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**FUTURE'S
FORUM
2023**

Finding New Growth Through Business Innovation

Day 1

May 11, 2023

Paul Schoemaker and Jim Austin

nfda.org/futuresforum

Welcome



John O. "Jack" Mitchell IV, CFSP, CCSP
President



Christine Pepper, CAE
Chief Executive Officer



Presenters: Paul Schoemaker

Jim Austin

This seminar was custom designed by Paul Schoemaker and Jim Austin, with guidance and support from NFDA.

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Full bibliographical references are provided for sources as well as a list of recommended readings at the end for those wishing to explore some topics further.

It is high time to transcend the past...



2002 – 2007 Scenario Analysis

Scenario Matrix

Change in Consumer Preferences

		Moderate	Profound
		Gradual	Tradition Rules
Change in Industry Structure	Quantum	Many Points of Entry	Survival of the Fittest

2002 – 2007 Scenario Analysis

U1 Consumer Preferences

	Moderate	Profound
Cremation	50%	85%
Service at Funeral Home	90%	50%
Pre- Need	25%	75%
Third Party Vendors	20%	50%

2002 – 2007 Scenario Analysis

U2 Industry Structure

	Gradual	Quantum
FH < 100 Services / Yr	30%	2%
Service: Merchandise Home	7:1	10:1
White Males	80%	50%
Growth in \$ For Funerals Vendors	0	+ or -30%

Exercise 1: Attendee Intro

At your tables...

1. *Introduce yourself*
2. *What attracted you to this program?*
3. *Select a spokesperson to report out...*
 - *Range of geographies, businesses at table*
 - *Expectations for this meeting?*



Objectives

- What are your customers really after and how you can embrace their changing needs?
- *Seeing coming trends and opportunities ahead of the competition.*
- Building a portfolio of initiatives to optimize short-term needs – driving efficiencies – while laying the groundwork for longer-term innovative initiatives.
- *Driving action plans to realize future growth opportunities.*

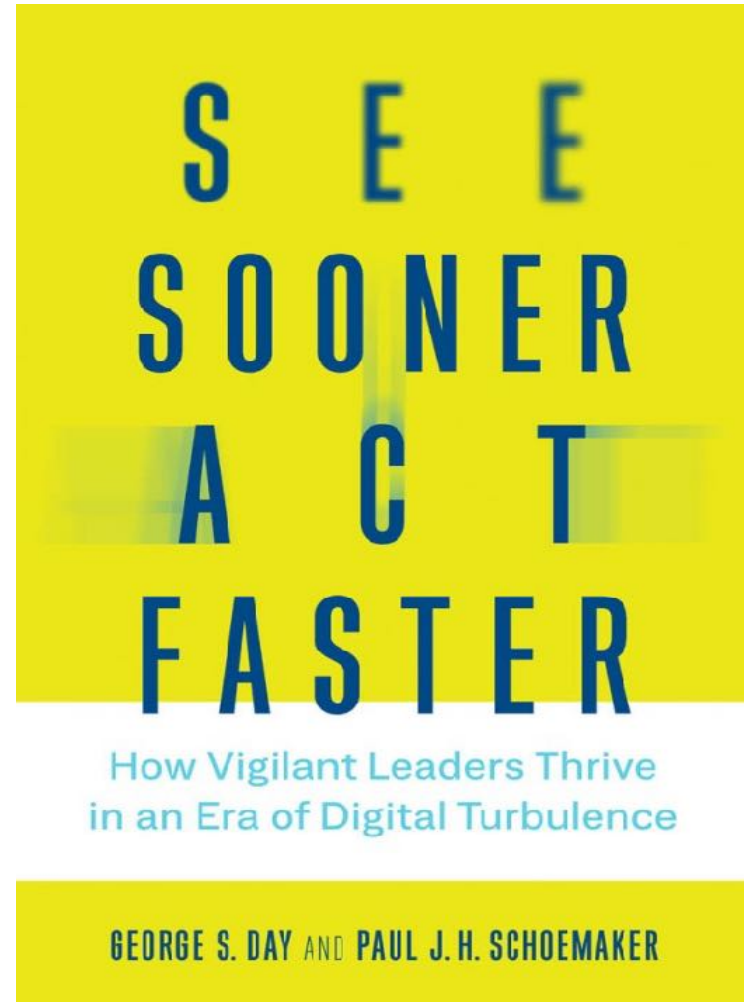
Agenda: Day 1

- Improving Vigilance
- Business Models
- Innovation and Growth

Agenda: Day 2

- Action Plans

- Seeing Sooner
- Acting Faster
- Leadership Roles
- New Competencies
- Orchestrating Vigilance



Why Vigilance Matters



The Reward of Vigilance

- Nike became a leader in on-line customer engagement.
- Adobe turned a looming threat to Photoshop into a big opportunity.

The Costs of Vulnerability

- Wells Fargo was slow to respond to employee sales scams.
- Kobe Steel manipulated quality inspections.
- Radio Shack missed a trend it started.
- Facebook exposed millions of user profiles.



“We were too slow to spot this and too slow to act. That is on us.” Sheryl Sandberg, COO



The Need for Vigilance

“Turbulence...is irregular, non-linear, erratic. But it’s underlying causes can be analyzed, predicted, managed.” Peter F. Drucker

- Most leaders are good at focusing on:
 - *Next quarter’s results*
 - *Moves and countermoves of direct competitors*
- Yet, long-run dangers and rich opportunities may lurk just outside the attention field
- Seeing threats and opportunities sooner gives organizations more response options.

What is Your Vigilance Quotient?



LOW	MEDIUM	HIGH
<ul style="list-style-type: none"> • Short-term focus • Conventional thinkers • Limited interest in outliers • Favor familiar settings 	<p>Leadership Posture</p>	<ul style="list-style-type: none"> • Play the long game • Willing to challenge assumptions • Seek diverse inputs • Involved in wide networks
<ul style="list-style-type: none"> • Inside-out thinking • Avoid uncertainty • Myopic and rigid process 	<p>Strategy Making</p>	<ul style="list-style-type: none"> • Outside-in thinking • Embrace uncertainty • Adaptive/learning process
<ul style="list-style-type: none"> • Reactive Posture • Formulaic/budget-driven • Failures are errors 	<p>Approach to Foresight</p>	<ul style="list-style-type: none"> • Disciplined search • Flexible, real options approach • Experiment-to-learn
<ul style="list-style-type: none"> • Operationally focused • Information is silo bound • Weak signals left unattended 	<p>Coordination and Accountability</p>	<ul style="list-style-type: none"> • Focus on strategic accountability • Information shared across boundaries • Incentives for timely action

Lessons About Vigilance

“...Leaders must develop a sixth sense, an ability to see around the corner.” Jack Welch

1. Vigilance is more about anticipation and being alert, than prediction.
2. When firms are surprised someone in the organization (or network) knew about it earlier.
 - Leadership didn't know they knew.
 - They didn't know leadership needed to know.
3. Vigilant leadership teams enable their organizations to see sooner:
 - Open to diverse inputs
 - Take the long view
 - View their business from outside-in
 - Invest in foresight capabilities
4. Vigilance is rewarded by capital markets.

