



# The Innovators

Conversations

on the *Cutting Edge*

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## Interview with Jon Bidwell Chief Innovation Officer Chubb Group of Insurance Companies



Jon is currently responsible for the development and deployment of a worldwide innovation platform to engage employees and distribution partners in development of new products and services.

In 1983, Mr. Bidwell joined Chubb as an underwriting trainee in Chubb's Department of Financial Institutions (DFI). By 1984, he was promoted to DFI manager of the Detroit branch with further positions in Philadelphia and New York. In 1996, Jon was promoted to Chief Underwriting Officer of Chubb's New York Brokerage Zone.

In 1998, he assumed the position of Strategic Development and New Product Development manager. From 2001 to 2008, he oversaw Chubb's Strategic Marketing Group. Mr. Bidwell was named to his current position in 2008. Jon can be reached at [jbidwell@chubb.com](mailto:jbidwell@chubb.com)

Interview conducted by Doug Berger, managing director, INNOVATE [doug@innovate1st.com](mailto:doug@innovate1st.com)

Doug: Please start by talking about your originating mandate and motive for innovation.

Jon: Our senior management team and members of the Board of Directors took a frank look at the dynamics of our business including: the relative speed with which capital can be raised; technology improvements enabling rapid market entry; the speed with which the needs of our customer base evolved. The conclusion was, "If we're going to remain relevant to our customers, then the pace at which we evolve our product and service offerings, and get into new markets and segments has to pick up." The Board asked for a concrete, implementable proposal to achieve this mandate, and to create a more repeatable, open and transparent innovation process with the goal of producing a much bigger pipeline of new products and services.

As a model, we looked at companies such as a Procter & Gamble that had pioneered open innovation programs. It wasn't really new, intellectual art that we were creating. When we looked at how Chubb was becoming an increasingly global company, our intellectual capital

was dispersed around the world, and a critical driver in designing an effective innovation process was connecting all of those people together. For example, we wanted to be able to connect a life sciences underwriter out of Shanghai with our practice manager in St. Louis, with some of our senior underwriters in New Jersey, and our practice leaders in Europe to create a new product for human clinical trials.

Doug: In taking on the innovation mandate, how did you begin to think of the starting pathways?

Jon: I started with those simple principles set by the Executive Committee for openness, transparency, and cutting through silos. We were given a lot of design latitude so long as we met those key criteria. The team quickly settled on the need for a technology backbone. We vetted a number of software vendors that offered idea management platforms.

Second, we seized on one key problem, which was the orientation towards annual budgets and annual business plans. Chubb is a very financially disciplined company. You could end up having a great idea with high market relevancy, and it could take 16 to 18 months to just get it funded. If you have maybe six months to implement, the next thing you know, you're on a 24-month cycle and the opportunity may be gone.

We created access to a pool of dedicated money to seed fund ideas, to experiment, to see if they held any water and got traction in the marketplace. We established a venture team made up of executives' one level below C to approve funding and resourcing. There is accountability back to them for the results during that period of seed funding. This has proven to be a critically good decision.

Also, we drew heavily from the principles of agile IT development. I found our information technology folks to be some of the most helpful when thinking about innovation processes; they have been spending a lot of time getting out of the traditional two year, three year business requirement planning process, and learning to move development cycles more quickly. How do we do things in four to six week leaps? And then understand from success and failure how to modify the next stage of development?

Doug: There was an idea management backbone, off-budget financing through a venture fund, and adopting the agile IT approach for fast customer feedback.

Jon: Our innovation process itself is a version of agile development; we designed it around an initial set of hypotheses about what might work, and as we go through each innovation event, we continually refine the process and tools. The real learning comes in how to best engage people, generate ideas, and manage the whole back end part of the process. People spend a lot of time talking about the front end of innovation. The challenge is how do you winnow it down and get the things that are most promising through the system.

We started with a global event focused on revenue production, which was a very broad "challenge" to an audience of 10,000. We found

“revenue” was widely interpreted by people in terms of the ideas that they put in: some good, some pretty strange and overall a wide variety. This experience led us away from global, broad challenge-type events to ones that are more focused. More time is being spent with a business unit, or a geography defining a particular business problem or challenge, or a desired state, and then constructing the innovation process to help solve that problem.

