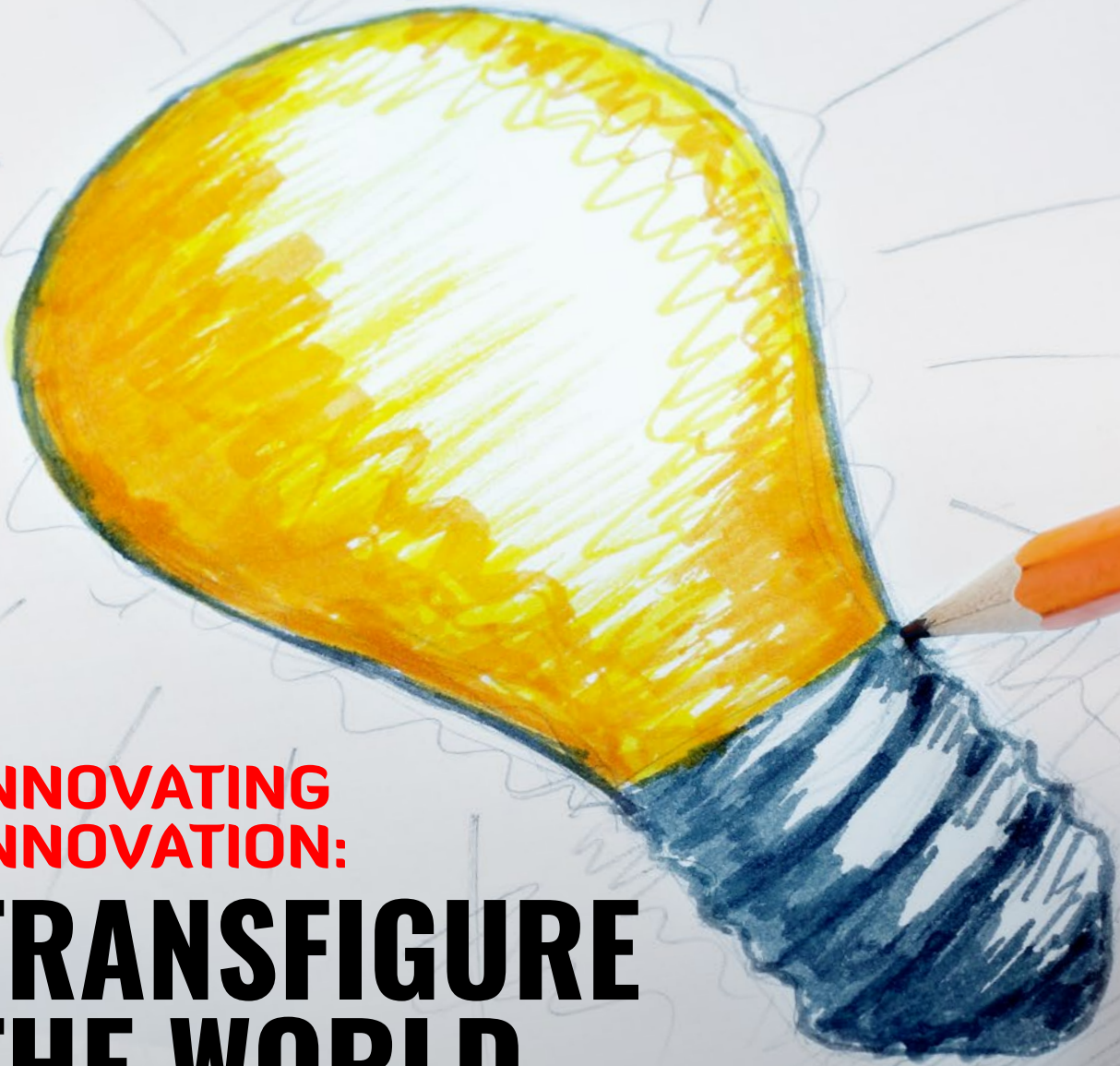


ERMA | ENTERPRISE RISK MANAGEMENT ACADEMY

RISKVIEW

RISKVIEW MAGAZINE #5 | NOVEMBER 2016



**INNOVATING
INNOVATION:**

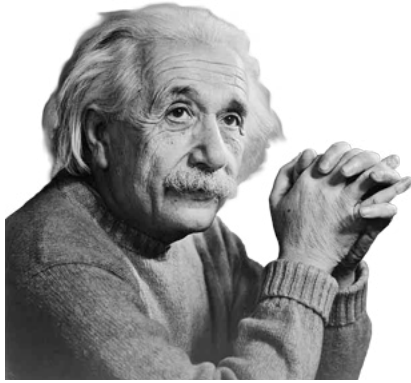
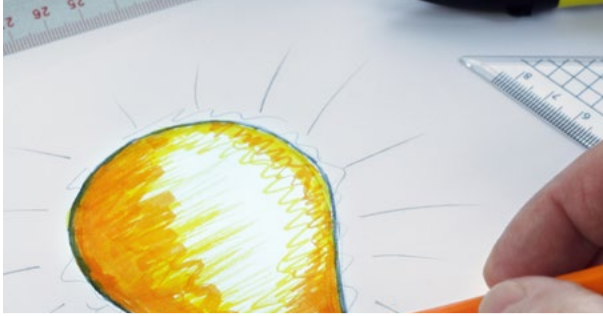
TRANSFIGURE THE WORLD, SAFELY

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WHAT THEY SAY

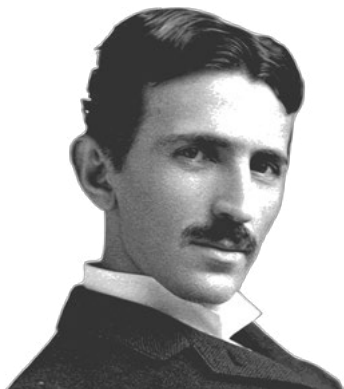


“To raise new questions, new possibilities, to regard old problems from a new angle, requires creative imagination and marks real advance in science.”

Albert Einstein

“If you’re changing the world, you’re working on important things. You’re excited to get up in the morning.”

Larry Page
The co-founder of Google



“We crave for new sensations but soon become indifferent to them. The wonders of yesterday are today common occurrences.”

Nikola Tesla
Inventor, Engineer, and Futurist.

“I think frugality drives innovation, just like other constraints do. One of the only ways to get out of a tight box is to invent your way out.”

Jeff Bezos
The founder and CEO of Amazon.



WELCOME TO THE FIFTH EDITION OF RISKVIEW MAGAZINE



Colin Adams
ERMA Advisory Board

Welcome to the latest edition of RiskView Magazine. In this edition, we look at a variety of risk topics which we are confronting, including data security and the impact of new technologies such as drones and driverless vehicles. With recent revelations from senior officials in the US that the “internet of things” could be used for surveillance purposes, the combination of new technologies and the security challenges they pose will likely increasingly impinge on our daily lives including into our homes and other private spaces. Both companies and individuals need to respond to the growing challenges posed by digital technologies and security; in companies this might drive the need for new skill sets in the Executive ranks. This edition also includes a futurist’s perspective on the future role of humans as technology, and artificial intelligence, continue to develop at exponential rates.