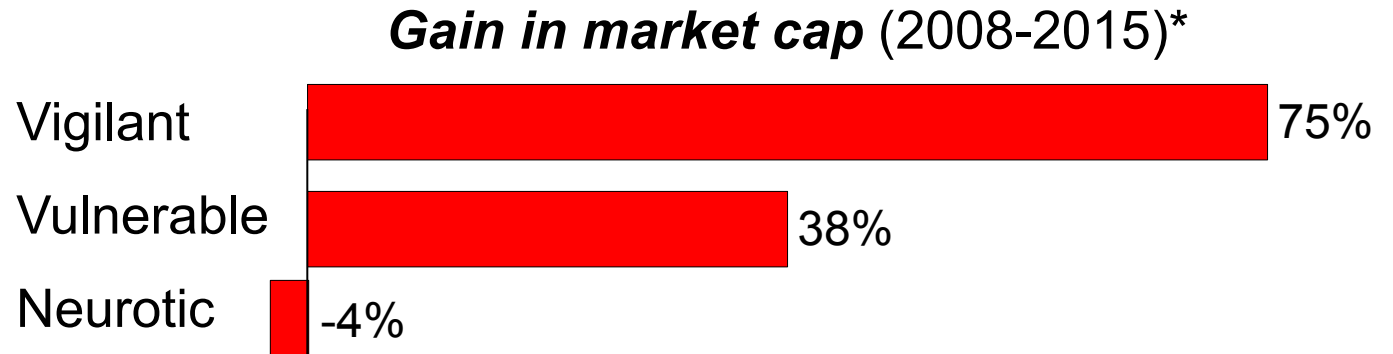
Developing Foresight Pays

Strength of Their Foresight Capability

- Need for vigilance
- Complexity
 - Volatility

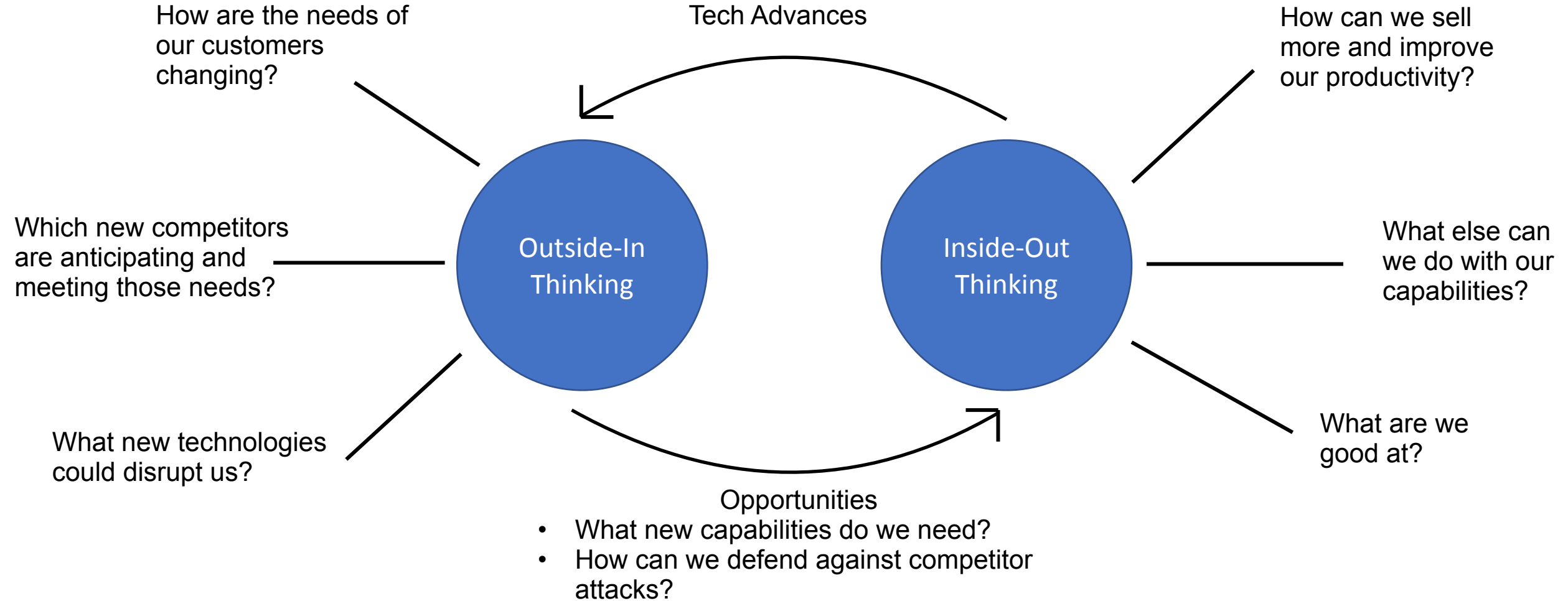
High	Vigilant (36%)	Vulnerable (48%)
Low	Neurotic (16%)	Focused (0%)
	High	Low

Performance of 85 Large Cap European MNCs



Source: Rohrbeck & Kum (2018)

Integrating “Inside-Out with Outside-In”



Exercise #2: Challenges? How might you use some of the ideas presented so far?

Discuss with those sitting beside you...

- What are 2-3 major barriers to Seeing Sooner...Acting Faster?
- What are your major challenges in moving from strategy to execution?
- What might you do?



Typical Challenges

External

- Shifting customer needs
- Technology changes
- Competition shifts
- New low-end challengers
- Changing government regulations
- Economic conditions

Internal

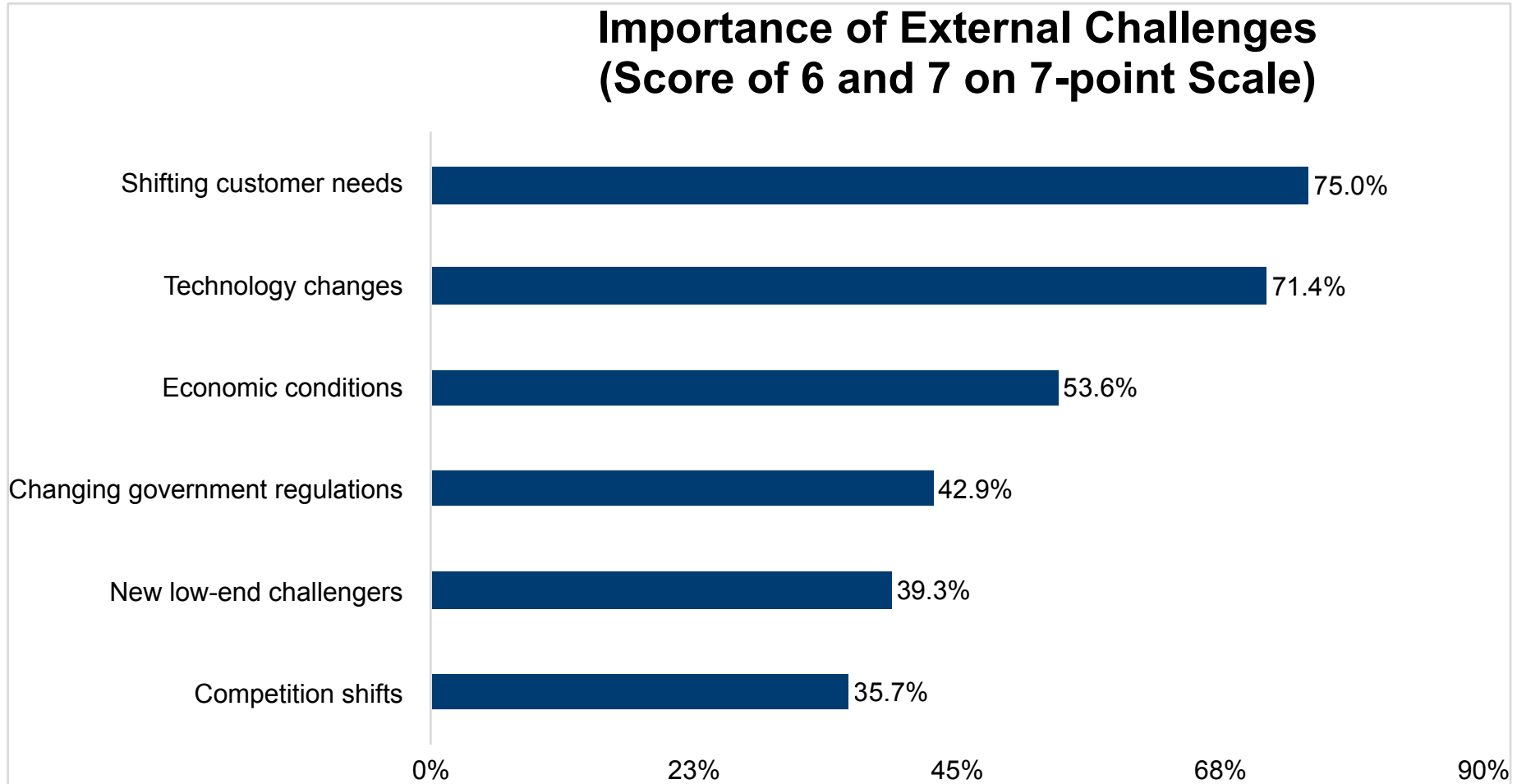
- Little attention to “weak signals”
- Lack of vision/risk taking
- Trapped in “how we have always done things”
- Too internally focused
- Lack of talent
- Wrong incentives: short-term, risk-averse

The “Art” of Persuasion...

