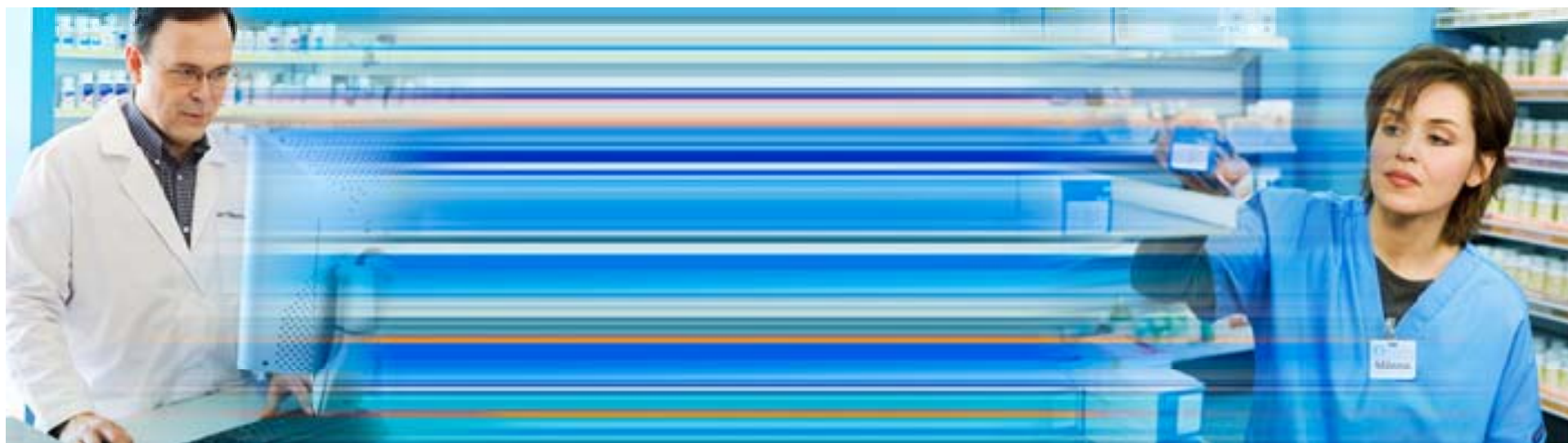


# Strategies for Transformative Innovation



**Lisa Lai**  
**Vice President**  
**McKesson, Inc.**

# Um, Huh?



blah blah blah...

*“Transformative Innovation”* ...?



Rendering old paradigms obsolete



# Today's Discussion

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- 💡 Innovation Defined
- 💡 In the Context of Customer Support
- 💡 McKesson's Journey to Innovation in Support
- 💡 Really, Why Bother?
- 💡 Enabling Innovation
- 💡 Traps and Pitfalls

# McKesson and Innovation

McKesson is a Fortune 18, \$90B market leader in Healthcare

Our Mission:  
Create a healthcare system where quality is higher, mistakes are fewer and costs are lower.



Prevent 1.3 MILLION medication errors each month via patient safety solutions in hospitals



Largest pharmaceutical distributor in North America, distributing 1/3 of all medications.

Nation's leading healthcare IT company in 70% of large hospitals in US.

Provide decision support to clinicians and enable the electronic health record of the future... in today's world.

# Innovation Beyond Products: Harder to be *transformative*

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## Depending on how far you want to go with innovation:

- Product Innovation = Easiest (Gasp! Core competencies...)
- Services Innovation = Easier
- Support Innovation = Not Easy