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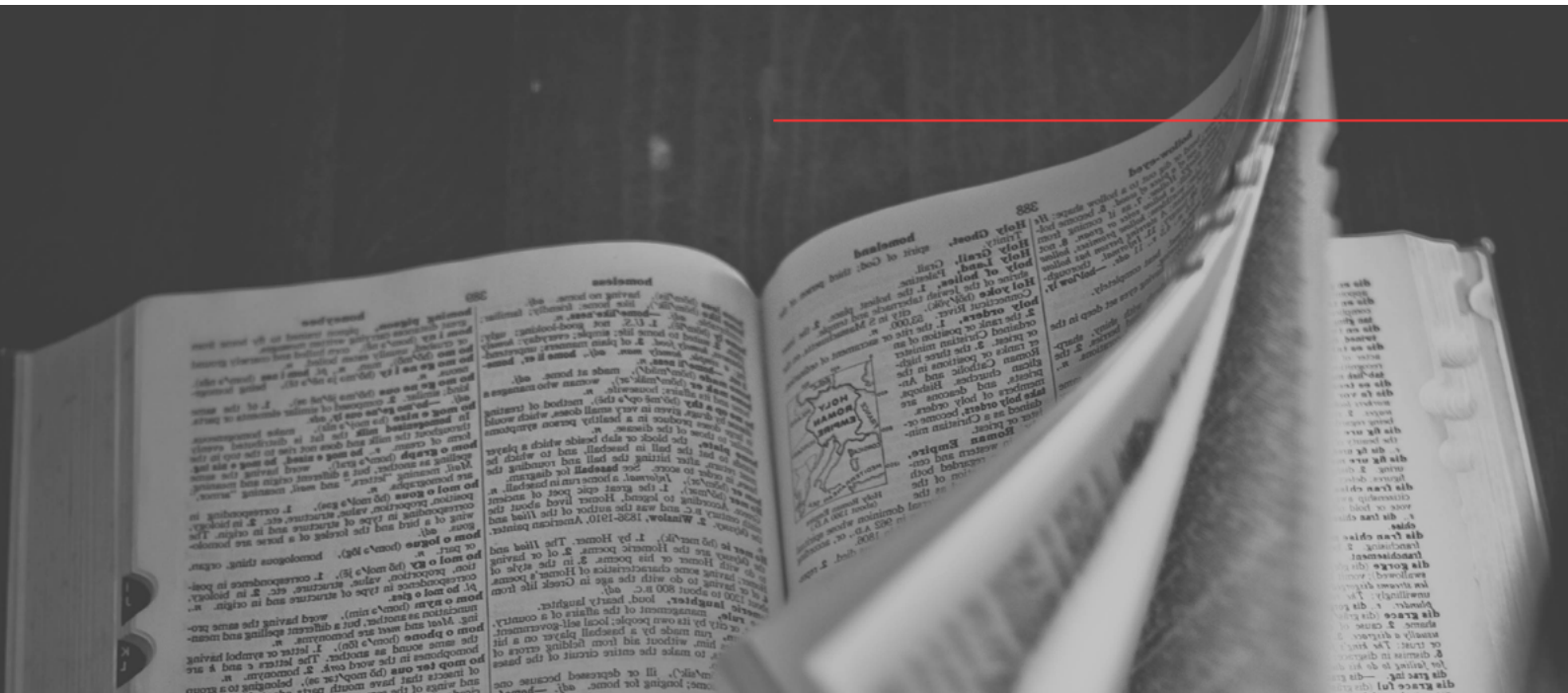
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DICTIONARY OF TRUTH: "INNOVATION"



Innovation. The press is constantly using it as a label to whatever concept, item which is the hot cake presently. The usage of the term innovation to define numerous various points has actually forced the idea close to being absolutely nothing and even more compared to a worn-out jargon with no actual significance.

Understanding the meaning of a principle offers a target to a focused initiative. Without a clear understanding of just what innovation is, it will be difficult to understand the best ways to reach there, ways to determine development in the place, or perhaps what the place bear a resemblance to.

Innovation: New, genuine and also helpful

Exactly what is the meaning of innovation? In the publication of Collective Genius, Dr. Linda Hill, the Wallace Brett Donham Professor of Business Administration at the Harvard Business School, and also the co-authors explain innovation as the development of something both valuable and also unique. And in which something can be an item, services, procedure, business model and even a unique means of bringing together

things. Innovations could be tiny or huge and also happen through a discovery.

Dr. Darin Eich, owner of InnovationLearning.org and also the writer of Innovation Step-by-Step: How to Create & Develop Ideas for your Challenge, additionally make use of the ideas of originality and efficiency to specify innovation. Eich composed innovation as a new concept that was established and also brought to life in reaction to a stumbling block. Innovations have to be valuable, brand-new and genuine. Innovations should likewise be genuine.

It is understood that specifying innovation as something that's brand-new, genuine and also of assistance could appear worthless and also excessively basic, however Hill and associates reveal otherwise. Hill carefully specified innovation in comprehensive terms which sent out a message to their groups that innovation is not the single province of one team, it could originate from anyplace in the company.

Innovation is required

Since there is a better understanding of exactly what innovation is, we have to ask if it's in fact something that is ought to be pursued. Addressing this issue is essential, since developing a society of innovators within a company is a challenge, particularly for firms that do not have records of nurturing innovative actions or following up on inventiveness.

Also, companies are starting innovation inventiveness due to the fact that they recognize their future development depends on it. In a 2015 Technology Pro Research study, over 90 percent of participants claimed innovation was really vital or rather crucial to their firm's success currently.

A lot of business will certainly need to be a lot more inventive due to the fact that brand-new innovations, approaches, trends, as well as company models are changing several businesses. These modifications or brand-new innovations have impacts, sometimes in a good or bad way that makes non-innovative firms react.

Terry Jones, the founder of Travelocity, brings to mind the significance of innovation for a business's future development. Innovation is important to any type of business's success if they are in it for the protracted term.

Innovation should additionally be a continual procedure. There is no inquiry that innovation could drive success, yet in today's quick altering and also unpredictable globe, it really takes more to withstand competitive advantage.

That is why innovators like Tesla, Apple, Google, Amazon.com, Netflix, or even neighborhood coffeehouse or Design Company that is devoted to improve the importance for its consumers in a brand-new means are appreciated.



Putting innovation right into the fabric of business

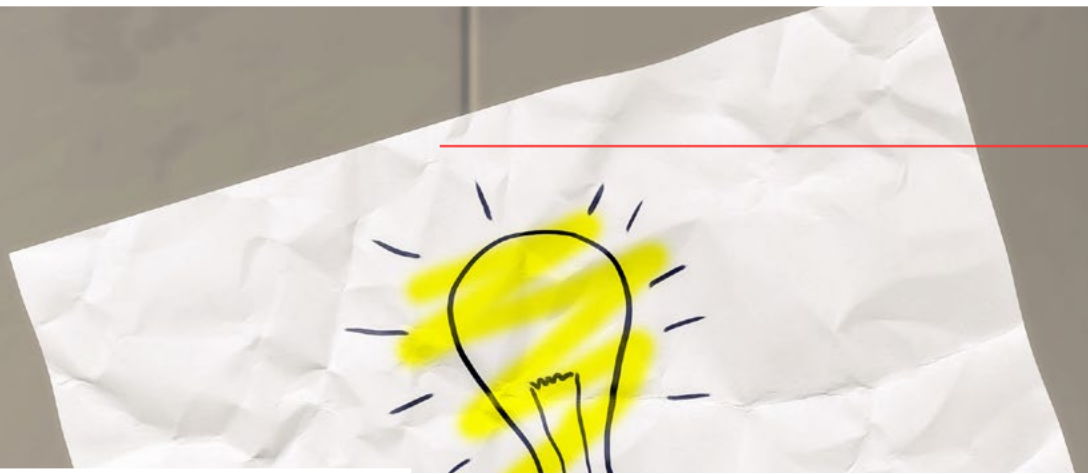
Equipped with a sense for innovation and also the understanding that it is essential to one's long-lasting success, companies need to take the following duty, which is creating a society of innovators. And also this is when the actual job starts, due to the fact that companies cannot simply invest their system to effective innovation.

Business leaders have to handle innovation as a core company feature. They should place plans and also methods in area that encourage innovation.



FOSTERING THE CULTURE OF **INNOVATION**

By Meredith Evelyn



Innovation culture is the place of work that leaders develop in order to support unconventional reasoning and also its application. Offices that promote a culture of innovation normally agree with the idea that innovation is not the area of only leading management, but also could originate from any individual in the company. Innovation cultures are treasured by companies that contend in markets which are specified by quick modification; preserving the norm is not advisable in order to contend efficiently, hence making an innovation culture is necessary for success.

Innovation cultures commonly measure staff members based upon metrics such as their worth in production (for consumers and for investors) as well as competitive differentiation, rather than conventional metrics such as on-time delivery and also income generation. A business that develops ingenious reasoning additionally urges discovery as well as means to award time invested in the research study called for to create brand-new items as well as ideas. A much-cited instance of this is Google's 20 % time plan, which enables workers to invest one-fifth of their job week on what they wish to work with, with the desire that this discretionary time will certainly cause an 'aha' minute.

Innovation culture in IT companies

According to Jill Dyché, Vice President of SAS Best Practices, three actions that will help IT companies develop innovation are welcoming digitalization, developing



innovation laboratories, and gratifying discovery.

Accept digitalization

Innovation is for businesses that intend to make the change from standard to digitalized company. Going digital is usually the first task towards producing an innovation culture that breaches the office, instead of relying exclusively on IT or various other pockets in the organization.

Develop an innovation laboratory

Producing an innovation laboratory offers lots of commitments, yet one pleasing value of such laboratories is a reestablished cooperation in between IT and also the business since company innovation is carefully linked today to InfoTech. A real-world instance is the innovation laboratory at Toyota Financial Services. Vice President and also CIO Ron Guerrier began an innovation laboratory in 2011 for businessmen to kick the tires, in a manner of speaking, on brand-new auto inventions.