- **Establish credibility**
 - *Build coalitions*
 - *Expertise and relationships*
- **Seek common ground**
 - *What are the advantages to the decision-maker(s)?*
 - *Identify shared benefits*
- **Use stories, analogies**
- **Connect emotionally**
 - *Show your emotional commitment*

*source: Jay Conger, “The
Necessary Art of Persuasion”, HBR
Reprint 98304*

Importance of External Challenges (Score of 6 and 7 on 7-point Scale)



Importance of Internal Challenges (Score of 6 and 7 on 7-point Scale)



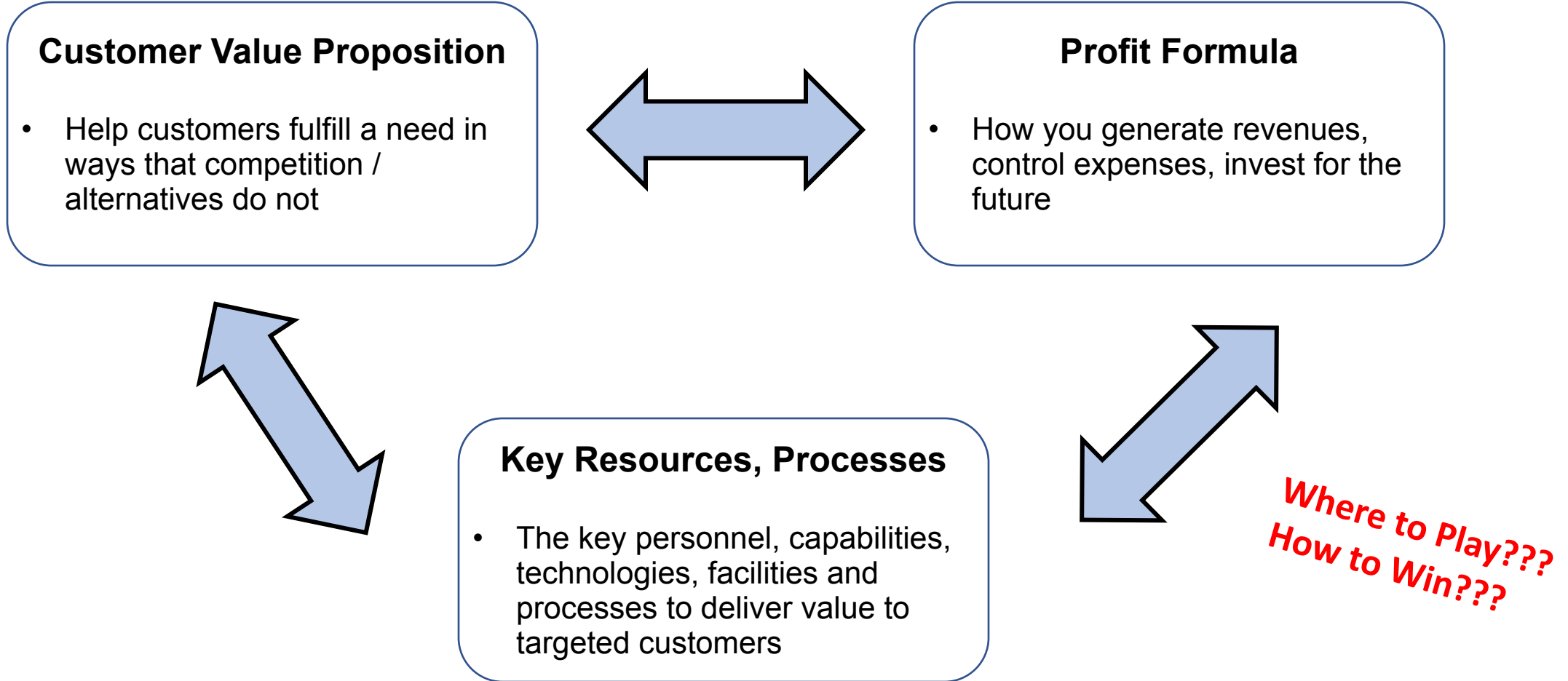
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Business Model: A Definition



Comparing B-Models

	Traditional Taxi	Uber Cars
GPS driver guidance	Optional	Mandatory
Know exact location and arrival time of vehicle	No	Yes
Spend time in vehicle on payment	Yes	No
Easy choice of vehicle class	No	Yes
Drivers are employees or independent contractors	Mixed	Independents
Common procedure across geographies	Locally	Globally
Easy ability to provide feedback on service	No	Yes
Can be hailed on the street	Yes	No
Driver owns or leases car	Mixed	Yes
Computer dispatched	Mixed	Yes
Payment	Cash or credit	Cashless (cards only)
How company is paid	Mixed (revenue and profit split, plus per diem)	Revenue split with driver
Customer rating of driver	Difficult and not required	Easy and required

Funeral Home B-Models?

	Traditional	Virtual
Owns building and cars	Yes	No
Value proposition	Service	Low cost
Local connections	Deep	Shallow
Family business	Yes	No
Offers detailed script of how to conduct a religious service with strong preference for burial	Yes	No
Favors one-stop shopping/full service	Yes	Flexible
Favors traditional customers	Yes	Agnostic

Apples' Innovation Eco-system



Operators

- Verizon
- AT&T
- T-Mobile



Third party apps and services

- App developers
- SW Publishers
- Content Retailers
- Content Owners
- Internet Players
- Brands
- Verticals

Contributes app store to offer \$\$\$ & user engagement



iOS Platform

Users & data plans



Subsidies

Access to market



Complements & revenue share



Devices

Premium product user experience



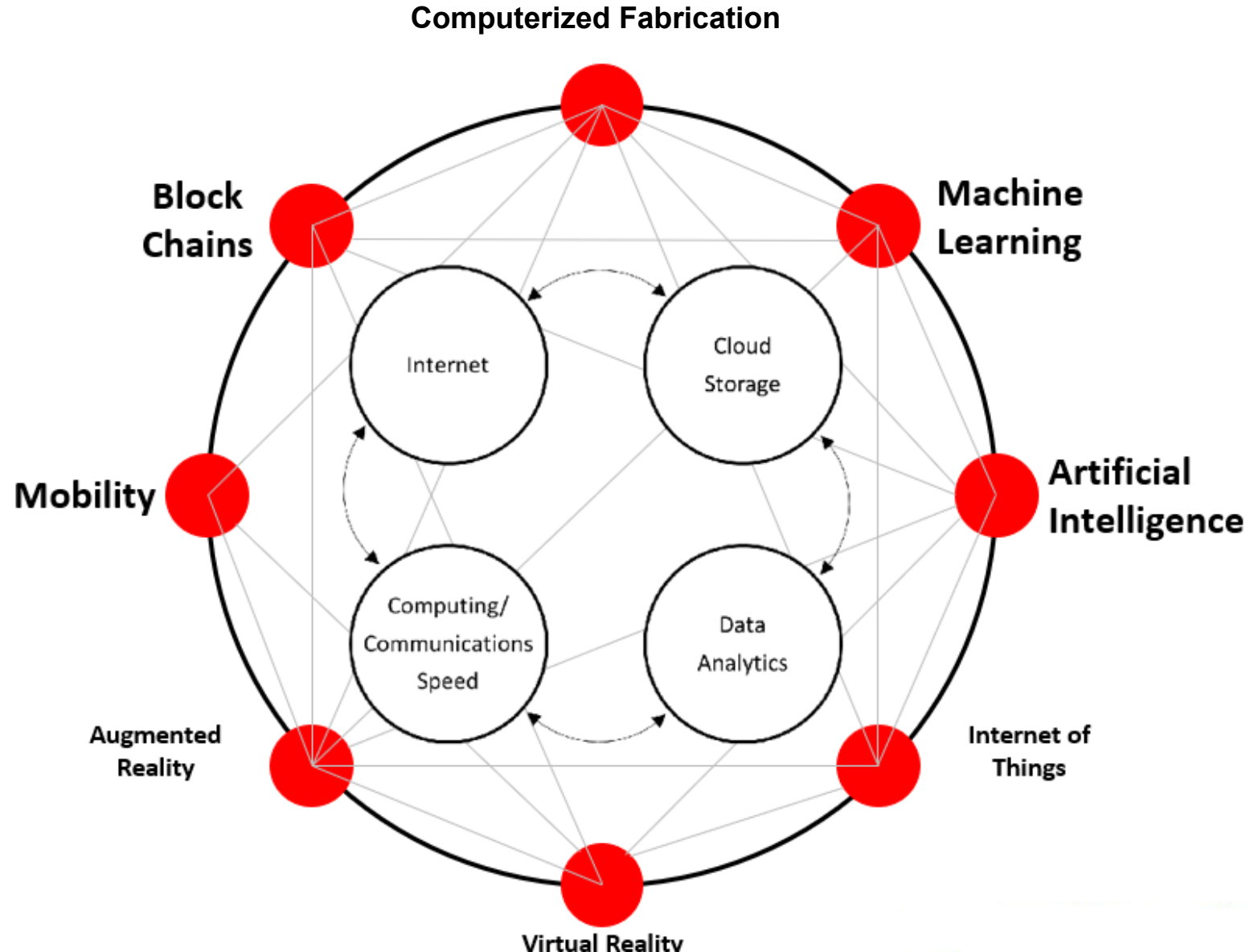
Premium \$\$\$



B-Model Disruption

“Our competitors aren’t taking our market share with devices; they are taking our market share with their entire ecosystem.” Steve Elop, Nokia CEO

Combinations of Digital Capabilities



Exercise 3: Assumptions/Challenges?