# Innovation Defined:

*As definitions go, pretty boring*

Life Changing

Productive Use

Fun & Excitement

Life Saving

**In-no-va-tion:**

**introduction  
of something  
new or unusual**

Game Changing

New Markets

Retention & Growth

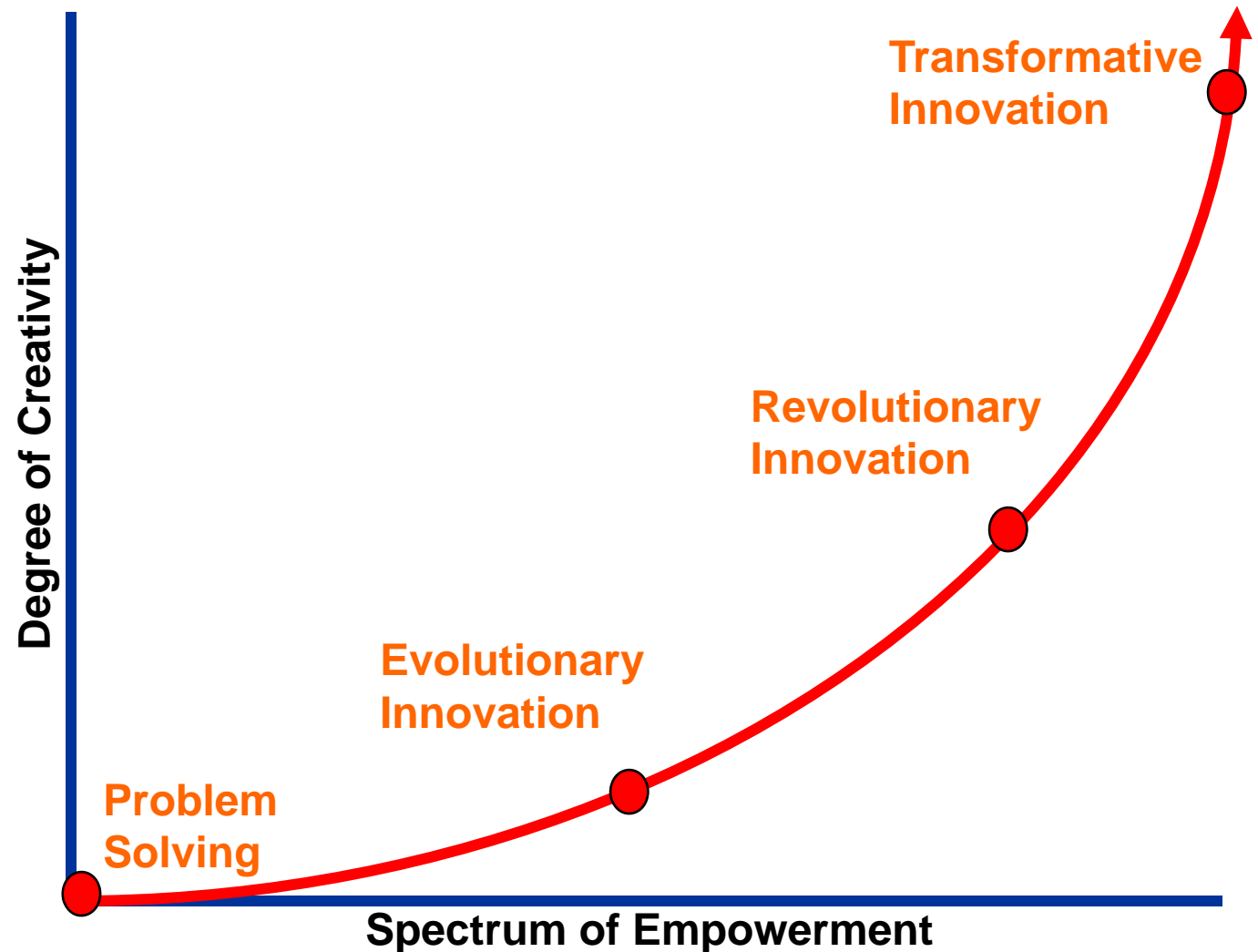
Paradigm Shift

**Over 65% of CEO's surveyed by Boston Consulting Group list innovation as 1 of their Top 3 priorities.**

# Innovation Evolution: A Marriage of Creativity and Empowerment

**Creativity:**  
*The ability to imagine something different*

**Empowerment:**  
*The authority and self-actualization to decide and act*

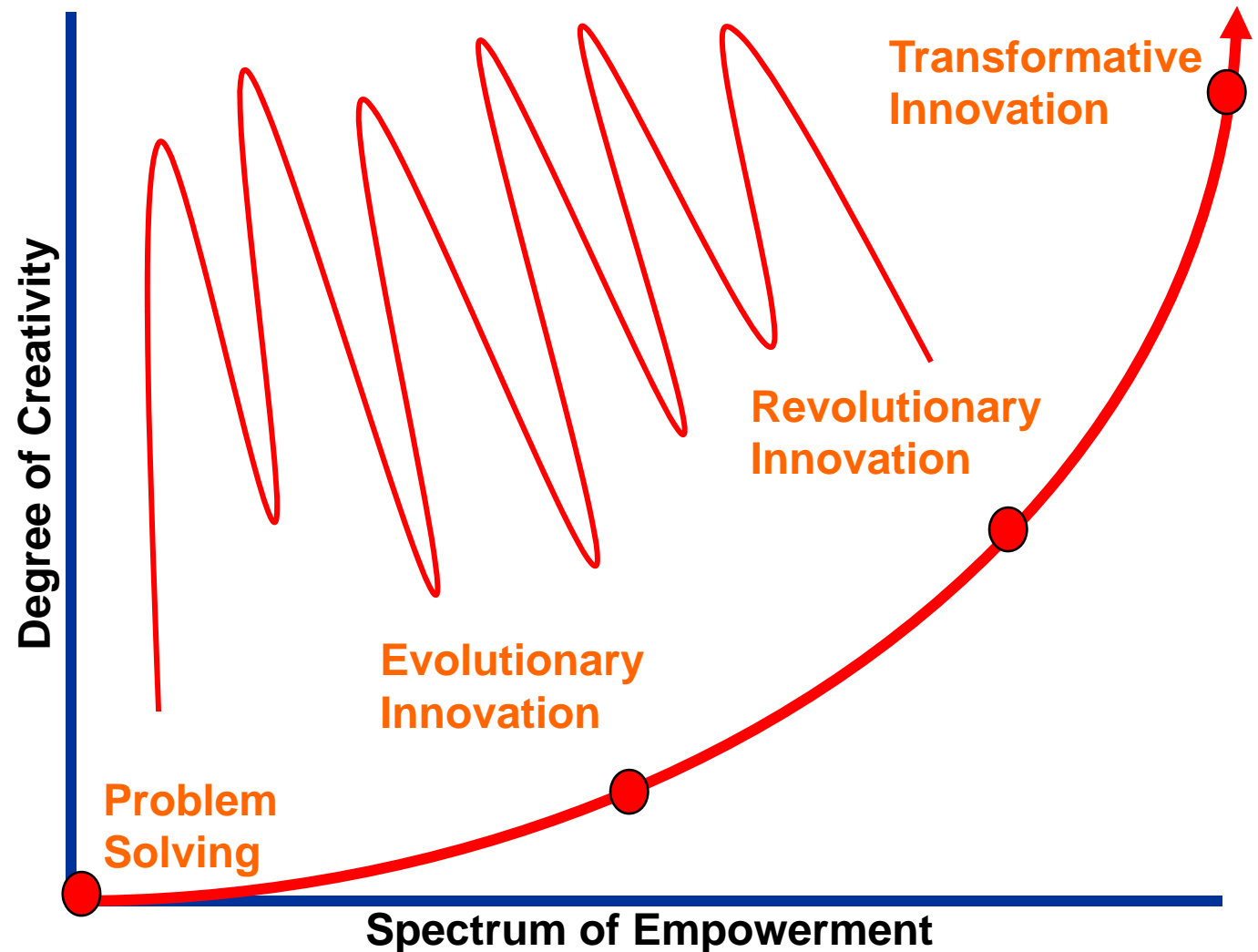


# Innovation Evolution: A Marriage of Creativity and Empowerment

**Creativity:**  
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**Empowerment:**  
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**Variability is part of the process... including degrees of creativity**