Awarding discoveries, and making trial and error possible

An innovation culture permits individuals to experiment. IT companies that are checking historic information with no certain inquiries in mind could turn up results that were entirely unforeseen based on relationships in the information. Inceptive large information and also boosted higher-performance analytics engines are making information discovery, exercises that were formerly as well taxing or cost-prohibitive for the majority of firms becomes recently handy.

Put up with innovation

Developing a culture of innovation is something; maintaining that culture is something else. One means IT companies could maintain an innovative, preliminary culture by awarding workers for this sort of job. An additional means to keep cutting-edge reasoning is by checking out various company culture models.

Adjust the benefit as well as the measurement framework

There are standard measurements that call for an individual to be on time with tasks; however, those measurements have no

impact in an innovation culture. Rather, companies with innovation cultures are gauging success by inquiring exactly what company-worth the individual has actually provided, just how long that worth has actually been, what inventiveness they have actually brought to the team as well as the number of them that were implemented.

The cost of innovation

Innovations cultures are tough to maintain as well as to develop, however are taken into consideration by lots of administration specialists as crucial for developing competitive differentiation and competitive advantage in the market. One more advantage of producing a culture of innovation is for team retention.

It is essential that IT leaders comprehend that a culture of innovation is not simply concerning the large suggestion or developing thinkers when it comes to IT innovation. Producing an innovation culture needs efforts, consisting of setting up brand-new measurements, developing and approving brand-new task roles, understanding the best ways to generate income from innovation, as well as recognizing just what a failure appears like.

According to Forbes factor Edward D. Hess, professor of Business Administration and Batten Executive-in-Residence at the Darden Graduate School of Business, failure is a needed component of the innovation procedure, since from failing comes knowing, repetition, modification, and also the structure of brand-new theoretical as well as physical designs by means of a repetitive understanding procedure. Organizations promoting a culture of innovation need to be prepared to fall short in order to invent.



ARE SOME CULTURES MORE **INNOVATIVE** THAN THE OTHERS?

By Willis Hudson



Germany, Sweden, Japan and Switzerland were among the top five countries in the 2016 Bloomberg Innovation Index. This scores countries based on their spending in research and development and the amount of public high-tech companies they have.

South Korea topped the list in a number of fields. It's appropriate that South Korea top this list given how much money they spend on developing technology, but South Korea is also focusing on how the economy can be further improved through innovation.

While getting a fresh idea in Silicon Valley means making a new startup company, things work differently in South Korea. In South Korea, employees share their ideas with their company rather than forming their own. South Koreans are aware of these limitations to innovation. Things move a little slower in South Korea. It's hard to really go places there. People rarely move between, or indeed away from, their position in a company or society. The risks that South Korea faces, such as slow growth, inequality, and a poor job market, are global concerns. It's making everyone more anxious about the economy as a whole.

Countries that have high levels of innovation should expect healthier economies. Innovation breeds productivity, which

causes a rise in living standards. Everyone benefits from innovation.

The US may be the largest economy in the world but they only placed 8th. The second largest economy is China, which placed 21st. This is understandable as technology is mostly copied in China, rather than developed. There are other countries where the edge is provided by cheap labor rather than technology. The results also suggest that the north is outperforming the south as six of the top ten countries are European, with three of the remaining four coming from Asia.



WHY AREN'T YOUR EMPLOYEES BEING INNOVATIVE?

By Kendal Randy

We know that some employees being not really innovative, but how about their employers? CEOs may say that they want an innovative workforce, but how many mean it? Do they give people the resources needed to innovate?

A survey from Harvard Business Review has concluded that while everyone believes innovation is important, not many employers stick to the idea and give people the resources they need to do it.

Nine in ten non-managers believe that they should be part of the innovation process, but less than that believe they really are. The problem is that workers feel management fails to inspire them, or give them opportunities. Less than half of people feel even if they got a great idea they would be given resources to follow through.

While higher-ups may have the resources they need to innovate, people lower down feel they don't. Employees feel their supervisors are not interested in new ways of doing things. They don't want to follow the advice of people below them.



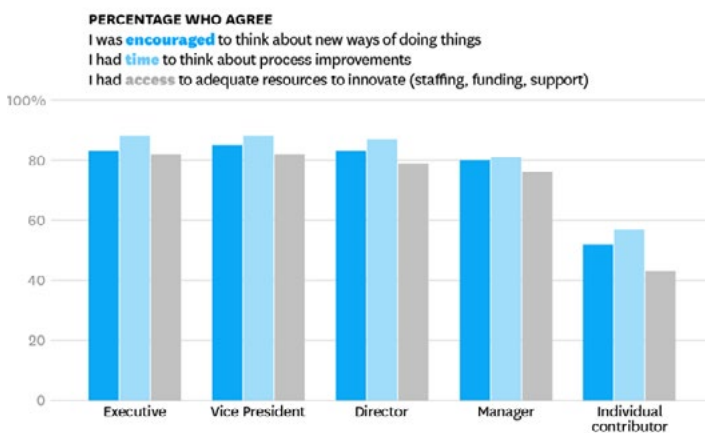
If an employee feels that all this talk about innovation is empty promises then they become cynical about it. Even the most self-motivated employee will stop caring. When this happens, a company becomes stale and productivity falls.

Leaders need to accept that everyone is responsible for innovation. They need to encourage their employees. There are small steps you can take. For a start, ask if you really believe yourself when you say everyone is responsible for innovation. If you do then think of ways you can clearly spread this message. Give credit where credit is due for example.

Interact with your employees personally and find out if they have any big ideas they aren't sharing and think about resources you can set aside. Even if you can't give over money you could offer a mentor who can help your employee achieve their goal.

Everyone needs to innovate, and innovation begins at the top.

Individual Contributors Don't Get the Resources They Need to Innovate

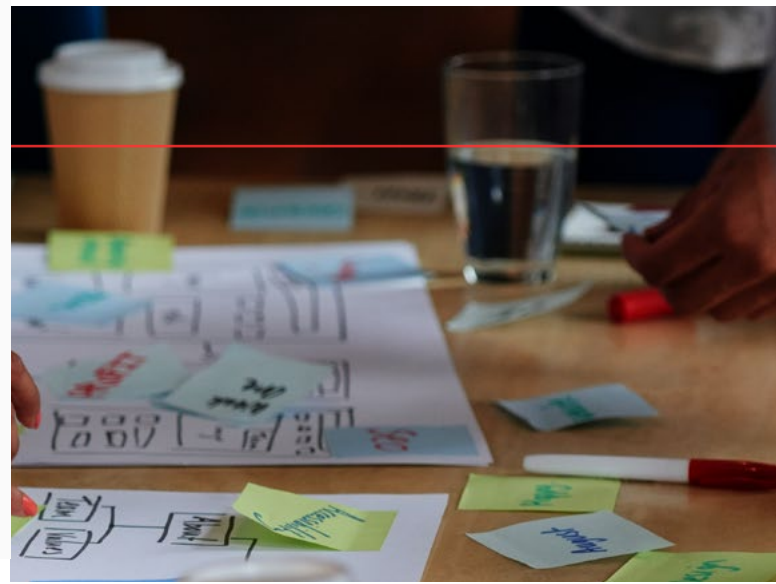


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DISRUPTION: FINDING THE SUBSTANCE OF CHANGE

By Meredith Evelyn



Not that long ago every technology start-up declared to be forward-looking. Today there are disruptions, a term utilized so freely and also regularly that its real company definition and also beginnings have actually ended up astray. Do business owners as well as magnates actually know the distinction in between innovation and disruption?

Sarah Kerruish, Chief Strategy and Growth Officer at digital healthcare platform Trial Reach claims real disruption comes when the market is essentially adjusted, a company model, or a means of doing things and also, preferably, makes a considerable influence on mankind claims. The block chain is positioned to do this with money, while education and learning are being changed by digital connection. An additional brand-new advertisement channel, in spite of its cool, brand-new attributes, is not disruptive.

Others identify disruption as the amount of numerous innovations that, as soon as it is integrated, gives a reliable option to a present means of doing things that it causes a disruption on the market.

Guillaume Pousaz, owner of FinTech Checkout.com stated that businesses that are commonly approved as being extremely disruptive like Uber and Airbnb as an example, have actually concentrated on making daily activities easier and also, in so doing, have eventually hampered with the status quo once and for all.

The UK's growing FinTech sector is an example; the home to business dealing with monetary problems that vary from lending

as well as remittance to forex and also worldwide repayment approval.

All of it remains in reaction to a much more linked, worldwide clients that have little patience for the restrictions enforced by setting up financial institutions. Real disruption in the economic service sector is not full.

We remain in the beginning of a pattern of ruthless innovation that will inevitably cause irreversible disruption of just how individuals connect with their cash.