1. What are your main assumptions about “the business” currently?
2. Which of these could be most shaky in case of B-model disruption?
3. If you were a new competitor entering your market, how would you attack?



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Exercise 4: What is “innovation”?

Discuss with those at your table...

How do you define “innovation”?



Is this Innovation?



"Duster Slippers" for Cats?

Other creative ways of dusting...



Different Kinds of Innovation

- **Product Innovation (automobile; PC)**
- **Technological Innovation (mini-mills in steel)**
- **Market Innovation (organic produce; iPod)**
- **Organizational Innovation (TQM, scrums)**
- **Environmental Innovation (hydrogen filling stations)**
- **Cultural Innovation (exercise, diet, agility)**

The Innovation Spectrum

Little (i)

Exploitation

Incremental innovation

Red Ocean

Continuous improvement/
process discipline

Low risk – small reward



BIG (I)

Exploration

Discontinuous/disruptive

Blue Ocean

Transformational change

High risk – large reward

Proposed Definition...

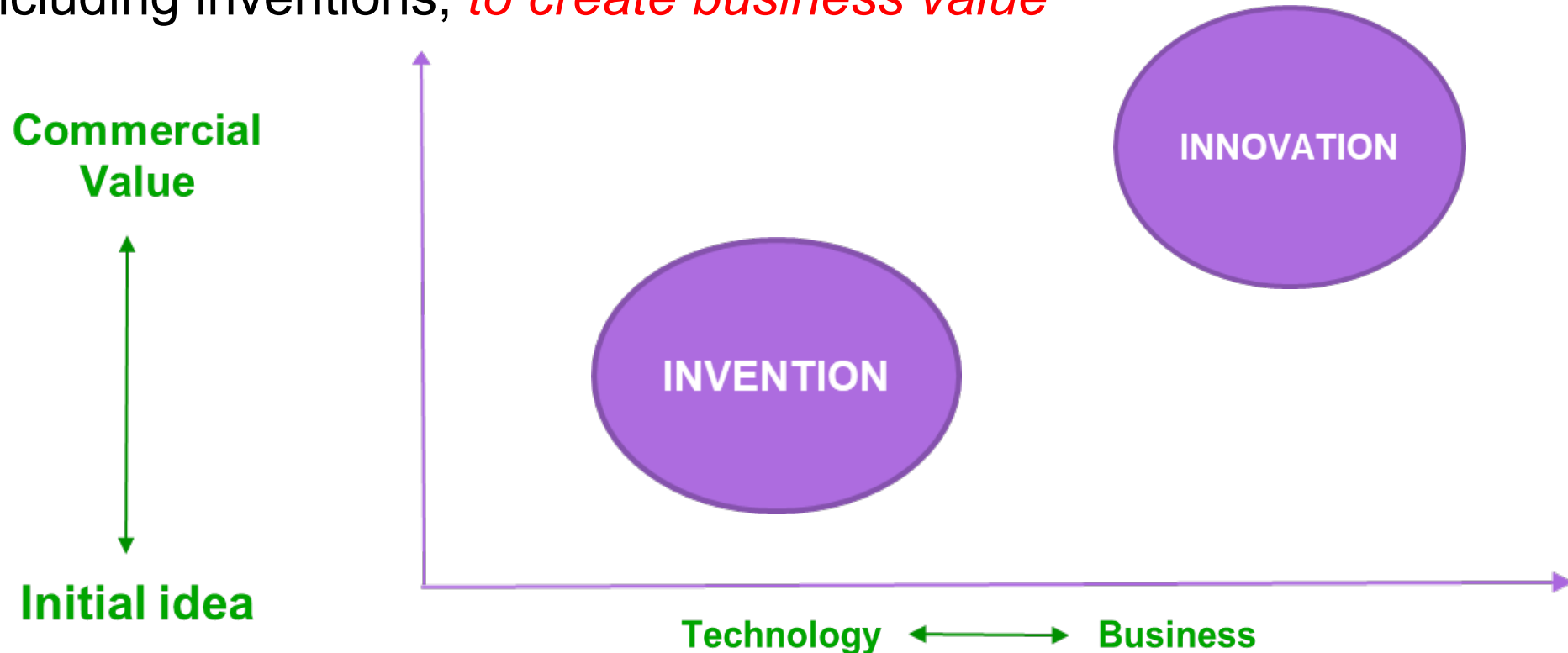
*A **new** match between a **solution** and a **need** that...*

- Do NOT have to be patentable, inventions
- Can be incremental **OR** radical
- Can be products, business processes, financial models, services, etc.
- Could be supplier focused, internally oriented, or customer-centric
- Increases revenue, profit and resilience

Innovation vs. Invention

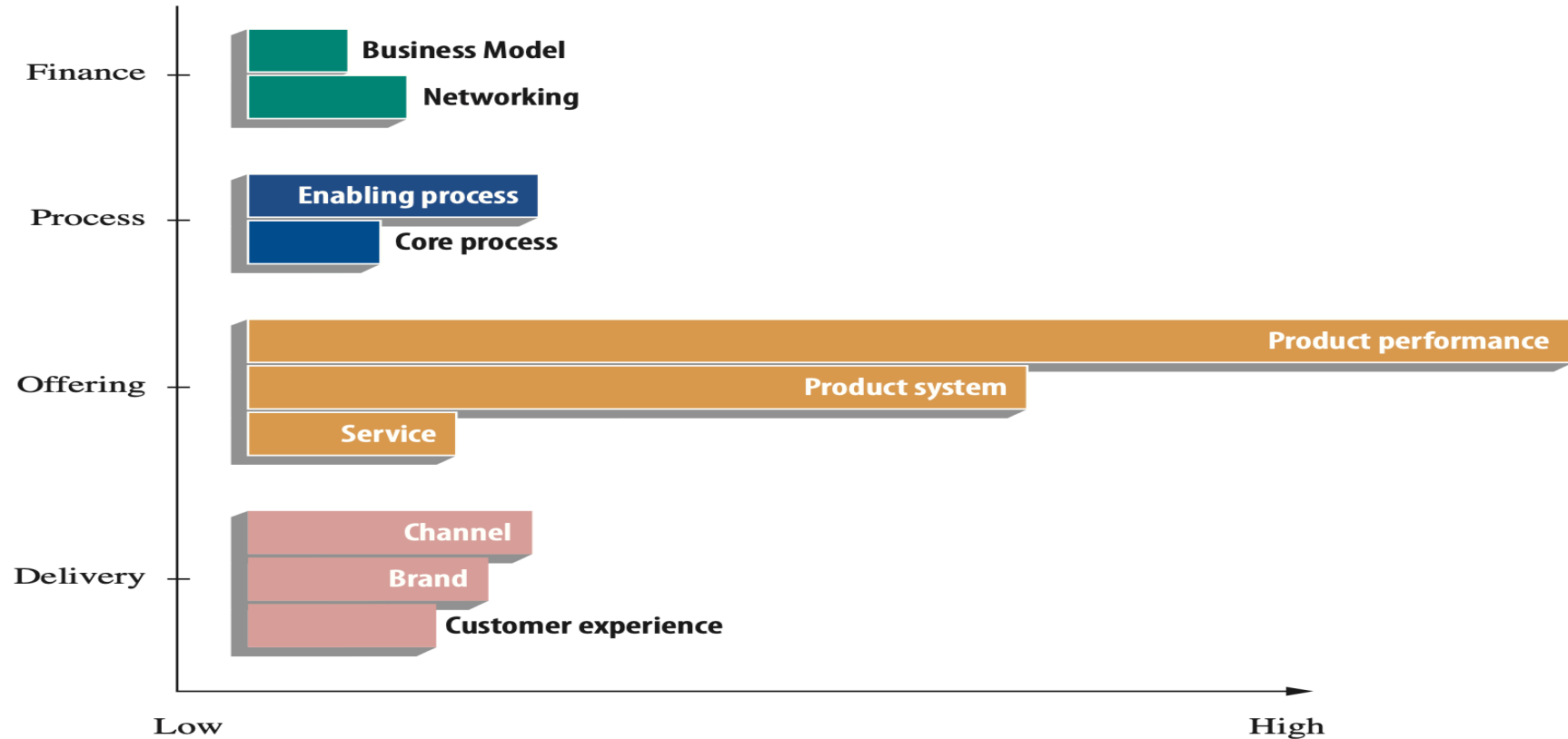
Invention typically refers to the formulation of new ideas for products or processes, often technology driven but not necessarily

Innovation is mostly about the *practical and successful application* of many types of ideas, including inventions, *to create business value*