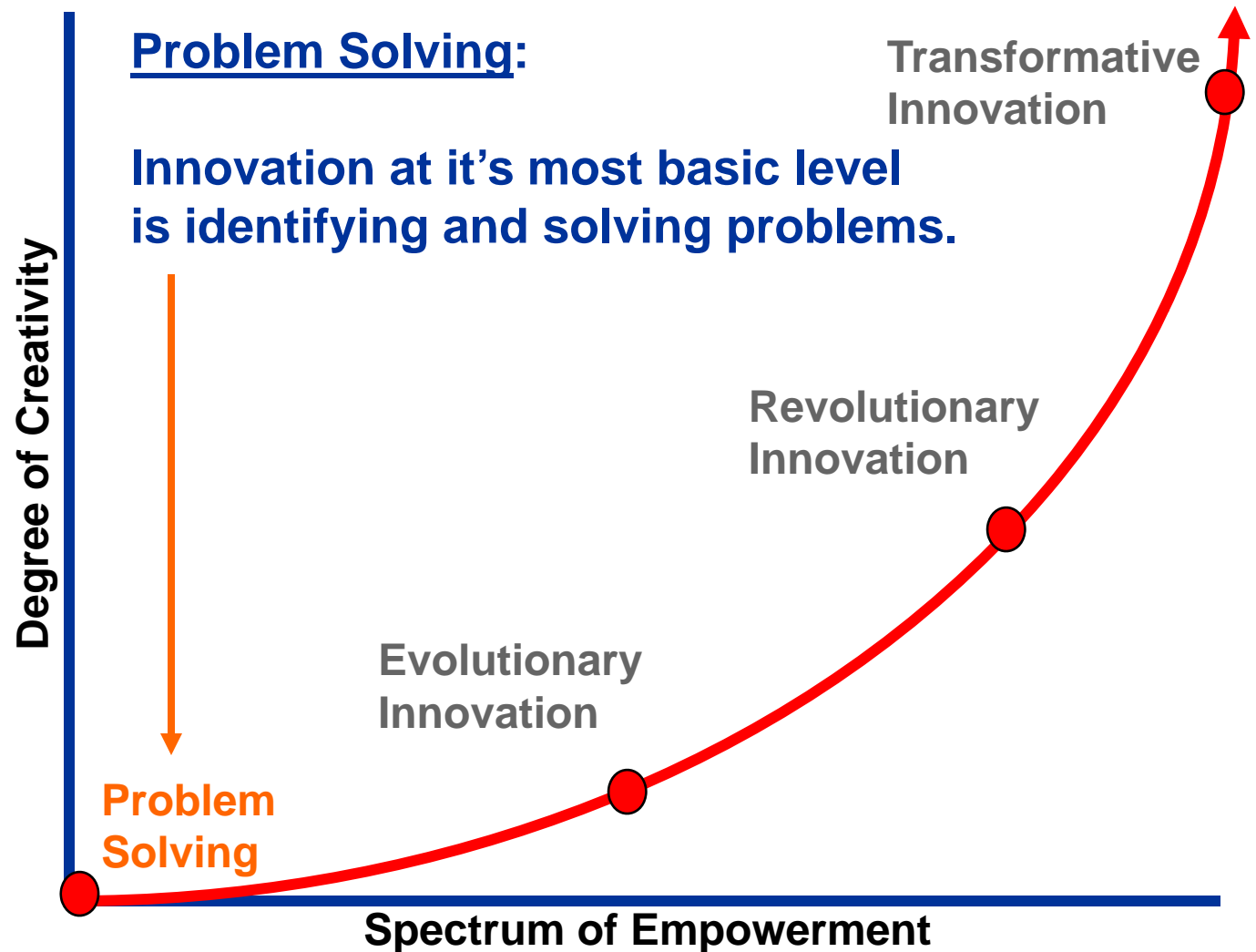


# Innovation Evolution: Problem Solving

It wasn't working  
and now it is.

Most companies  
engage in this  
every day.

Incorporated  
element of  
almost every  
position.

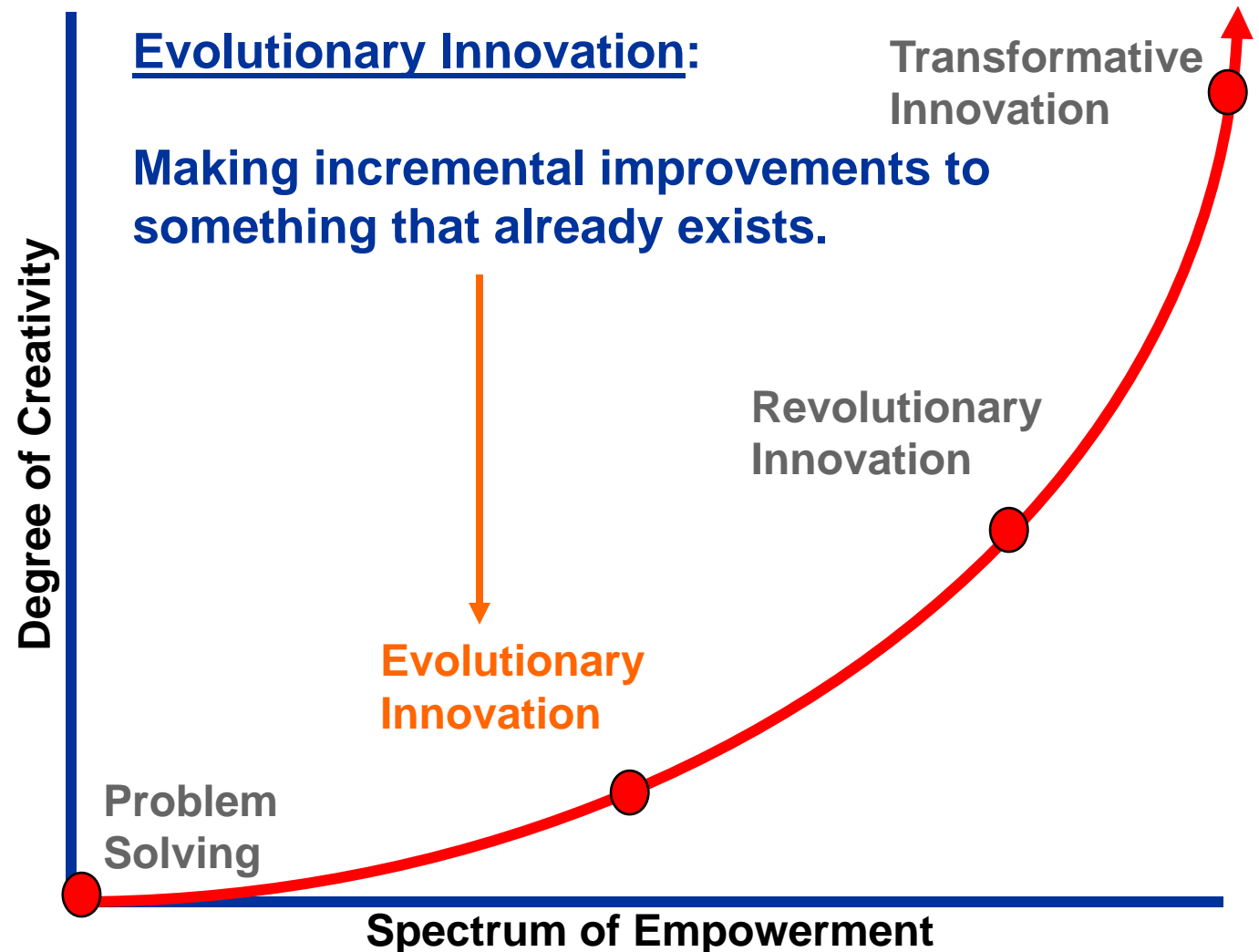


# Innovation Evolution: Evolutionary Innovation

I can make this  
<thing> better.