Disruptive innovation is a high-risk game, with high danger as well as possibly high benefits. It's additionally extremely challenging to identify the winning disruptive possibilities, specifically when disruption suggestions call for various other gamers in the ecological community to accept the modification. An important method to assume in regards to disruption systems can be more than one market or application location, states AJ van Bochoven, head of the innovation technique at Cambridge Professionals.

A solitary shot of disruption is commonly unlikely and also will certainly take long. Rather, it's much better to concentrate on a presented development, utilizing the

earliest phases to bootstrap the innovation right into the market.

The best effects will certainly originate from disruption in medication. Kerruish urges that from TrialReach's viewpoint, disruptive innovation in everything from the technique individuals communicate with their medical professional to genomics, will certainly affect the lifestyle of every person living in the world.

Kerruish also claimed interfering with the existing design of huge pharmacy ensuring specific tests with companies by developing a totally free, open system with info regarding all professional tests. We took a tried and tested model, the on-line market, and also used it to a brand-new sector.

An existing company model was interrupted by using freemium economics, and also, interfered that all professional test info is cost-free message by using equipment to make it machine-readable. Medical professionals, as well as clients, do not need to review the qualification of each and every single test to figure out which one is best for the person. It is possible to match an individual with all medical tests in sec.

Opportunities in the contemporary globe to harness brand-new modern technologies in even more active approach is driving disruption of conventional sectors, involving the earliest supply of power. A couple of months earlier, a discussion by Drayson Technologies at London's Royal Establishment showed exactly how power might not just be collected from the air however likewise transferred back to power gadgets without the requirement for batteries, cable televisions or any kind of link.

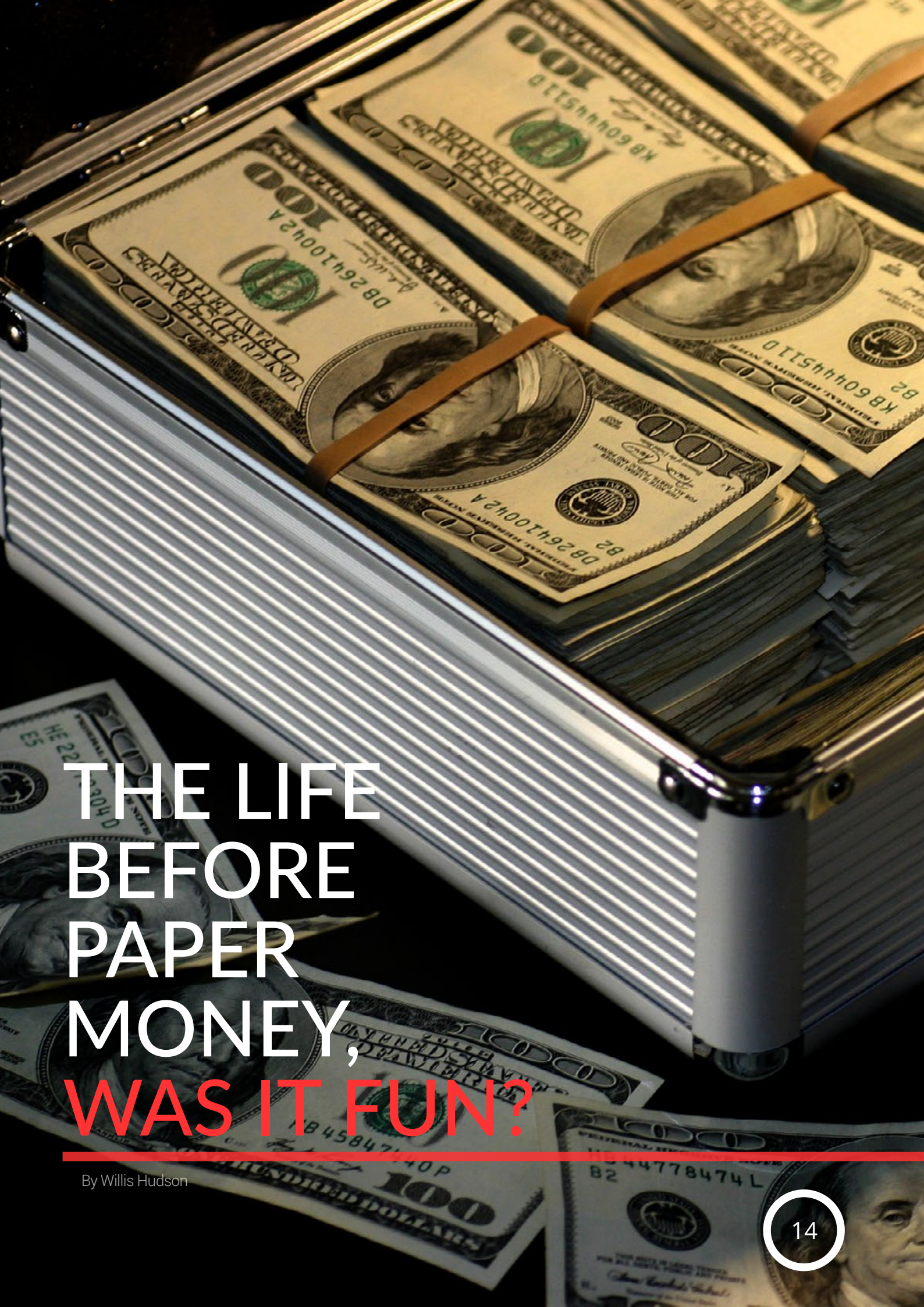
Moreover, as there are even more tools, there is more power and also as present-day gadgets choose to use much less power, so an excellent squall for disruption. Wireless power is not brand-new however the development of brand-new innovation as well as adjustment in market pressures



enables for its business usage and also this is vital to disruption.

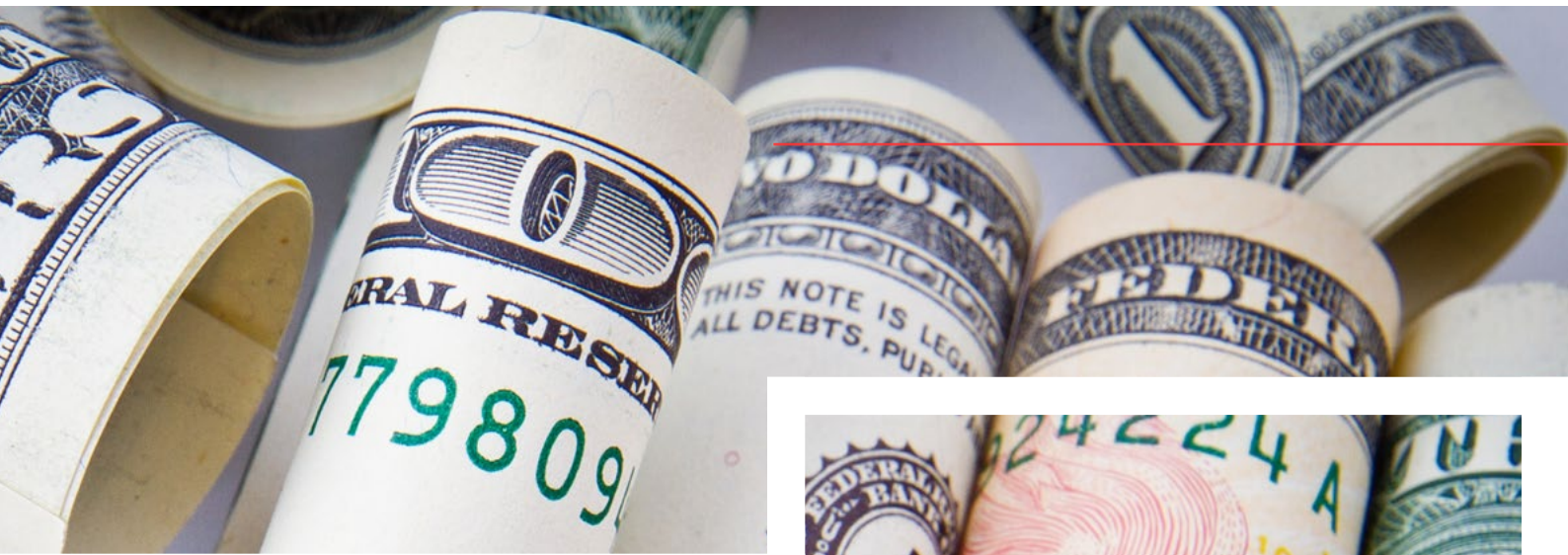
Exactly what does a company need to do to surpass innovation & belief, act and supply disruptively?

It is believed it has to begin with determining a large, vital difficulty as well as thinking of the end state. Using approaches and company models for existing markets to brand-new industries, or create totally brand-new ones based on something you are aware of regarding human nature.