Sources of Innovation

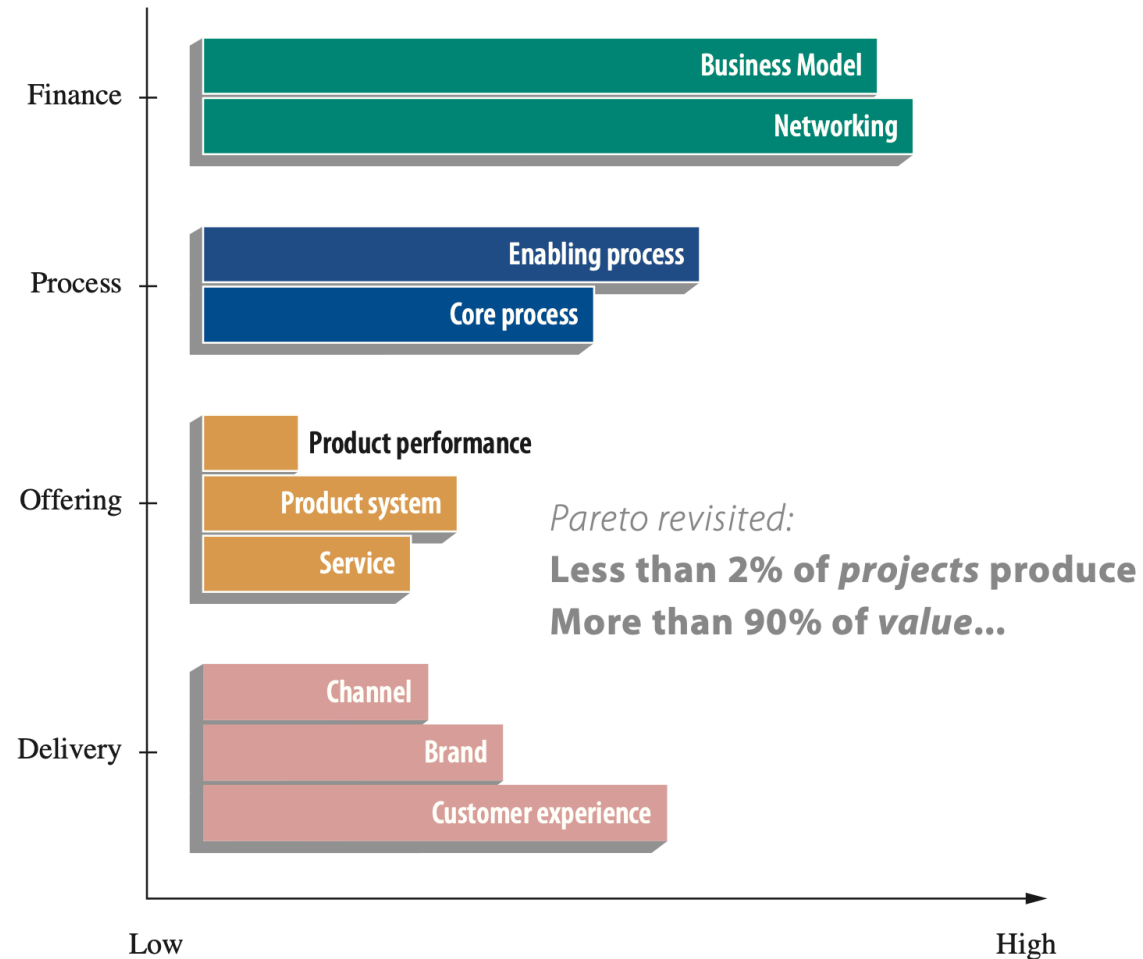
Volume of innovation efforts —
Last 10 years



Source: Doblin Inc.

Value Creation May Be Elsewhere...

Cumulative value creation —
Last 10 years



Exercise 5: Customer Pain Points Analyses

Identify one customer segment/channel that you are familiar with...

Explore Customer/Channel "Pain Points"



- Focusing on one customer segment or channel, what are their pain points in dealing with your company's products and services?
- What creative ideas/approaches might you suggest to overcome these pain points? What new offerings/services might be developed to alleviate those issues?

Customer Segment _____

Stages of a Key Customer Segment/Channel in Dealing with You	Customer/Channel “Pain Point”?	New Approaches/Products/ Services to Overcome?
Find Out About You...		
Compare offerings...		
Informational meeting...		
Work with you...		
Follow-up...		

How Intuit uses “pain points”

Intuit innovation starts with “the painstorm...a process aimed at figuring out customers’ greatest pain point for which Intuit can provide relief.

In a painstorm, <innovation> team members talk to and **observe customers in their offices or homes** rather than sit in Intuit offices and imagine what they want.”

Roger Martin, “*The Innovation Catalysts*”, June 2011, Harvard Business Review

intuit®

Employee Expectations?

“People are reflecting on what it is that they want in a job, in a career, in life. The job market is tight and people have opportunities to move jobs....It may be a good time to have discussions within the organization about what work will be fulfilling. If companies are trying to retain workers, they’re going to want to be thinking about how to make their workforce **happy, productive and fulfilled...**”

Linda Babcock, Professor of Economics, Carnegie Mellon University

To Establish Organizational Trust...

- Recognize excellence
- Induce “challenge stress”—achievable targets, clear progress feedback
- Allow discretion in how employees do their jobs
- Enable job choices with accountability
- Share information broadly
- Support building relationships
- Facilitate broad personal development, not just professional
- Show vulnerability

Discussion: Org Trust?



Discuss:

- Are you creating a “high-trust” environment?
- Where might you want to focus for possible improvement?

Please designate one (1) person to summarize your group’s discussion

To Establish Organizational Trust: Discuss

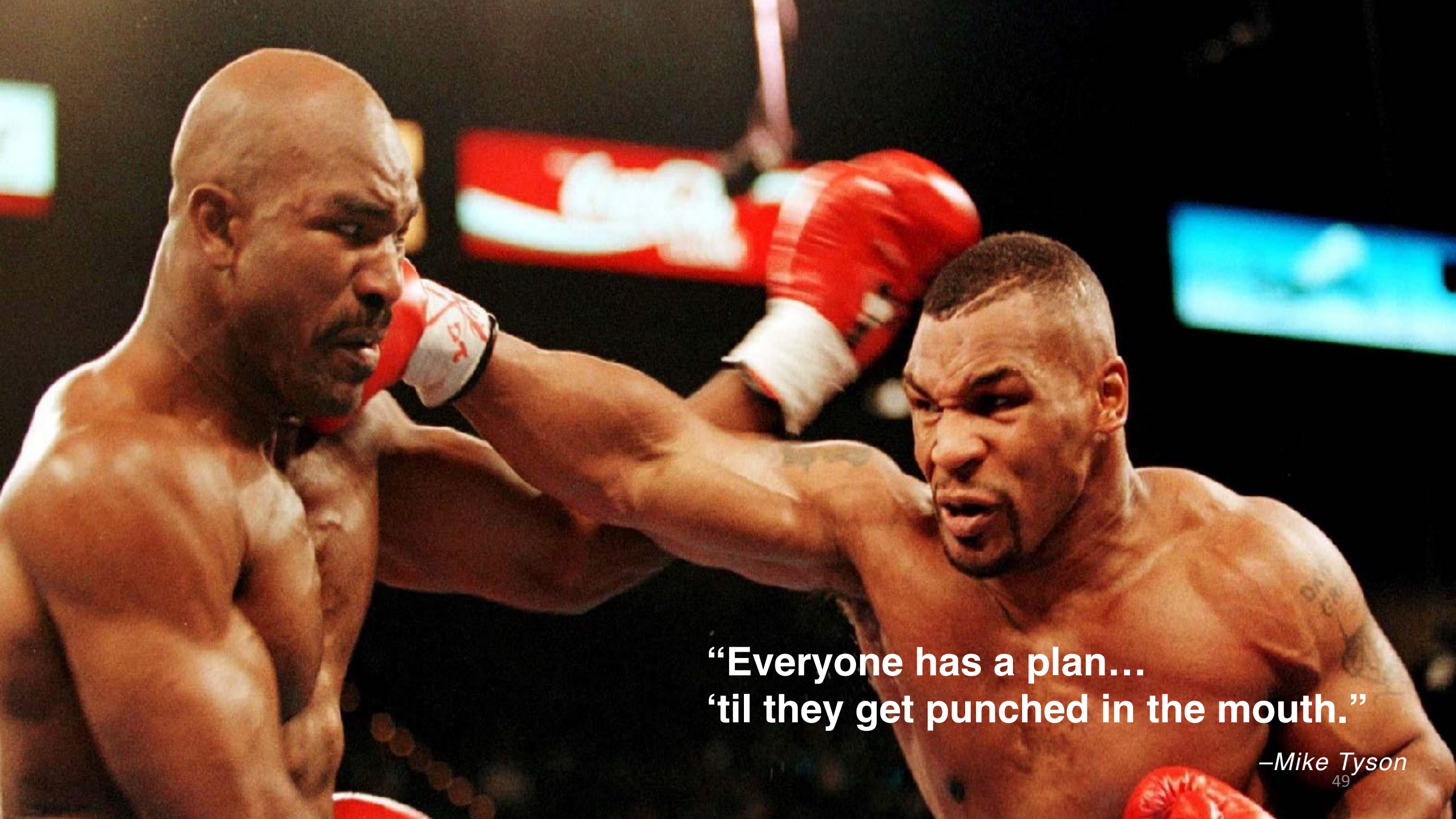
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- Share information broadly
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 - Facilitate broad personal development, not just professional
 - Show vulnerability

“Ultimately, you cultivate trust by *setting a clear direction, giving people what they need to see it through, and getting out of the way . . .*

High-trust companies hold people accountable but without micromanaging them. They treat people like responsible adults.”

