

# Key Insights from our 4Q17 Innovation Survey

As a part of our ongoing research into global best practices for effective innovation in financial services, and as a part of our national innovation survey, we recently asked nearly 100 U.S. financial services executives a couple of key questions about their own innovation efforts.

First we asked the executives “What is your institution’s highest priority for innovation?” While there was a wide variety of answers, most said they are focused on either “*reducing costs and improving productivity*”, or on “*prioritizing acquiring new customers*”. As we note on the following page, these are two very different undertakings, requiring different approaches to execute effectively.

When asked “What factor is most preventing your organization from innovating to its fullest potential?”, 32.7% of financial services executives cited “*organizational or structural impediments*”, while 29.6% say there is a “*lack of innovative culture and entrepreneurial spirit*” within their organization.

*To address these and other critical issues facing financial institutions innovating in this era of digital disruption, we are launching a new innovation consortium. This approach brings the best practices of modern agile business methods that have been custom tailored to be effective in a highly regulated environment.*

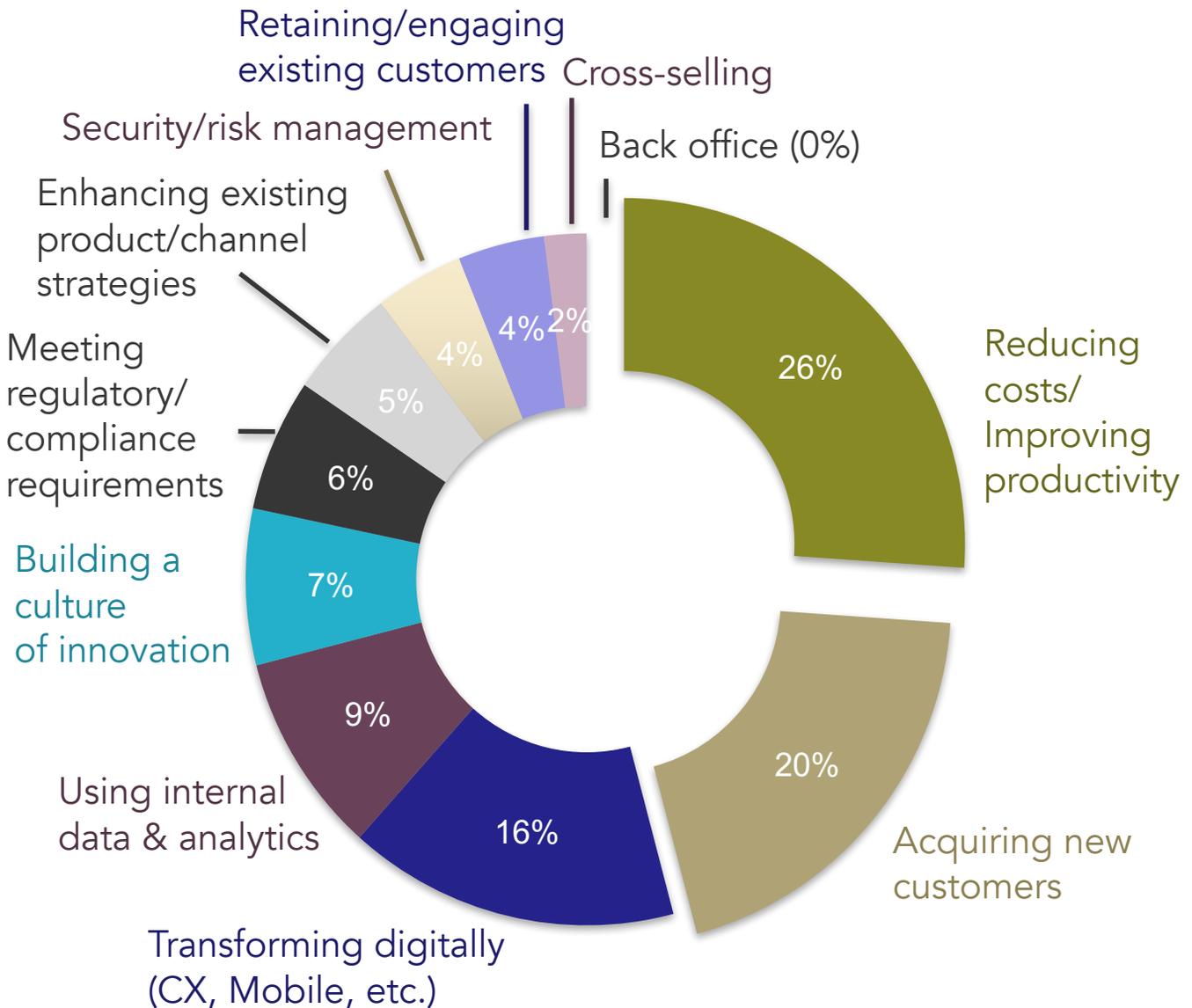
*Participants realize value more quickly, and at dramatically lower cost and risk, with a level of expertise, access, and focus that would be difficult, costly, and time-consuming to build in-house. A brief description is on the last page, but please contact us if you would like more information.*