THE LIFE BEFORE PAPER MONEY, WAS IT FUN?

By Willis Hudson



“Money”. It is a thing that everybody knows, a thing that everybody needs, a thing that everybody desires (with a healthy level that depends on each person’s preference). Without a doubt, money helps us to go with our lives. Taking a broader view, money helps society to do transactions. An even broader view, money helps humanity to measure every single contributed input and every single desired output. That being said, could you imagine the world before money was invented?

Surely we can, taking into account that we’ve already been taught of the barter system since we’re kids. But, we’ll realize soon enough that it’s extremely inefficient if we actually imagine how the system works.

“I’ll give you this rope if you bring me a tiger skin”, that sentence seems normal if it’s said in a Role Playing Game, but will take too long to be fulfilled if it takes place in the real world. Unfortunately, it happened, long ago.

After unusual-things producers had enough of their difficult economic life, “money” was born. It came naturally at first, keeping some items that were popular and easy to trade. They started from animal teeth, salt, weapons, et cetera, and eventually coins came to the board. But how did coins come?

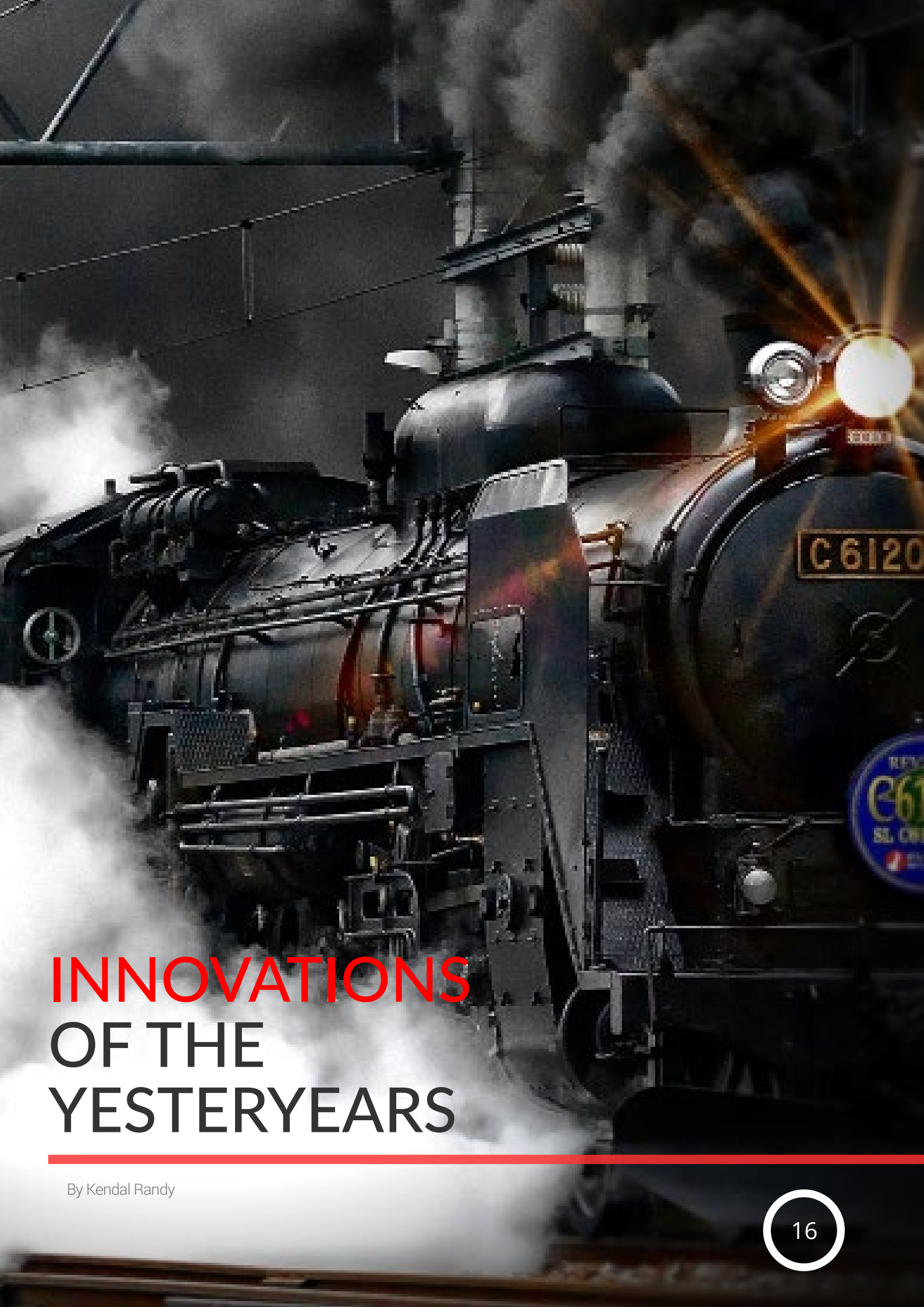
It started from China’s tradition to make mini bronze replicas of tools, until people got tired of getting their hands stabbed by tiny daggers, hoes, and other tools. Hence, coins were born.



After coins being around, people created an innovation by bringing paper money. Started as banks’ contract to be traded to silver or gold coins, the government eventually placed an eye on it and took over the task. Thus, paper money began to roam around, and became an absolutely accepted system.

The birth of paper money increased the amount of international trade activities. Banks and the higher classes started buying currencies from other nations and created the first currency market, eventually leading to the much more fast-paced and healthier economic life.

Currently, we truly take paper money for granted. Now, what if paper money was never in the humanity’s innovation list? A birth of a huge innovation can take us to a whole new level of better life, and that’s the main reason why we should embrace the innovative culture.



INNOVATIONS OF THE YESTERYEARS

By Kendal Randy

"We crave for new sensations but soon become indifferent to them. The wonders of yesterday are today common occurrences." That's one of the quotes from Nikola Tesla, the renowned inventor of the 20th century. Some of these breakthroughs brought about immediate change, while others humbly laid the groundwork for important developments down the road. Nevertheless, all of them have done a brilliant job, considering what wouldn't have happened without their arrivals.



Light Bulb

Before light bulb was invented, people can't work all hours of the day and night, keeping hospital or medical services, police, and security services available to those who need it. Everyone's working life was attached to the time of the day, the weather, or even the season.



Magnifying Glass

Before magnifying glass was invented, people can't see bacteria, yeast, blood cells, and microscopic entities. Magnification had revealed that people's life are aided, or disrupted, by previously-unknown tiny things.



Wire Communication Devices

Before the invention of wires communication devices, people could only send information by horses, boats, trains, and any other transportation. Wires communication devices had made the humanity development arise sharply.



Steam Engine

Before steam engines were invented, factories could only be along fast-flowing rivers. Steam engines also made it possible for goods to be transported over land by something other than muscles of the living things.



The Printing Press

The invention of the printing press had allowed ancient texts to be disseminated easily, without the errors of scribal copying. It also made books available not only for intellectuals, eventually progressing life qualities.

RISK MANAGEMENT INFOGRAPHIC

THE INTERNET OF THINGS & RISK

AN INFOGRAPHIC SERIES BY ERMA | ENTERPRISE RISK MANAGEMENT ACADEMY

The rising popularity of this so-called Internet of Things has already caused concerns about privacy. This series of infographic will bring along facts that can help us understand about this phenomenon and the posed risks.

25 billion devices are connected to the internet in 2015

50 billion devices will be connected to the internet in 2020

Source: Cisco Whitepaper, How the Next Evolution of Risk Starts to Change Everything

Just how connected we really are?

What are the most connected devices in our homes?

27%	22%	20%	14%
PRINTERS	ROUTERS	AUDIO VISUAL EQUIPMENTS	GAMING CONSOLES

Source: Avast Research and Trend

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THE RISING TRENDS OF THE INTERNET OF THINGS (1)

Who are adopting IoT?

- wearables
- homes
- Cities
- Industrials

What are the primary enablers of the IoT?

- Cheap Sensors
- Cheap Bandwidth
- Cheap Processing
- Smartphones
- Ubiquitous Wireless Coverage
- Big Data

What's coming for the IoT in 5 years ahead?