*–Paul J. Zak,
“The Neuroscience of Trust”*





**“Everyone has a plan...
‘til they get punched in the mouth.”**

–Mike Tyson
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Thank You!

Paul Schoemaker and Jim Austin

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Finding New Growth Through Business Innovation

Day 2

May 12, 2023

Paul Schoemaker and Jim Austin

Exercise 6: Recap of Day 1

- What are the main ideas/frameworks from today that you might utilize?
- What hurdles, issues might you encounter in employing these ideas?
- Further questions? Other areas to explore?

Be ready to report out...



Approaches to Innovation



Radical	IDEO	Blue Ocean VI (Insead)	Peters & Hamel (Revolution)
		Clay Christensen	Deliberate Mistakes
		Innovation Tournaments	Ten Rules (Govindarajan)
Sustaining			Reverse Innovation
	Vertical Consultants	Lead User Research McMillan-McGrath (DDP/Options)	Connect & Develop (Huston/P&G)
	Toyota (Continuous Improvement)	Zook (Beyond the Core)	DSI's New Horizon
Incremental		TQM	Learning Org. (Senge)
	Content	Process	Context

Chronology of Innovation Models

- Mostly Inside-Out (P&G example)
- Partner-Based (Customer & Supplier)
- Lead User Innovation
- Business Model Innovation
- Open Innovation: Outside-In
- Mental model innovation
- Designing Innovation Ecologies

Quantum Innovation: The Google Way

- **Broad sense of purpose**
 - Organize the world’s knowledge
 - Raise the world’s IQ
- **Flat and Transparent Organization**
 - There is no “chief software architect”
 - Darwinian competition of ideas
- **Budget flexibility to explore**
 - 20% of each budget is flexible
 - Buying options on future: googlettes
- **Reward excellence; keep bozos out**
 - Grueling hiring process (Only A-Level)
 - Foster internal entrepreneurs
- **Smart risk-taking culture**
 - IPO warns of unusual investments
 - Pursue big ideas (\$ billion plus)

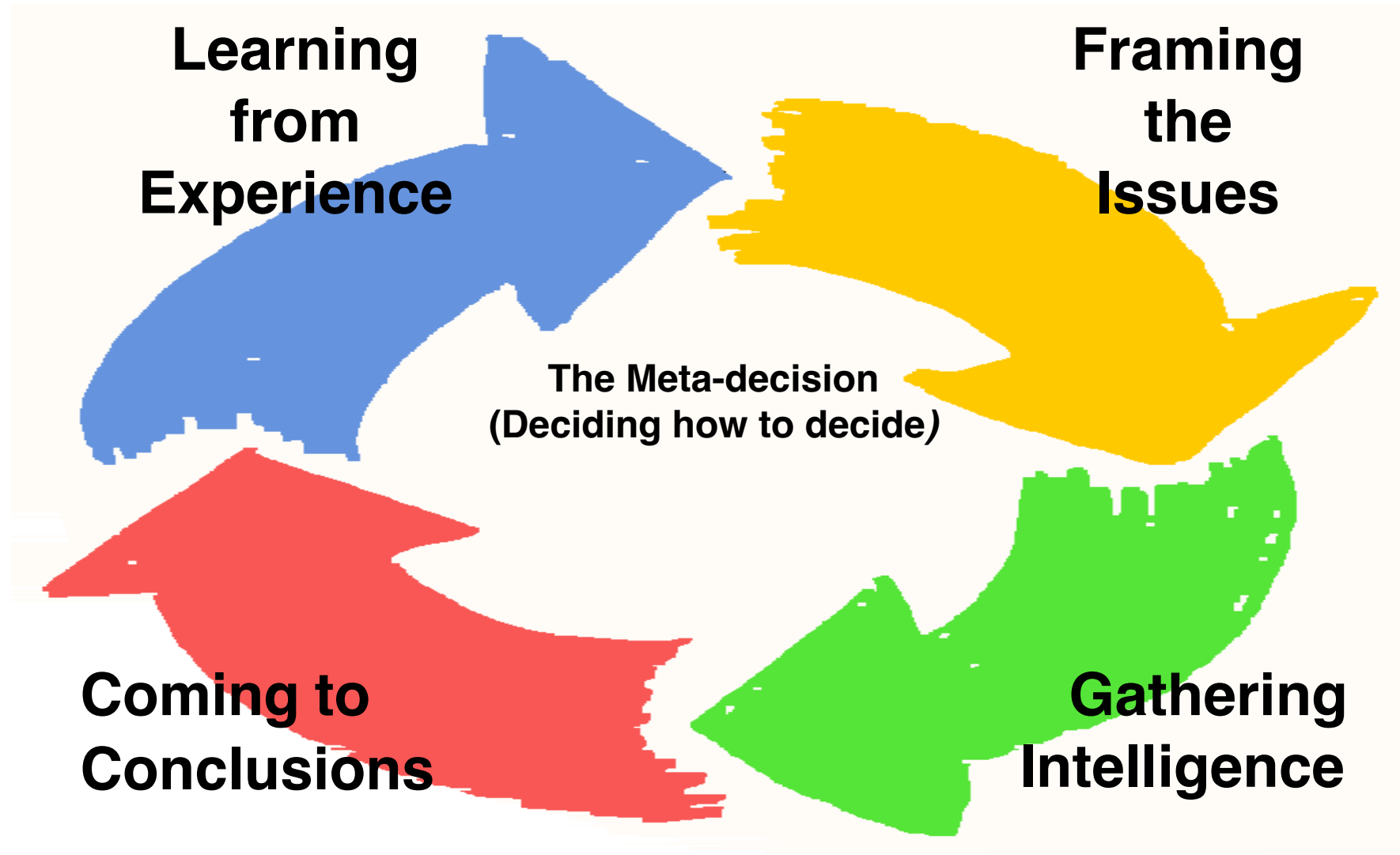
The Paradox of Innovation

Genuine innovation usually happens:

- At the wrong time
- In the wrong place
- Led by the wrong people
- In the wrong team
- In the wrong part of the organization
- And may not be recognized by senior leaders

How can we orchestrate and channel such a haphazard process?

Phases of the Decision Process



Positives for Day 1

- Table discussions...learning from others (25)
- Pain Point exercise (9)
- Practical, intellectually stimulating content (9)
- Discussion about disruptors of the status quo...thinking outside the box (7)
- How we would attack a new competitor
- Business model changes
- Great presenters

Meeting exceeded my expectations from the content to the organizational standpoint

Development Areas for Day 1

- Not enough group discussion (9)
- Content too broad, theoretical (8)
- Letting same people dominate conversation (3)
- Narrow-minded thinking (3)
- More time on implementation (2)
- No healthy snacks (2)
- Too many topics, not enough time (2)
- Not many new ideas...too much that was shared was same old stuff (2)
- A little hard to hear
- More paper for exercises
- Scenario matrix
- I wish we spent more time with HR

Not enough bathroom breaks

Individual Exercise

A man buys a \$78 necklace at a jewelry store. He gives the jeweler a check for \$100. Because the jeweler does not have the \$22 change on hand, he goes to another merchant next door. There he exchanges the man's check for \$100 in cash. The jeweler returns and gives the customer the necklace and his change. Later the check bounces and the jeweler must make it good to the other merchant. He originally paid \$39 for the necklace.

What is the jeweler's total out-of-pocket loss?



Jewelry Exercise: Debrief

A man buys a \$78 necklace at a jewelry store. He gives the jeweler a check for \$100. Because he does not have the \$22 change on hand, he goes to another merchant next door. There he exchanges the man's check for \$100 in cash. He returns and gives the man the necklace and his change. Later the check bounces and he must make it good to the other merchant. He originally paid \$39 for the necklace.