For example, we did an action learning project through one of our internal business school classes, which focused on developing new ideas for mobile applications of Chubb’s current marketing, customer service, and underwriting offerings. We took a group of 50 high potential people drawn from all over the company and provided them with the challenge to come up with frameworks, potential applications, and technology requirements focusing on uses of mobile capability that are not in the marketplace, particularly the use of tablets, such as the iPad. The most promising three concepts are now moving to the next business stage. In less than 90 days, the process got us from zero to three viable roadmaps for development.

Doug: I think there is a real delineator in idea management between processes where the originators of ideas become the entrepreneurs who implement, versus processes where the ideation of something is disconnected from people who implement.

Jon: We’ve followed a model that tries to keep the idea generators with their ideas for as long as possible. If you generated the idea, you do the pitch. Sometimes it is in your business area, so you are responsible for implementation, sometimes not. We provide as much public recognition of that as possible. We found that this makes a big difference in getting organizational buy-in.

Furthermore, we go through a tagging process with all relevant ideas from events that have not moved forward, and we warehouse them in a database. We have close to 4,000 at this point. We want ideas to become reusable like a patent database. We have had multiple instances where we’ve gone back in and pulled prior ideas to use on a current innovation project. Where feasible, we will connect the originators to the new project, or at a minimum let them know that elements of their idea have been used.

Doug: In parallel, how have you brought forward the people who constantly keep populating the really good ideas and give them the chance to continue to play bigger and bigger roles with their ideas?

Jon: Right now it tends to be the person associated with an idea who goes forward. Based on some work done by Dr. Rob Spencer of Pfizer’s innovation program, we are going to initiate an analysis to look at who most often generates ideas or comments, and the correlations to successful ideas. Now, we are still at the stage of spotting these patterns on an ad hoc basis ... “Oh, wait a minute, here’s that person again.”

What this may give us, from a human resources and talent management perspective, is the ability to look quantitatively at

innovation as a measurement dimension in your talent management system. Identify people who have shown an ability to keep contributing or coming up with successful new ideas, and when you look at the long-term viability of an organization, it is critical to nurture or retain them. Today, we really can't measure or track that.

Doug: It is a leap in maturity when companies systematize the identification and tracking of the truly successful innovators.

Jon: You are exactly right. It is not just about the system. You almost want the innovation system to become invisible at some point. Just simply, we see a problem and this is how we come together to solve it.

In our Canadian subsidiary, we are doing our first experiment in self-managed innovation. We helped them build the infrastructure, establish an innovation council, and stepped them through their first event that identified a multitude of ideas for significant organic growth over the next three years. We are developing business cases on a couple of those. Several will be moved directly to implementation. They are developing their own rigorous process to provide a continuous flow of growth ideas. You embed the capability in the DNA of the business organization. This is consistent with how we manage the firm.

Doug: Let's talk about ideas that challenge the established thinking of people in the senior positions of that area of the firm. How have you been gaining traction for those ideas that do challenge orthodoxies?

Jon: It is the toughest part of the job. You really don't know when you are going to run across the unorthodox, disruptive kind of ideas. The least positive way to deal with those is to build a big business plan and go all in. Then they fail big. The number of unknowns in a new customer segment, or a new product, or a new geography is enormous. The agile concept suggests having an order of precedence about what we have to discover to get from one stage to the next and invest small. We are funding some of these in five figures or low six figures to get started.

We manage them in four to eight week review periods to see what is going on, what we have learned, and how that informs the next stage. For example, understanding what triggers buying behavior. I have done the historic walk-back on some very successful products within the firm that are now pillars of our business. Originally, they were for markets with few or no existing buyers, or for an entirely different kind of business. You saw the same sort of pattern take place, often over many years, before these products became highly successful.