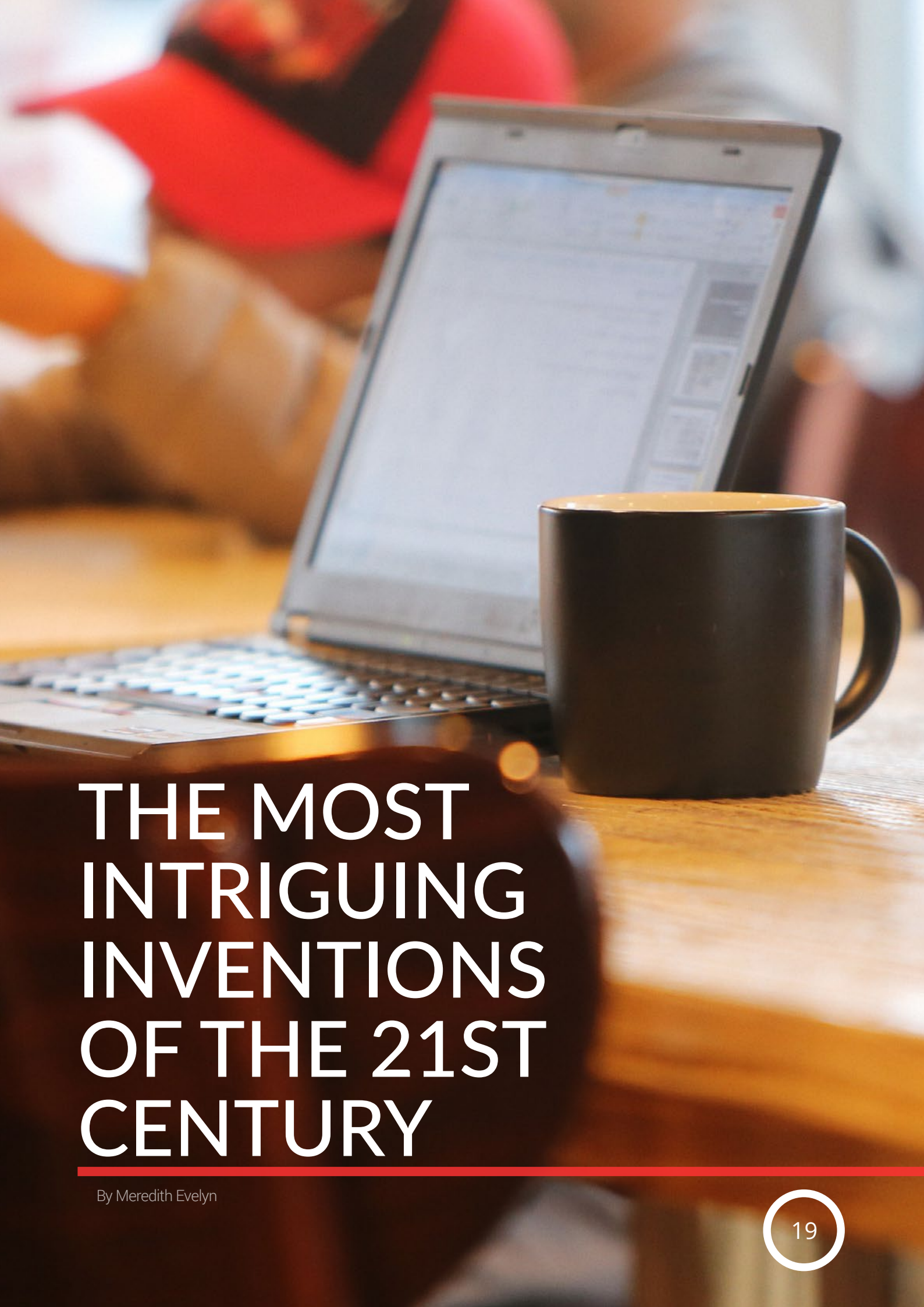
- Predictive Analysis
- Media Tablets
- Speech Recognition
- Biometric Authentication

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THE MOST INTRIGUING INVENTIONS OF THE 21ST CENTURY

By Meredith Evelyn



History has taught us that humans are the most curious and smartest living organisms on the planet resulting discoveries of new inventions. From the moment some caveman bashed a rock on the ground to make the first sharp-edged tool, to the development of electricity and the Internet; several key advancements stand out as particularly revolutionary. Despite the fact that we have hardly spent fifteen years in the new millennium, our century is already full of great and not-so-great inventions which remind us that no matter how advanced our society might be, human curiosity never fails to seek out new advancements and technologies. We see some of these new things as mind blowing devices for our daily life. But can we imagine how these inventions might reshape the world, just like how Printing Press, Lightbulb, et cetera did in the past? Below are the potential humanity changers from the 21st century.”

 Bluetooth

 Smartphone

 Skype

 Spotify

 Facebook

 Electric Cars

 Youtube

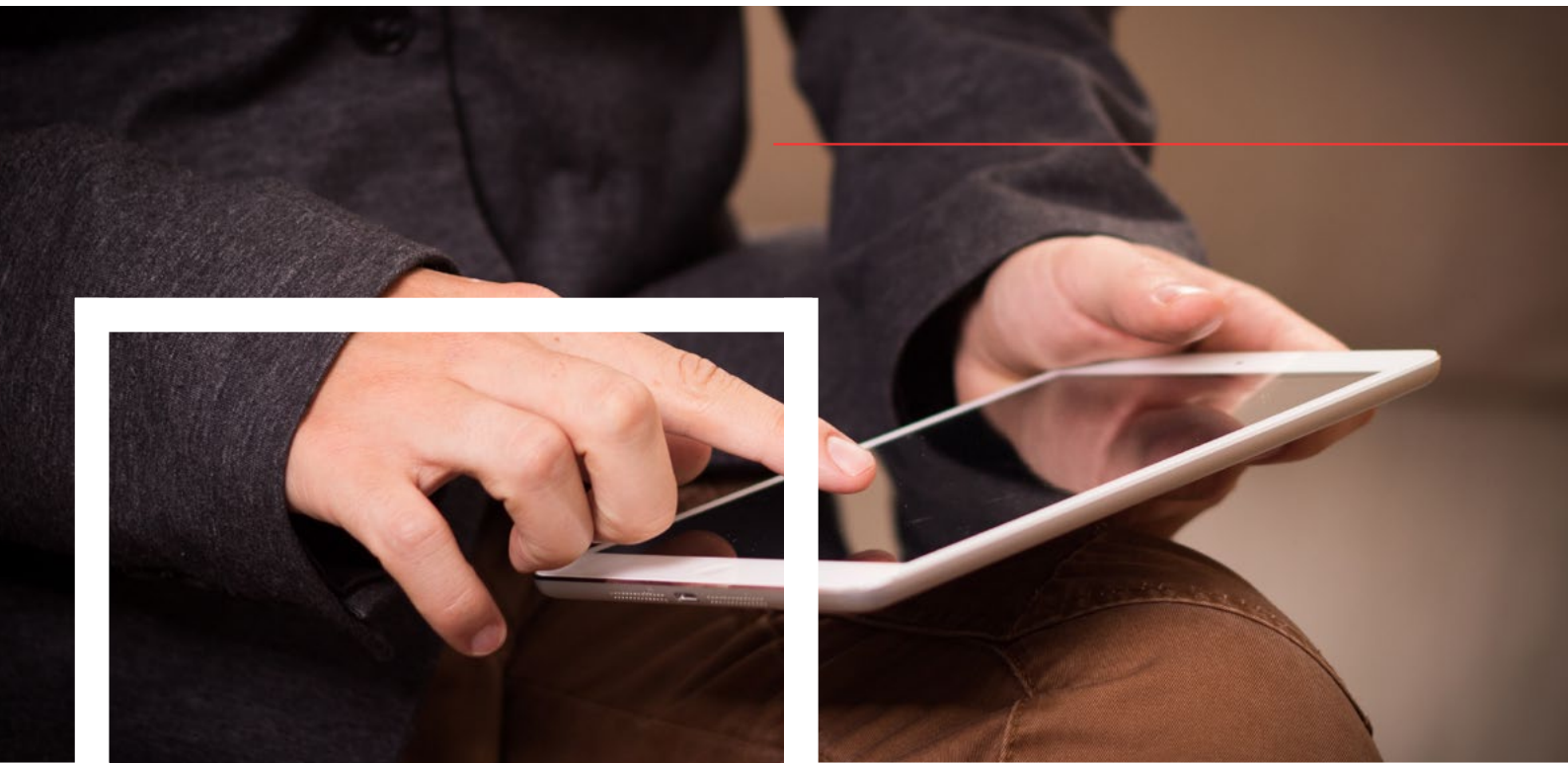
 Artificial Intelligence

 Nintendo Wii

 Driverless Car

THE 5 REQUIREMENTS OF A GENUINELY INNOVATIVE BUSINESS

By Ashley Wong



In a McKinsey survey, 94 % of the supervisors evaluated claimed that they were disappointed with their firm's innovation efficiency.

By contrast, consider the lengthy strides several companies have actually made in re-engineering their supply chains, improving item top quality, as well as rolling out lean six sigma. And also, yet when it comes to innovation, the void in between desire and also achievement appears huge as ever before.