A. Jeweler buys necklace:	<-\$39>
B. Gets \$100 from other merchant:	\$100
C. Gives man \$22 in change:	<-\$22>
D. Must pay back merchant:	<u><-\$100></u>
Total:	<-\$61>

Why interesting?

- **Different assumptions, interpretations**
- **Willingness to listen, challenge our initial response**
- **Under pressure see fewer options**
- **Language barriers**

Growth Leaders “Paint with Two Brushes” (I)

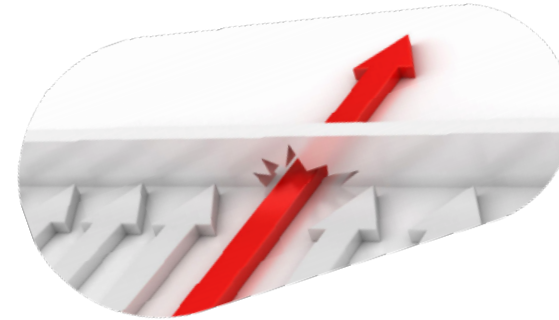


Champions of Stability

- Promote from within
- Focus management on culture and shared values
- Hold on to talent
- Do not make radical strategy or portfolio shifts
- Maintain reliable customer base

Rapid Adaptors

- Make small bets and diversify their portfolios
- Be active acquirers of new ideas, perspectives
- Create processes that build flexibility
- Build innovation into their processes



Source: Rita McGrath, “How the Growth Outliers Do It”, HBR Jan/Feb 2012

Growth Leaders “Paint with Two Brushes” (II)

Upgrade the Operating Model

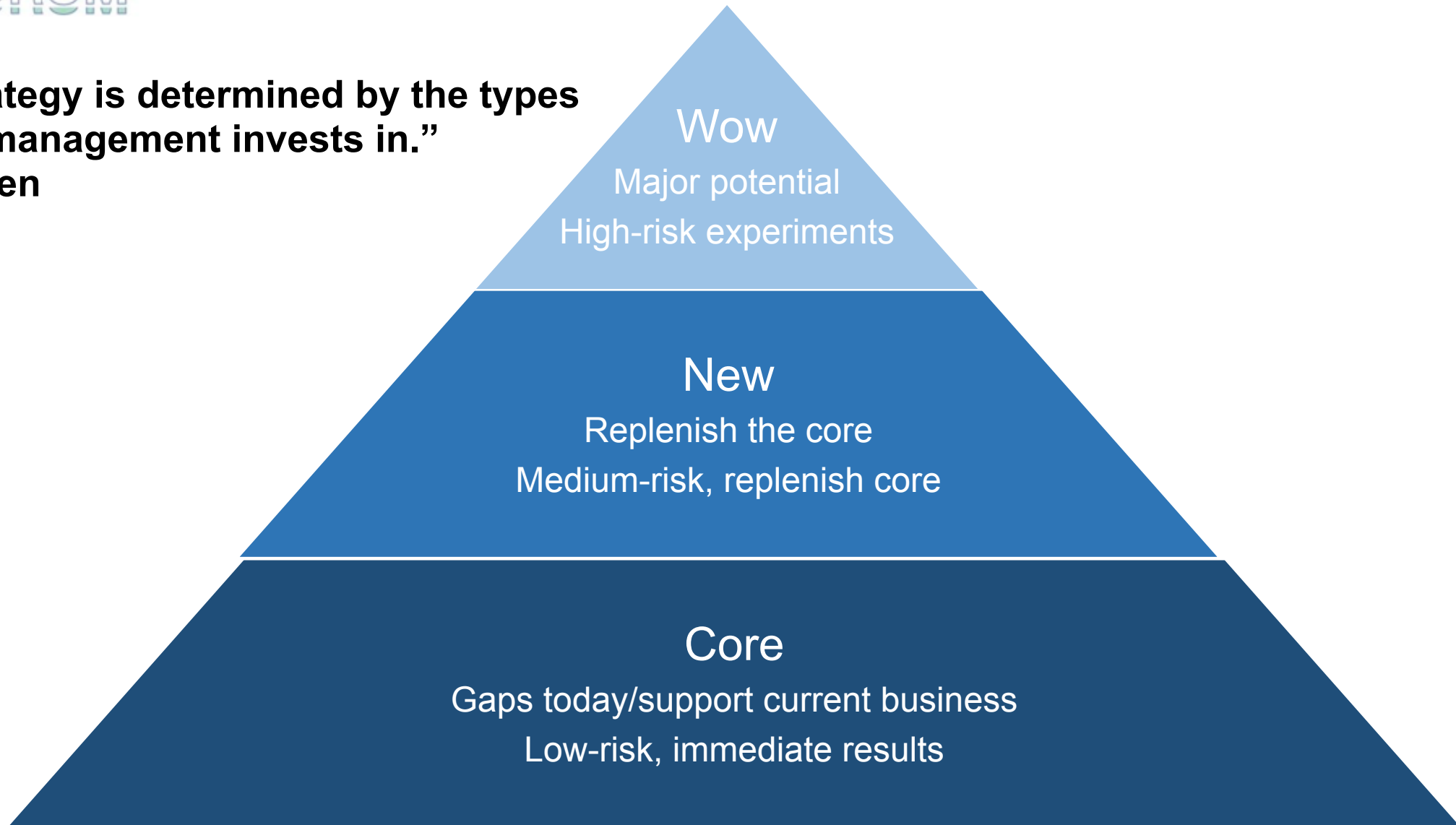
- Reduce operating costs
- Modernize back-room and front-office experiences for employees, customers
- Divest/Partner non-core activities
- Support connectivity, integration, and data utilization for on-going value creation

Keep Transforming

- Leadership focused on transformative threats/gains
- Seek future differentiation
- Willing to experiment, and invest broadly in the successful efforts

source: PwC study of 2006 companies, 2023 (https://www.pwc.com/gx/en/issues/c-suite-insights/the-leadership-agenda/what-the-highest-performing-businesses-do-right.html?WT.mc_id=CT11-PL1000-DM2-TR2-LS4-ND30-TTA9-CN_gx-fy22-xlos-leadership-agenda-s+b-newsletter)

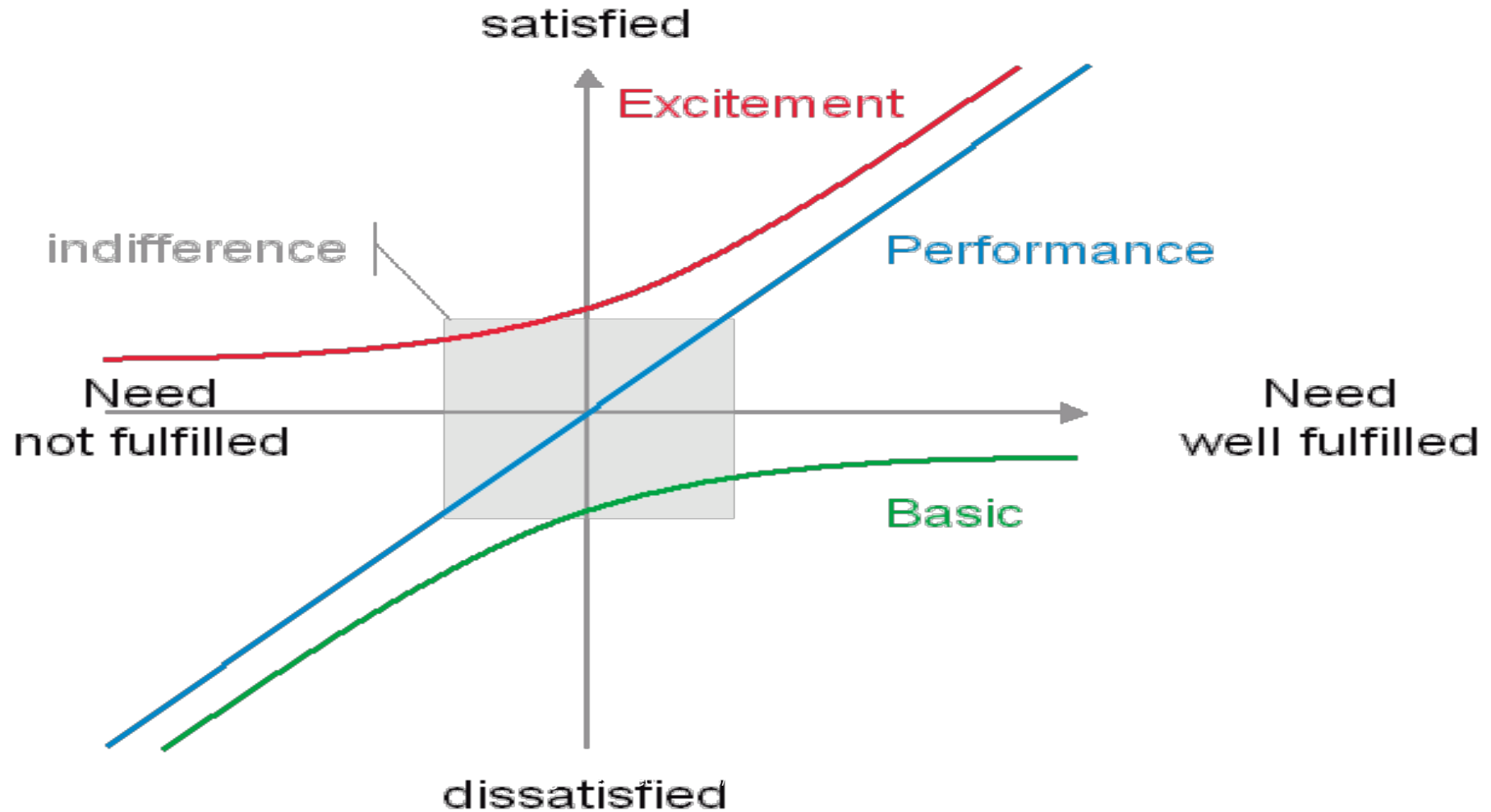
**“A company’s strategy is determined by the types of initiatives that management invests in.”
Clayton Christensen**



