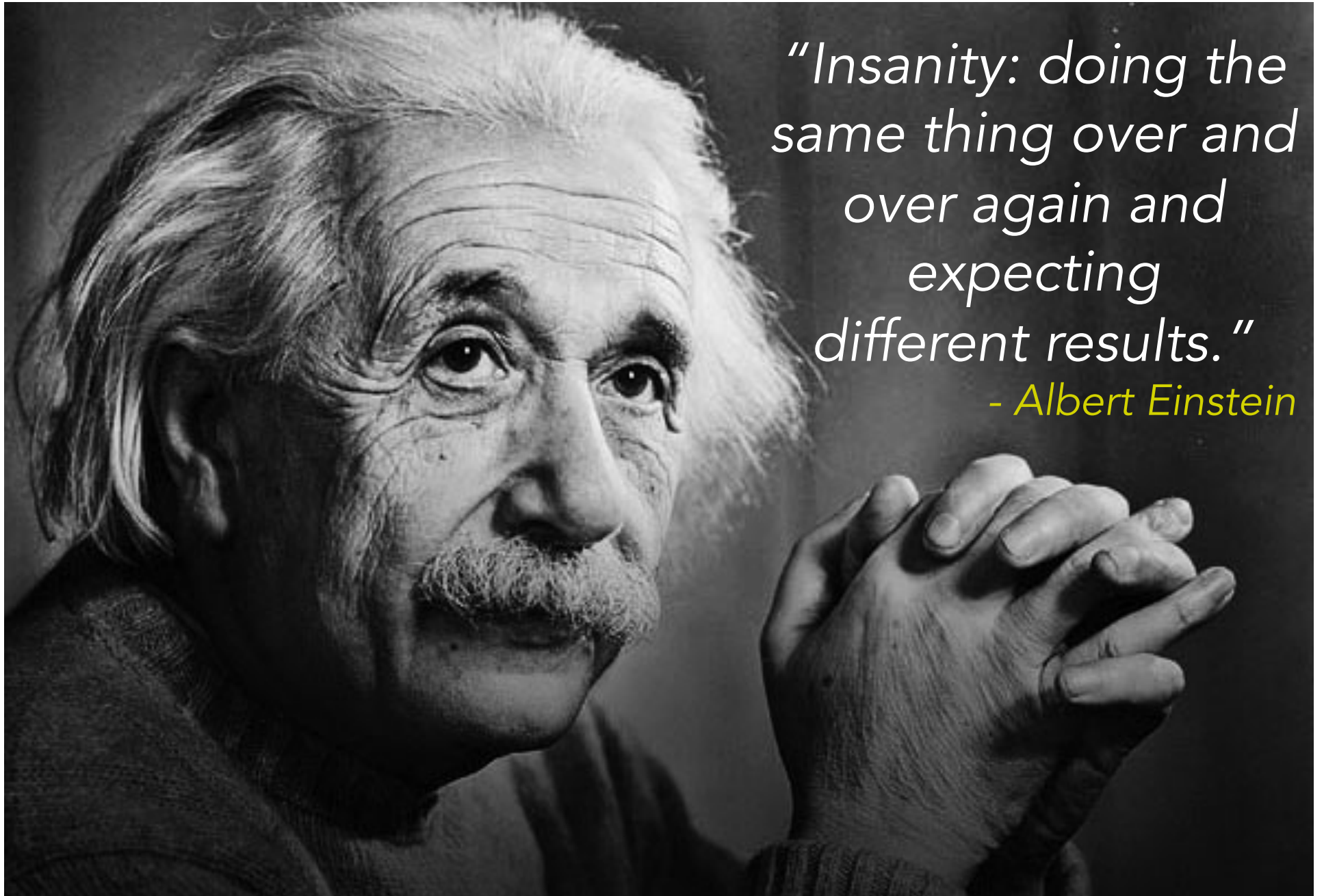
**INFORMED** Kept up-to-date on progress, often only on completion; one-way communication



# Programs vs. Systems

Change the State vs. Maintain the State  
Effectiveness vs. Efficiency

*Zone to Win, Geoffrey Moore, 2015*



*"Insanity: doing the same thing over and over again and expecting different results."*

*- Albert Einstein*



# Homework:

Come to class  
Thursday with a  
customer problem  
or opportunity







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