But, in today's competitive environment you can't just rely on the luck and intestinal fortitude of an odd person or two. What you have to do is build a process where you always have a portfolio of these potentially "big ideas" incubating. Then you invest low, fail fast, and most important, be sensitive to when you really step on the accelerator. When I say "step on the gas" I mean scale the product rapidly — for example, moving distribution from three to four test agents and releasing it to hundreds.

- Doug: How are you prepared to deal with the failure point or kill point of having already sold some policies through a series of limited agencies that don't now fit the scale you had originally thought? You still have to live with those policies.
- Jon: That is a risk that you look at up front. You look at the worst case scenario. What would be the residue or runoff of this business? How many years would they remain with you? Are you going to lose 15 or 20 percent a year? Can it be serviced within your existing infrastructure? You go in asking yourself those questions and weighing those risks against the benefit.
- The willingness to conduct limited experiments help prevent the kinds of "theological" discussions that take place in large companies sometimes for decades, about should we or shouldn't we be in that business? It gets you a factual basis on which to decide. A lot of innovation is combing passion with the ability to let something go and move on. It is very much the right and left brain wrestling match.
- Doug: Where have there been some delightful surprises of ideas that were on nobody's radar screen, and yet, turned out to be really promising for Chubb?
- Jon: One of the first things that we funded was in our inland marine business, covering a class of physical assets. This includes material for buildings under construction, cargo moving by truck, or rail, or inventory that moves with you (e.g., precious gems). We had something, but it didn't really hook our underwriters and producers together on a real-time basis to underwrite these risks and build these better dynamic rating engines. We built a transactional IT system with underwriting filters and the ability to produce bindable quotes in the United States. It's a deca-million kind of idea.
- Interestingly, even in the development process, we had like customers in other countries whom we were not pursuing because we had no system, or we had built something locally grown and cumbersome. Our idea management backbone provided the visibility to see where a single implementation could be leveraged globally.
- What made it possible to take the U.S. Inland Marine System global was that the IT manager who built it saw the possibility of reusing a foreign language module she had built into an IT system for a different product line. This whole notion of the exponential value of networks is something that we are starting to see take place. When everybody can see into what's going on, they start to connect dots in different ways.
- Doug: So, all of your innovation initiatives then stay transparent on the idea management platform, and everyone has visibility into the state of those ongoing initiatives.
- Jon: Yes. When the foreign language module was first proposed there was no funding for it. Due to transparency, we started to have people from all over the world coming and saying, "We have the same problem. We just couldn't solve that particular instance."

Doug: I am interested in how innovation impacts business strategies for growth. In the past, most companies would look at growth strategy in a very top-down way. Do you have a feel for how democratizing innovation will impact strategic planning?

Jon: I have had strategy responsibilities in the past. Companies will do strategic reviews every so many years, and identify the areas in which to invest. That tends to be done at the top, often by a big consulting firm. Then the process tends to fail in the implementation. It's under-informed about marketplace realities, and generally overwhelming with too much granularity. The other issue is that they tend to be imposed downward versus bubbling up, so you don't get the kind of ownership that comes with bottom-up innovation.

My team and I have actually been drawing some PowerPoint pictures of this to visualize our thinking that if strategic reviews are done well, you identify geographies with good prospects, market segments, and large unmet customer needs. Then innovation becomes an enabler by doing a better job of creating the growth tactics in those strategic areas. For example, a strategic view might say that there is a rapidly growing middle class in India. Then you turn the innovation process loose and ask questions like, "What product and services would Chubb sell?" "What would distribution look like?"

Innovation is often an operating model for adapting things so that you don't build from scratch; or it is for running experiments to learn about a new customer segment. In my way of thinking, you separate strategic areas for investment from all of the projects for the next number of years. If you do it right, people can truly agree that you are doing it because it was their idea.

Doug: What concluding comments would you like to make?

Jon: I would advise anyone going down this path to have a realistic view that you can't define the entire path going in. You have got to build a rapid learning system, and tolerate some process failures along the way. Chubb took a courageous path in that respect, and we had executive management and board-level people who were willing to put the stake out there. Time and time again, we've gone back to that as the driver, and it keeps everybody's eye on why we are doing this, and why it is really critical to the firm's long-term success.