Strategic Pyramid: A Portfolio



Kano Model: Where Are You Seeking Differentiation?



Example: Prioritization at DuPont



Near Term / Low Risk	Medium Term / Medium Risk	Long Term / High Risk
-------------------------	------------------------------	--------------------------

1. Proj. A	1. Proj. E	1. Proj. G
2. Proj. B	2. Proj. F	2. Proj. H
3. Proj. C		3. Proj. I
4. Proj. D		



Strengthen/Extend Core
Diversification
Leapfrog

Core	New	Experimental
-------------	------------	---------------------

Prioritize projects within each category until the category budget runs out, comparing projects only within the same bucket.

Source: Product Development Institute

Novartis Pharma Division Strategy



Priorities? Timing? Link to Budgets? Success Metrics?

Exercise 7: Share Examples

At your table: Your strategic initiatives?

Core

Short term, immediate impact. Allows you to hit short-term necessities



New

Medium term, medium risk, which over time will replenish the core



Wow

High risk, longer term. High failure rate, but also high potential impact



In Summary...

Finding new growth opportunities is not easy or risk-free

To explore new opportunities:

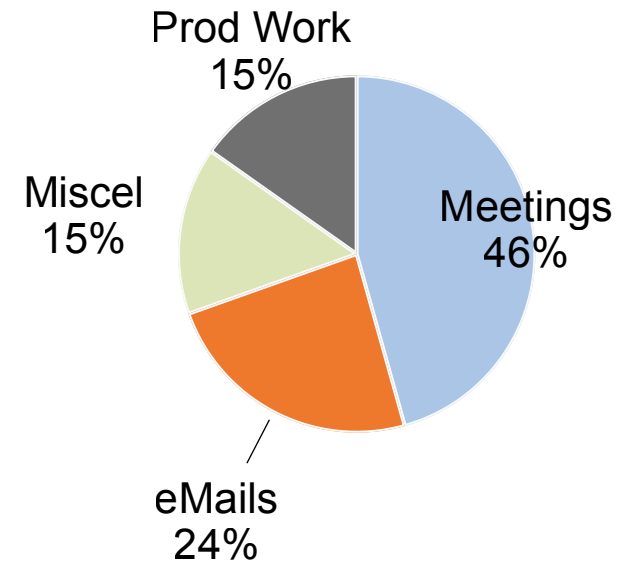
- *How are you looking ahead...Improving Vigilance?*
- *Ideas are plentiful...are they overcoming a customer “pain point?”*
- *How do you balance current operations with new investments?*

Less is More

Our “default” is to add...

- University of Virginia professors performed 20 studies and found addition is the default mode of problem solving
- When a university president asked for improvement suggestions, only 11% entailed subtraction or elimination

Mid-Level Manager's 47 hours/week (Bain Study)



Exercise 8: Action Plans?

Eliminate

What do we need to **STOP** doing?

Reduce

Where do we have to reduce the amount of time/energy we spend?

Raise

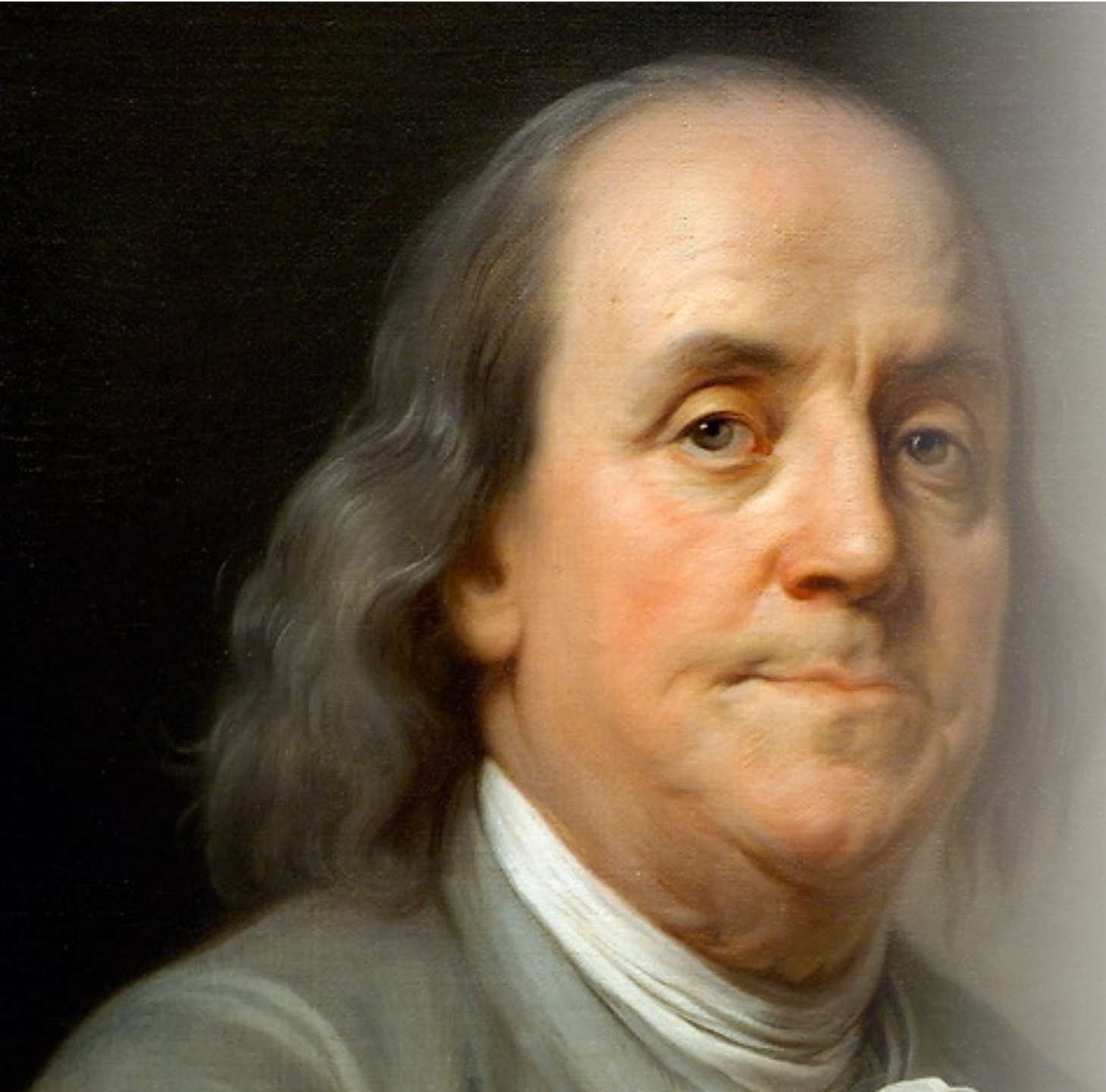
Where do we have to raise our efforts, initiatives, etc.?

Create

What new steps should we consider to improve our future growth opportunities?



Adapted from: Chan Kim & Renee Mauborgne, *Blue Ocean Strategy*, Harvard Business School Press, 2005, page 29.



“If you fail to plan, you are planning to fail.”

“Well done is better than well said.”

Benjamin Franklin

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**Thank You and Best
Wishes!**

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Full References to Source Information

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