Focus in on  
Continuous  
Improvement.

Some level of  
change mgt and  
empowerment is  
needed.



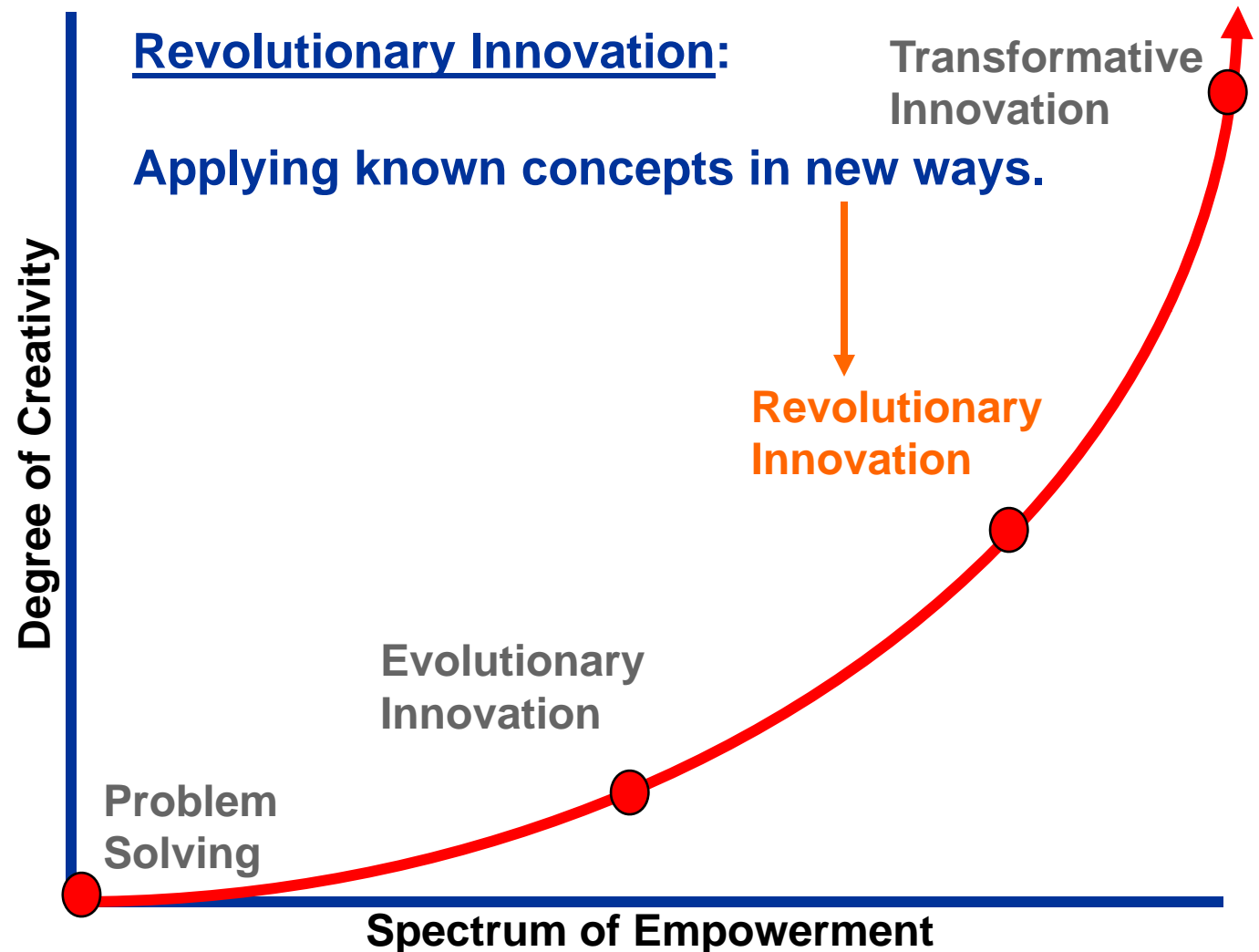
# Innovation Evolution: Revolutionary Innovation

There's a better way to do this.

Potential Game Changer.

Fundamental shift in thinking and approach.

Significantly more creativity & empowerment is needed.



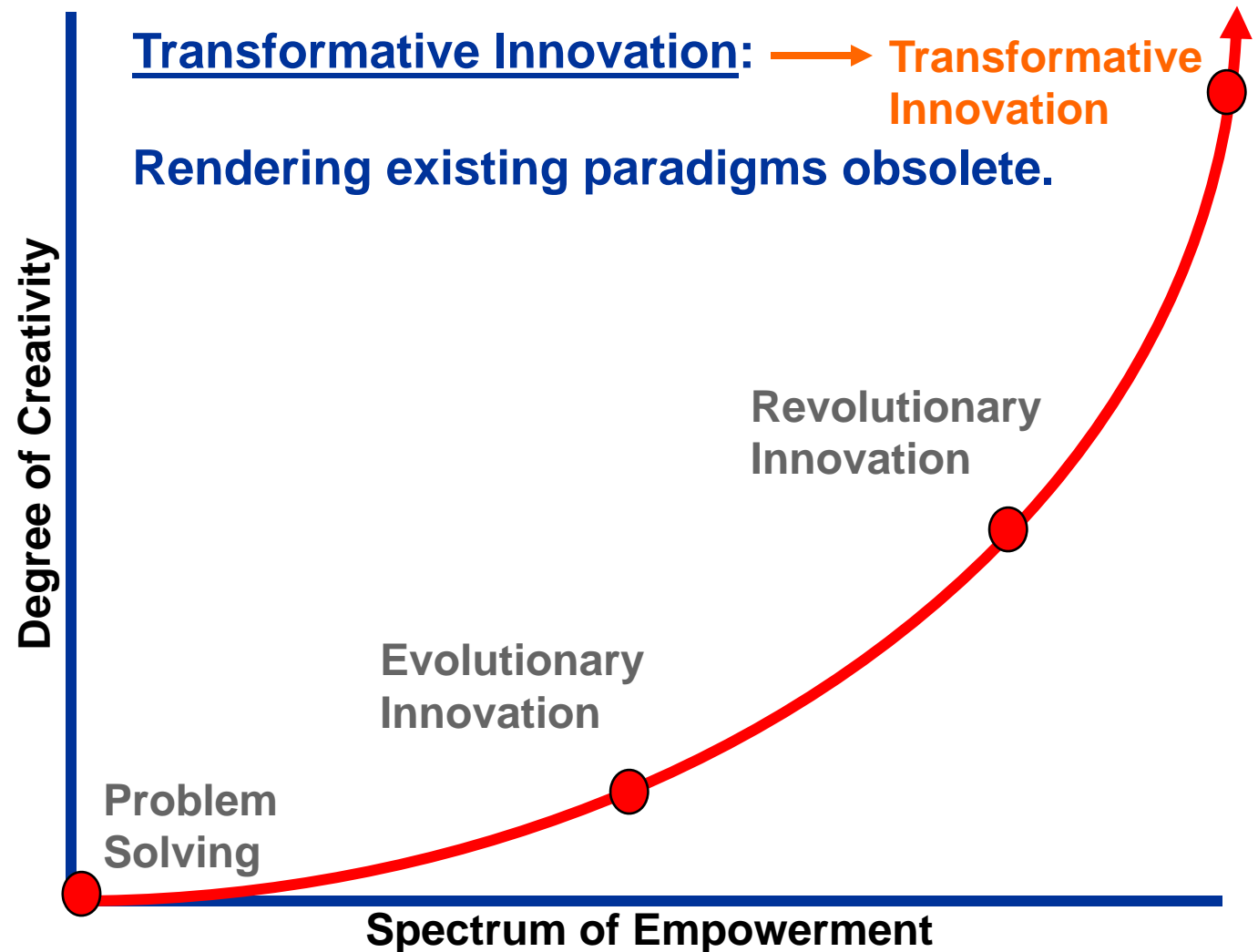
# Innovation Evolution: Transformative Innovation