# Top Innovation Priorities

These seemingly conflicting priorities require different approaches to execute effectively, and organizations need to align efforts accordingly. The most innovative organizations leverage achieved efficiencies to invest in improvements in customer acquisition, retention, and expansion.

## Key issues:

- Understanding key value drivers
- Flexible tools and frameworks
- Rapid trial process to quickly test and validate new ideas
- Appropriate KPIs and incentives
- Communication strategies
- Effective external partnerships
- Balancing risks and rewards



# Internal Barriers to Innovation

There is no doubt that traditional financial service companies select, retain, and reward people for identifying, quantifying, and avoiding risk. However, with the right structures, processes, and frameworks in place to balance new innovation with the necessary risk management and compliance, many organizations have been able to unlock hidden pockets of entrepreneurial energy from within their existing teams. In our experience all four of these factors play critical roles in successful innovation efforts, and it is not surprising to see significant responses in each category.

## Key Issues:

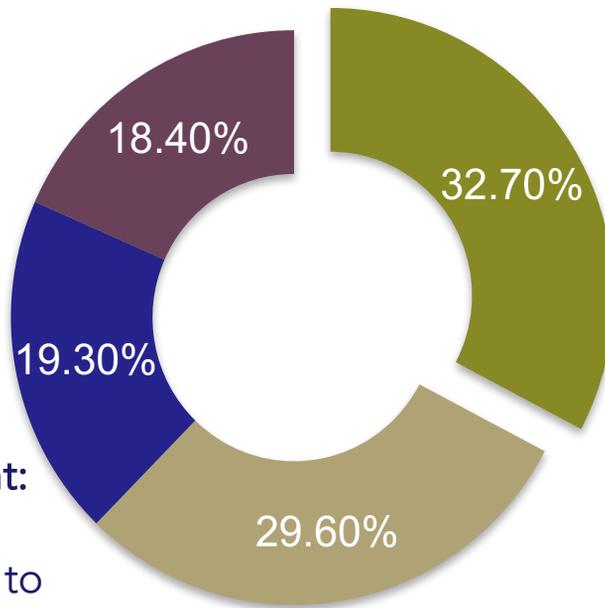
- Clear mandate and strategy
- Flexible tools and frameworks
- Funding model geared for test-and-learn rapid discovery
- Appropriate KPIs and incentives
- Effective governance and decision-making process
- Internal communications and reporting

## Strategy:

Ad hoc innovation processes with the lack of a defined or mature innovation strategy

## Change Enablement:

Less than effective process to respond to market activities, events, or opportunities



## Organization:

Organizational or structural impediments that prevent executing on innovative ideas

## Culture:

Lack of innovative culture/ entrepreneurial spirit within the organization

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