Over the past twenty years, lots of innovative jobs have been led as well as talked with countless supervisors regarding the difficulty of creating a high-performance innovation "engine." Just what it was actually noted was that in the majority of companies, the innovation powertrain is missing out on numerous important parts.

Exactly what are the components of the innovation engine that a lot left out? Right here is Harvard Business Review's checklist of the leading 5:

1. Staff members that have actually been educated to reason like innovators

It is a little bit surprising that a couple of firms have actually spent methodically a lot in boosting the innovation abilities of their staff members. The very least philanthropic description for this administration is that in spite of proof, several elderly supervisors still presume that a couple of genetically blessed spirits are innately imaginative while the remaining cannot think of anything more amazing as regard to the restaurant selection.

With a little training, and also some possibilities for real-world technique, practically any individual could considerably bring up to date their innovation abilities. Whirlpool company's strong innovation efficiency over the last few years educated greater than 15,000 of its workers to be company innovators. Any kind of innovation program that does not begin by assisting workers to see the globe with "fresh eyes" will certainly virtually undoubtedly disappoint in future prospects.



2. A sharp, common interpretation of innovation

To take care of innovation in a methodical method, it's needed to have a commonly comprehended meaning of innovation. Without this, it's difficult to recognize just how much "genuine" innovation is taking place and also whether it's repaying. Equally as seriously, it's impossible to hold leaders in charge of innovation if no person could settle on what's brand-new as well as exactly what's not.

For an item or service to be counted as radical at Whirlpool, it needs to be convincing as well as special to the customer, develop a competitive advantage, rest on a course that could generate even more innovations, and also offer customers with even more worth compared to anything else in the market. It's likewise essential to regularly evaluate the interpretation: did the items that got ranked extremely "cutting-edge" in fact generate above-average returns?

Having a useful, agreed-upon meaning of innovation makes it much easier to establish objectives for innovation, to allot resources to cutting-edge tasks, to prepare a tempo of cutting-edge item launches, to target marketing on high-value advancements, as well as to determine innovation efficiency.

3. Comprehensive innovation metrics

Business determines practically every little thing that has an influence on the bottom line, yet oddly, they frequently avoid gauging innovation. Right, it is very difficult to gauge. Historic standards are of restricted worth when an item has no antecedents, as well as it's tough to select the future worth of a suggestion that exists just as an idea.

When you have actually developed the metrics and also a standard, you're in a place to establish certain, unit-by-unit innovation objectives, and also to adjust the innovation engine. Without a collection of



thorough metrics, Whirlpool would not have actually been able to establish such particular innovation objectives, to proactively rebalance its innovation investing, or to gauge the outcomes of those activities.

4. Qualified and also answerable innovation leaders

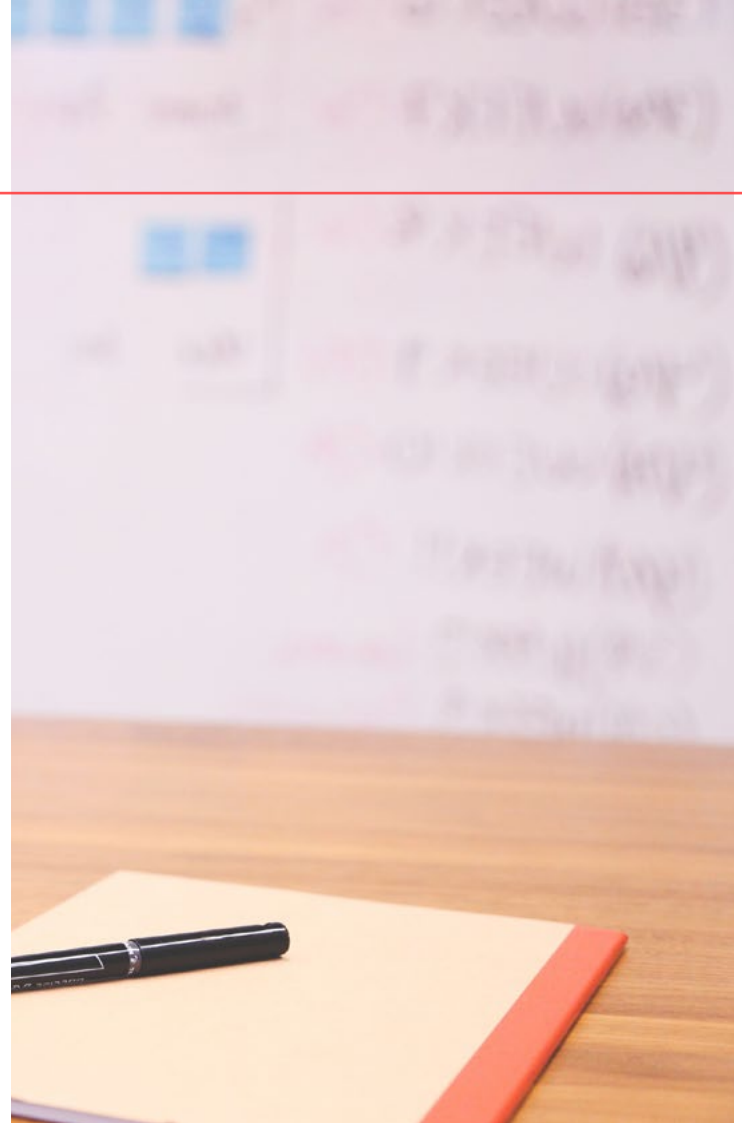
What percent of the leaders in your firm, from job supervisors to executive vice head of states, are officially responsible for innovation? Also, usually, innovation is seen as the district of specialized systems like R&D or company growth, compared to being the duty of every leader at every level.

During encounters, many management development programs provide little emphasis to these innovation-enabling mindsets as well as habits. With training, comments, as well as the selection, business need to strive to develop a staff of leaders that are as skilled at promoting innovation as they run the business.

5. Innovation-friendly administration procedures

No matter exactly how admirable a business's innovation techniques are if its whole administration model hasn't been tuned for innovation, little of the engine's power will certainly get to the bottom line.

Over the past few 10 years, essentially every firm has actually thoroughly revamped its operating model for effectiveness as well as speed. International supply chains have actually been enhanced, company procedures have actually been contracted



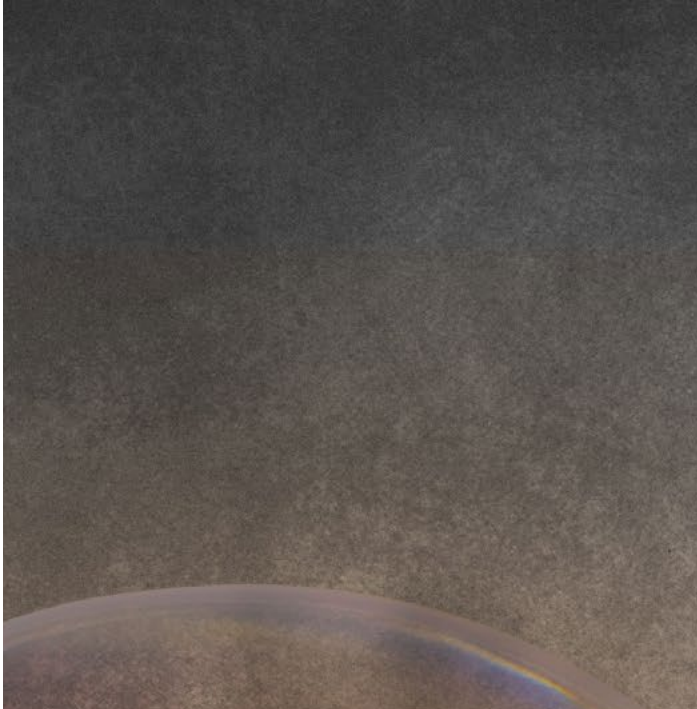
out, and also substantial financial investments have actually been made in brand-new IT devices. So far, however, a couple of firms have actually committed anywhere near this degree of initiative to retooling their administration methods for innovation.

If your business is truly severe regarding constructing an innovation engine, it will, after that, have to update every person's innovation abilities, settle on just what counts as innovation, develop detailed metrics, hold leaders responsible for innovation, and also retool its administration procedures so they promote innovation anywhere at all times. These cannot be separate hard works; they need to operate in an agreement. Do all this and there will be a firm that could win, and also win once again, in the 21st century's innovative economy.



NEW RULE:
**BIGGER
RISK,
BETTER
INNOVATION**

By Ashley Wong



Managers increasingly understand the need to steer innovation into their companies, nevertheless they will be successful with this if only they are not scared of failure.