Net new thinking.

Absolute Game  
Changer.

Disruptive  
innovation that  
forces you to  
revisit on all  
fronts.

Changes the  
business and its  
outcomes.

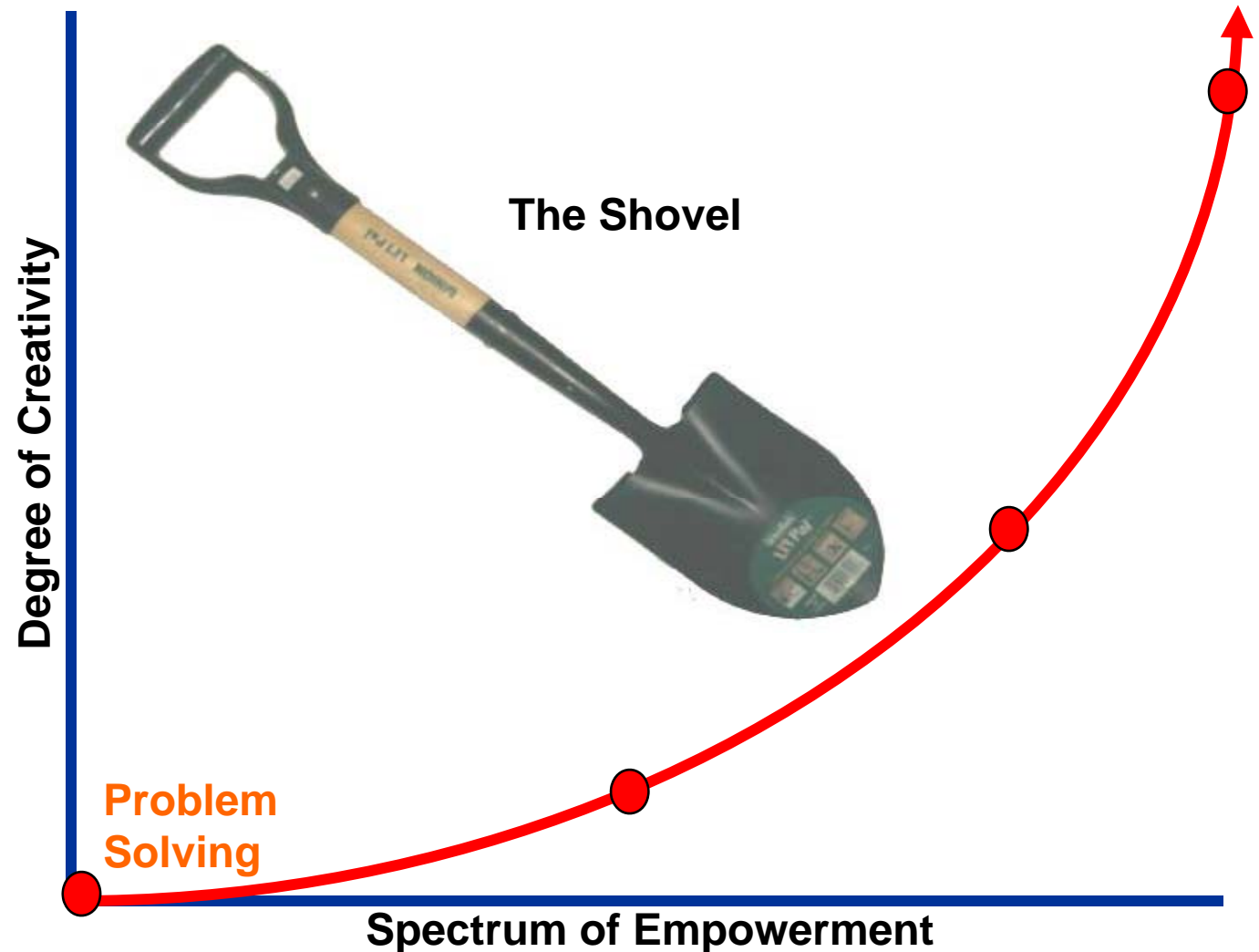


# Innovation Evolution: *An Example*

## Problem/ Opportunity:

People need  
to remove  
snow from  
their driveway  
in the winter.

