



2013 Casualty Loss Reserve Seminar

A Short Guide to Innovation For Actuaries

YOU, the **MORE** effective knowledge professional

Make Innovation a Professional Priority
Be an IDEA hunter!

- **KEY CONCEPTS TO KEEP IN MIND**
 - **Ideas** are a vital engine for progress; for you, your company, your industry, our society (innovate or die) (disrupt rather than being disrupted)
 - Always know your **most important targets** of opportunities for innovation (what **really matters** to your department? firm?)
 - Innovation is not **novelty** (It is doing important things better! Originality is over-rated)
 - Innovation is not about invention, but it is **re-combinatory (combines old ideas into new ones)** and often times evolution (versus revolution)
 - An important job for you: Maximize the risk that you will collide with great ideas each day (your daily idea hunting behavior trumps your IQ when it comes to innovation)
- The formula: I-D-E-A Be Interested! Diversify your hunting grounds! Exercise “the hunt” daily! Be agile and adaptable with ideas!
 - Who do you interact with?
 - What do you read?
 - Where do you spend your time?
 - Are you the smartest person in the room?
 - What are your daily idea habits?
 - Do you prototype?
 - Do you borrow with pride?
 - How do you store your good ideas?
- **What about your ability to put ideas into play?**
 - Who pays attention to your ideas?
 - Can you infect others with your ideas?
 - Do people pass your ideas along or do they just fade away?
 - Are your ideas testable?



- Can they be understood?
- Are they simple?
- Can they be tested?
- Are they compatible?
- What's the cost/benefit of adopting your idea?

- **I-D-E-A: Key Concepts For Idea Hunters**

- ***Be Interested in the world around you!*** Intellectual curiosity, together with an awareness that game-changing ideas can hit you at any time, is essential to the hunt. Clarence Birdseye, the “father of frozen foods,” was on a fur-trading expedition in Canada when he discovered the concept of preserving foods by freezing them. Birdseye saw how freshly caught fish and duck, frozen quickly in the snow, retained their taste and texture. Because of his curiosity, Birdseye changed the way we preserve and sell food in the United States. An industry was born.
- ***Shape a Diverse range of idea sources!*** Great ideas can be found everywhere, but the big payoffs are frequently found in the sources usually ignored by colleagues and competitors. The best hunters make a point of broadening their intellectual bandwidth and scouting a wider array of sources, industries and specialties. Jack Hughes, founder of the global software company TopCoder, looked to the tournament structure of the NCAA to figure out a system of organizing software competitions, in which coders compete to come up with creative designs and solutions. These competitions have produced a new way of identifying the best coders in the country, and many prestigious software firms now ask prospective employees to get a TopCoder rating before applying for a job.
- ***Exercise daily to build your idea inventory!*** Ideas are all around us, but they remain untapped unless we engage fully with the world around us. Good hunters don't wait for a problem to arise or for the monthly brainstorming session to seek out ideas; they search habitually and continually. One key to being exercised is to hone your observation skills. Wal-Mart founder Sam Walton constantly prowled through the stores of his competitors, taking notes on how frequently the retailer ordered a certain kind of merchandise.
- ***Be agile with ideas you find to fit your purpose!*** Ideas are worth little unless they're in motion, shifting in response to fresh data and conversation, evolving through stages of reflection and routine prototyping. For that reason, agility is required. In the early 1950s, Mary Kay Ash was in the business of selling mops and other household cleaning products at house parties, but at one party, she noticed the remarkably smooth complexions on the faces of the women there, which they owed to a homemade facial cream offered by their friend, the hostess. Ash's agility and willingness to keep an idea in flow, to let it stretch and ripen in combination with other ideas, spawned a new market for home-based sales. The result: a cosmetics empire of more than two million sales people worldwide.