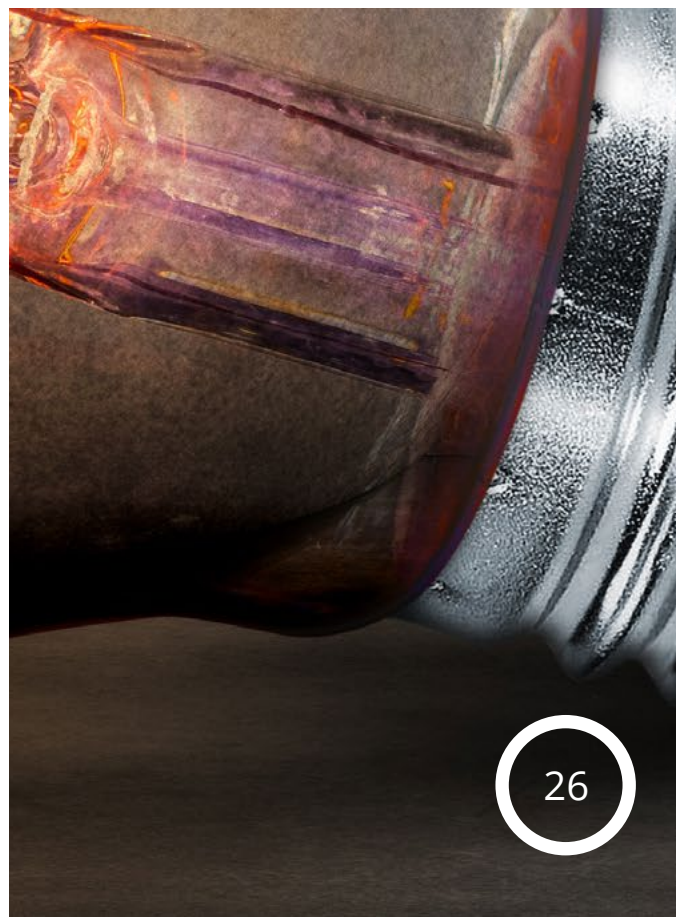
Mick Simonelli, Principal of Simonelli Innovation, believes that key innovations require taking risks. It is not avoidable. Risk is a feature of innovation, hence the more innovative the business idea the higher risk it entails. There are many ways to dodge risks and fail cheaply and fast. Nevertheless no matter the safety measure or tactics taken, it is impossible to completely eliminate risks.

Executives have more need to take risks today unlike before; this is because there is a hyperdrive of innovation at every point within financial services. There is an increase in the turnover rate for services and products; a look at the turnover of Fortune 500 companies shows this. Big conglomerates are reduced to nothing when their ideas become outdated and small firms grown speedily when their business ideas creates entirely new markets. Behind this failures and success are leaders who vigorously chase new ideas and awkwardly dodge the risk. There is no doubt that we are in the era of extraordinary innovation pace, but history has also shown that innovation needs leaders who are courageous with the ability to overcome risk. Alexander the Great understood the importance of taking huge risks to accomplish

big goals. On some of his bigger campaigns, he moved across various areas without any reliable map. Envisage the risk involved in moving a large army without being aware of its destination or the hazards it would face.

Christopher Columbus likewise took great risks in his voyages of discovery. Regularly, he was ready to visit areas where renowned scientists said the earth fell into space. Picture the problem he faced controlling a small fleet, financing his expeditions with loans from wealthy men, and facing the risk of sailing to the edges of the earth. Nevertheless the earth was not flat.

The predictable risk avoidance is very string in financial services. Most top executives have progressed through the ranks learning to concentrate on cost reduction and increasing the growth of





revenue. Risk taking is weakened with the skill of eliminating during growth process. Lot has been said about innovation but only few independent consultants are real change agents.

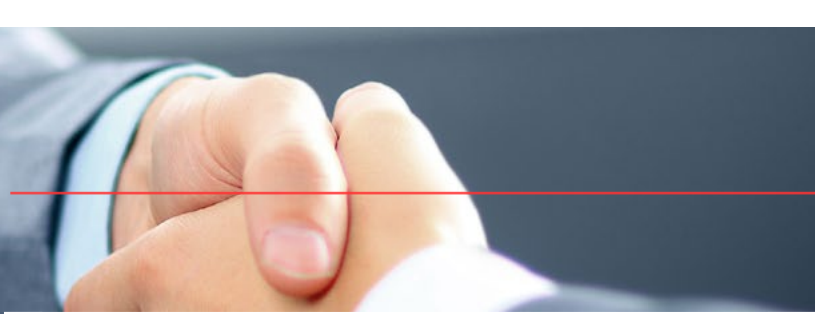
This has been proven through encounters with mid-sized financial service firms who want to launch bigger innovations. It was apparently clear as the top executives passed the vision around with no one ready to go ahead due to the risk of failure.

Due to the hierarchical nature of the firm, the CEO should actually be the right source for the innovation vision. There is need for the CEO to be the Columbus or Alexander and assume the risk but he still deferred the innovation vision. Working with a firm like this was stopped because the top executives were very risk averse.

Nevertheless there are lots of companies with bold top executives who understand the benefit of taking risks and go ahead to take them hence achieving maximum rewards and benefits.

RISK MANAGEMENT AND THE KEY TO INNOVATION

By Willis Hudson



Innovation does not ordinarily appear to go hand in hand with risk management in the minds of many though it should arguably be so. Wouter Koetzier, the leader of Innovation and Product Development consulting group in Accenture has assisted in discovering the benefits that arise as a result of the better connection of these two.

It has been observed that many people think that a normal startup with teams that are highly empowered and independent, developmentally agile, and bound by little control with top leaders who desire to acquire market share with nothing to lose is the perfect breeding ground for innovation.

From experience, it doesn't necessarily have to be so and it is not so too. Risk management and innovation are seen as partners, not rivals. When combined properly, both can assist firms in chasing opportunities which might have been abandoned at the introductory level in a culture that is risk averse. Risk management can assist in developing the innovation agenda of a firm by showing blank areas and spots of underinvestment that pose a risk to the future growth of a firm. Lots of firms have developed stage-gates, mainly a funneling method crafted to reduce uncertainty with the increase in risk exposure. Most times nevertheless, this stage-gating method is more centered on perfecting what the firm is good at, making the funnels to only end up with weak ideas that arrive late at the market that lacks emphasis on new aspects

for expansion as its results. Having no solid link to the capabilities of risk management, stage-gates end up being risk averse, thus, eliminating big ideas at the expense of little ones.

Oddly, having an existing corporate culture that only rewards and appreciates success is another notable impediment to innovation. With these kinds of cultures, finding a successful person with a failed experiment in his or her profile is rare, even if that failure will give worthy insights on opportunities in the future.

Venture capital firms – basically designed to encourage innovation and manage risk – can give vital lessons to big companies wanting to embark on big innovation. These companies build a portfolio of investments and liaise with the team of managers through the developmental stage as regards unexpected opportunities and new insights arising from the new process of learning. These companies are aware of the failure of most experiments beforehand.

Most companies apply three major principles to their work to achieve a good balance of risk and innovation:

1. Flexibility: Instead of staking all their cards on an experiment or two, organizations might consider creating a portfolio of timely innovation investments that serves as alternatives. Monsanto – the tenth position on Forbes list of the world’s 100 most innovative firms – found out early enough that genetic modifications could become very vital to its seed business. In a bid to lessen risks, Monsanto created an experiment portfolio, initially investing in biotechnology firms, then commencing its Life Science Research Center, which employed over 1000 workers. The chief Technology Officer in Monsanto, Robb Fraley, described this method as growth levels for the firm’s R&D pipeline during a presentation in 2012 to investors. Some sophisticated tools for risk management like advanced analytics can guide a complex decision as this through regular assessing of value against many scenarios and variables.

2. Speed: Speed is usually required in most successful innovation. Firms can make use of fast experimentation and strong development to boost the probability of filling their innovation portfolios with new extensions and products. In a fast-paced society, effective management of risks most times encourages risk taking within the limits of a firm’s risk capacity.

3. Control: Venture capital firms make use of controls, nevertheless these controls are typically designed to increase risk tolerance, promoting a culture that accommodates intelligent errors. Innovative firms usually build a safe ground for experiments. It is referred to as safe because the risk involved are managed, controlled and weighed. This basically means merging the operating and

finance aspects of the business. As regards the finance aspect, risk is usually a thing to mitigate or avoid, while operation most times view risk as essential and vital for growth.

Most of the firms discussed concentrate on strategies for growth as well as their associated risks. Programs created to boost innovation are gaining popularity, due to the fact that successful innovation can be the answer and relief to most of the risks facing firms.

Risk management can actually include a level of transparency and discipline to the innovation process, at the same time supporting the wanted risk capability and culture.



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