*Problem  
Solving:  
It wasn't  
working and  
now it is.*

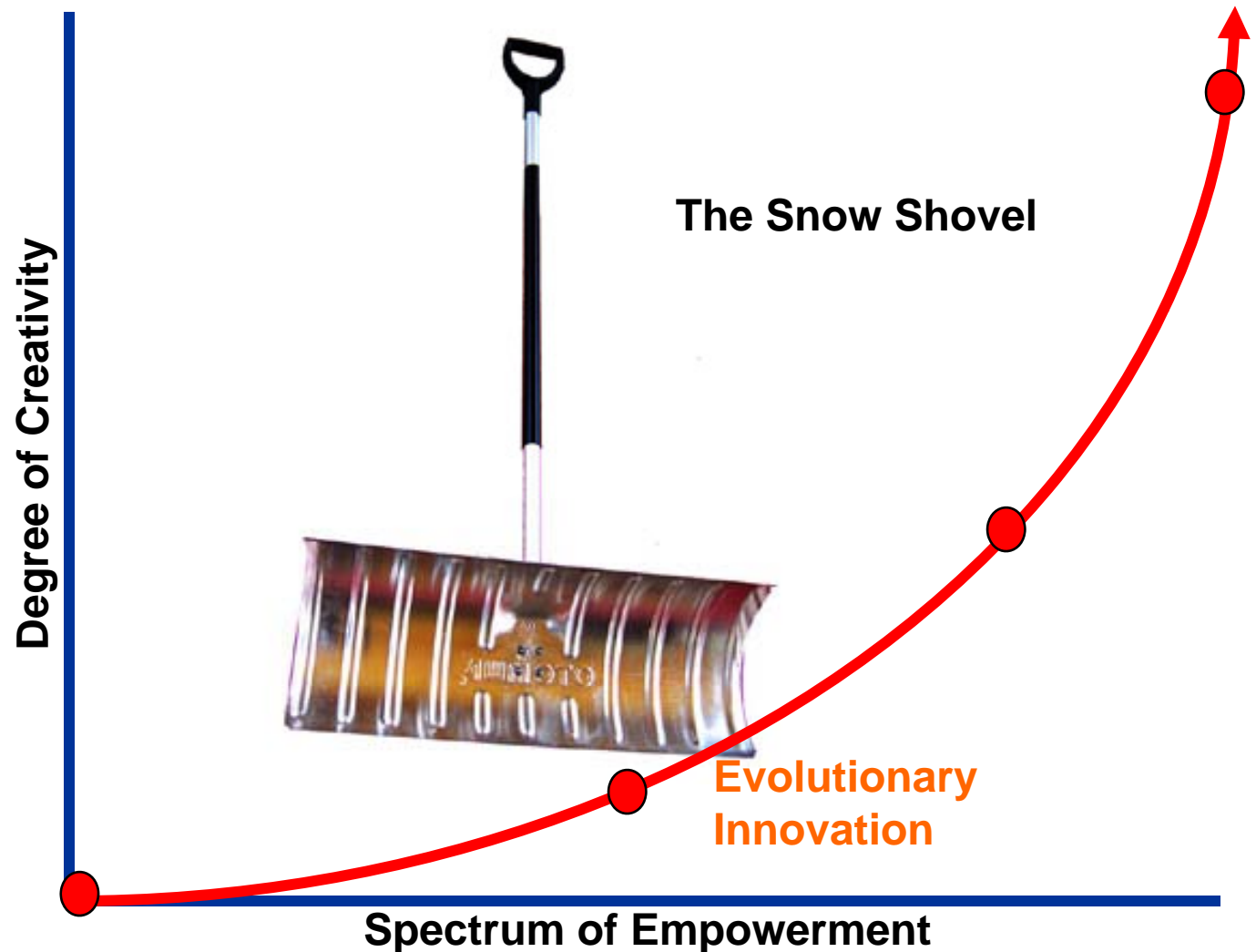


# Innovation Evolution: *An Example*

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***Evolutionary  
Innovation:  
I can make this  
thing better***

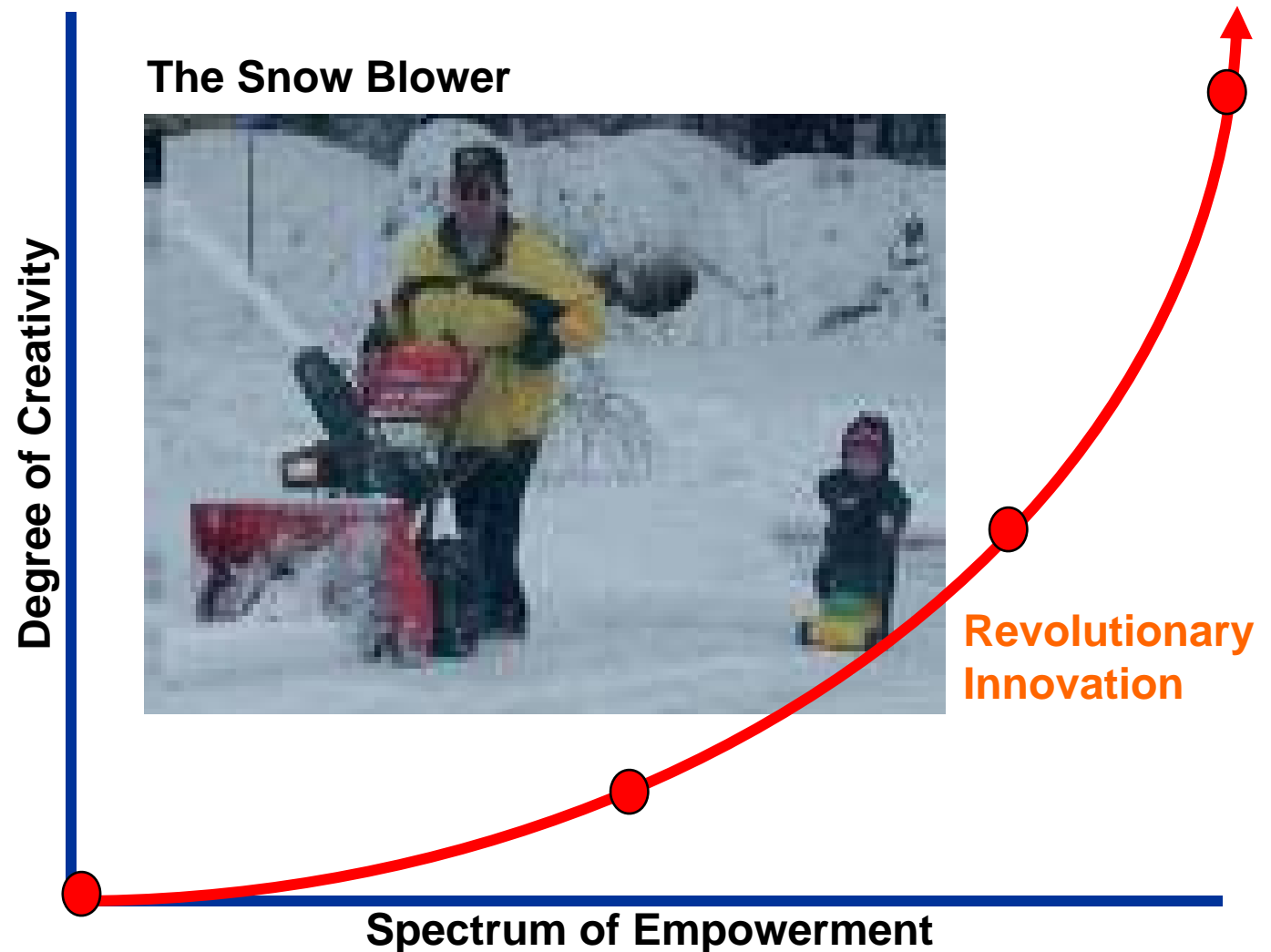


# Innovation Evolution: *An Example*

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***Revolutionary  
Innovation:  
There's a better  
way to do this.***

