



Article from
Innovators & Entrepreneurs
March 2020

GENERATING A PROMISING IDEA: PROCESS OF INNOVATION, PART 2

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There are many opportunities to innovate in the course of our careers. Article 1 in this series (insert link), by Eric Sondergeld, discussed some of the areas in which we can innovate: Product, process, technology, and leveraging existing products, services or capabilities to expand offerings. A link regarding an approach to generating ideas that Eric likes was provided in that article. Below are two more:

Seven ways to generate new ideas: <https://www.innovationresource.com/seven-strategies-for-generating-ideas/>

74 methods for idea generation: https://www.sessionlab.com/library/idea_generation

In my experience, generating ideas is relatively simple, but generating ideas that show real promise is more challenging. How do we know that an idea is promising? A significant challenge to this is that we all have preconceptions regarding what is viable and what is not. While this is usually based upon experience regarding what works and what does not, often there are aspects of an idea that may make it more viable than we believe it would be. Having people involved with the idea generation who have different perspectives and specialties can help overcome this. After a variety of ideas have been generated, there should be discussion about the positives and negatives to help determine those ideas that have potential. Also, if there are ideas that don't seem promising to the person sponsoring the innovation effort, but someone is strongly championing it—then that person should be encouraged to get involved with vetting the idea. Naturally, some of the ideas that have been generated will be rejected at this early stage, and will not be vetted.

The first stage of the vetting process is research. The nature of this research depends on the type of innovation you are contemplating. Questions related to the feasibility of process-related innovations include:

1. Personnel capabilities: how far removed are they from what is needed to implement this innovation? Are the current personnel trainable or will new people have to be hired?
2. Can the new capabilities you need be rented from a business process outsourcer?

3. Does your organization need to be restructured in order to implement this innovation? If so, you may need consultant assistance for this.
4. Is new technology needed?

Questions related to product innovations would include potential regulatory challenges, a market need that is not being adequately met, your ability to administer the new product features, the acceptance of your sales force or the need to build new distribution, etc.

Give careful thought to all the variables that would affect the success of the idea and see if you can find information on how successful this idea, or something similar, has been for other firms. The link below provides a guide on how to vet a new business idea—but some of this applies to product innovations as well.

<https://medium.com/swlh/the-complete-a-to-z-guide-to-vetting-your-business-idea-e32d41c5c7c5>

To emphasize the importance of doing your homework at this stage, I will relate a personal observation. I have worked with a number of companies that decided they needed to add new lines of business. Usually these lines of business are not industry innovations, just new to the company that is adding the new line—which makes it an innovative effort within your current firm. I have a lot of experience in direct response, which stopped being a highly profitable area for most insurers many years ago (although the internet may have altered this equation).

Nonetheless, I have seen a number of insurers enter into this market with a woefully inflated idea about the true profit potential of the line, and no idea of how they might improve upon the general industry experience. There are a few success stories in the direct response field, and if the insurers entering into this area had investigated the ‘secret sauce’ utilized by these insurers, they would have been able to make much wiser decisions about entering this arena.

Continuing in this vein, many of the innovations you are considering may not be completely novel—just taking what other firms are doing and applying them in your own firm with appropriate adjustments to accommodate your situation or objectives. In these cases, you may be able to garner intelligence regarding the success other firms are having with the product, process or technology that you are contemplating embracing. Many individuals in your firm will be pushing changes that generate revenues, but try to bring actuarial wisdom to the discussion by

analyzing the profits your competitors are experiencing from these innovations you are considering. Consulting firms often can supply information about this.

Future articles in this series will discuss validating and implementing your idea. We hope to also share how actuaries and those they work with are innovating. If you or your company has done something interesting that could become an article or part of one, please contact me at mthomson@charter.net. Also contact me if you have comments relating to this article, or innovation in general, which you are willing to have published—or start a conversation on our section’s LinkedIn page at <https://www.linkedin.com/groups/2932342/>.

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