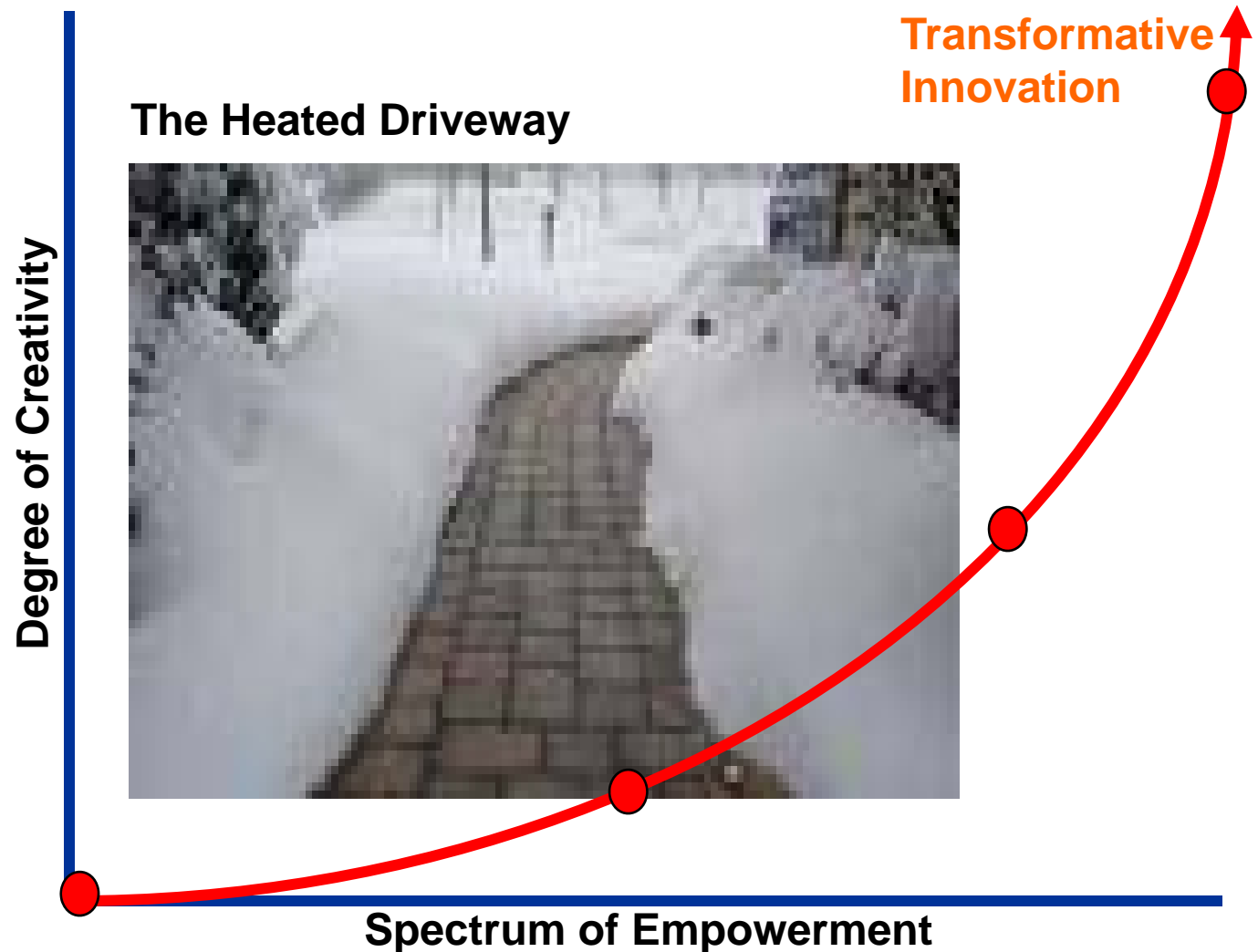


# Innovation Evolution: *An Example*

**Problem/  
Opportunity:**

**People need  
to remove  
snow from  
their driveway  
in the winter.**

***Transformative  
Innovation:  
Net new  
thinking.***





# Additional Examples from Daily Life

## ← The Transformative Nature of Innovation →

### Personal Music:

Stereo

BoomBox

Walkman

Ipod



### Computers:

Desktop

“Portable”

Laptop

Blackberry



### Eyewear:

Glasses

Hard  
Contacts

Soft  
Contacts

Disposable  
Contacts



### Medicine:

Liquids

Pills

Chewables

Strips



# In The Context of Services and Support

## ← The Transformative Nature of Innovation →

### Dell:

Pre-Config.  
Desktops

Optional  
Configs.

Mult Models  
Multiple Configs

Build from  
Bottom-Up



### Yahoo/Google:

Search  
Engine

Content  
Aggregator

Personalized  
Content/Config

Stickiness:  
Mail/IM



# In The Context of Services and Support

## ← The Transformative Nature of Innovation →

### Traditional Support:

Phone  
8a-5p

Phone  
24x7

Email/Web  
24x7

Live Chat  
24x7

### Online Support:

Self-Service  
Diagnostics  
and KB

Trust Basis  
Info Re:  
Defects

Strategic  
Roadmaps  
and Plans

Community  
Building  
Forums

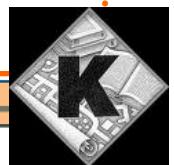
### Advanced Services:

Courtesy  
Check Calls

SLAs &  
Surveys

Proactive  
Monitoring

Knowledge  
Push vs. Pull



# Innovation for McKesson Support

## **Situation:**

- Acquired and organic growth = a company of companies.
- 20+ support centers around the county, each excellent.
- Shared customers across solutions and support centers.

## **Result:**

- Customers experience excellent, but inconsistent support.
- 20+ “excellent” support centers duplicate their “excellent” work.
- McKesson misses the opportunity to leverage distinct competencies in a collective way, and package and deliver innovative solutions.

**Steady State = Missed Opportunity to Deliver Customer Value.**

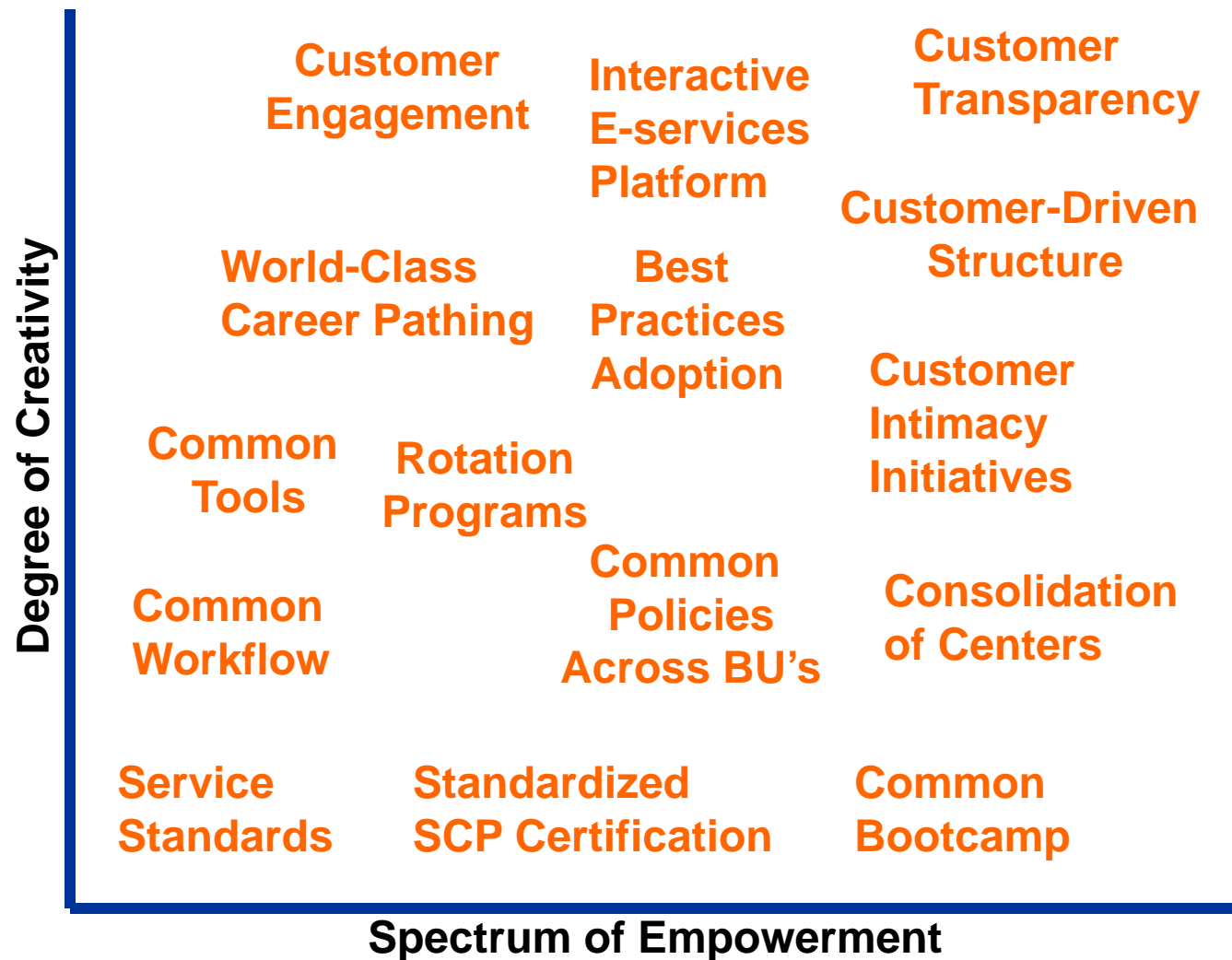
# Organizing for Innovation: McKesson is Ahead of the Game



# Innovation Evolution for Support: Focused Three Year Transformative Strategy

**Creativity:**  
*The ability to imagine something different*

**Empowerment:**  
*The authority and self-actualization to decide and act*



# How We'll Measure Success

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1. Value of “Support” to our Customers.
2. Increase in Customer Satisfaction.
3. Increase in Customer Self-Sufficiency.
4. Re-allocation of Spend in Support: Strategic and Proactive.
5. Margin Expansion.

# Really, Why Bother?

1. Innovation should only be in the mix if it make sense for you.
2. If it makes sense, how important is it for services or support?
3. How much innovation can your culture assimilate?

From solving problems... which is straightforward for most co's  
To big ideas about things that have never been done before.

4. Innovation is driven by people. Otherwise it would be easy.



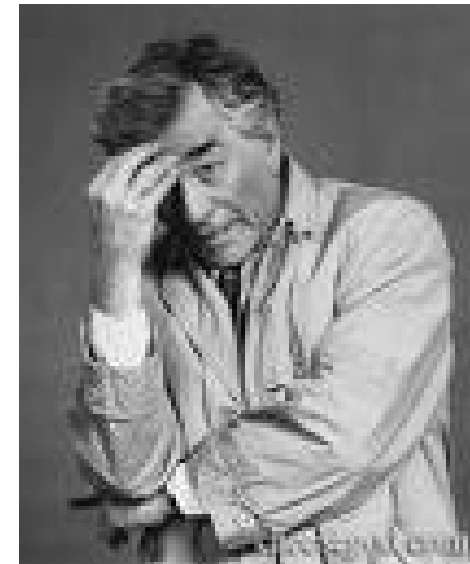
# The “People” Factor



“All we want are the facts, Ma’am.”

And everything in between

“I gotta take off this coat. I can’t think in this coat! THE COAT, I can’t think in the coat.”



# Enabling Innovation: Culture and Philosophy Matter

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- Innovation requires an orientation toward the future.
- Leadership has to be evangelical about the mission... and agnostic as to how to achieve it.
- Innovation is best served with an Outside-In focus.
- Culture can be a benign barrier or powerful catalyst:
  - Tie innovation to corporate goals and compensation
  - Assign senior leaders to participate in key initiatives
  - Communicate about innovative thoughts and results

# Forward Momentum

- 
- Find people who understand patterns and interrelationships.
  - Develop a sense of restless curiosity about your customers.
  - Assign accountability... to drive energy around innovation.
  - Challenge both homogenous and heterogeneous teams.
  - Question everything: why does it have to be that way?

# Traps and Pitfalls

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1. Kill an idea too early.

“I’m too busy to think.”

2. Kill an idea too late.

“It’s too hard to stop now.”

3. Lose focus on the customer.

“This will drive great margins.”

# Final Take-Aways

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Innovation isn't a yes or no proposition. You do it everyday.

It's all a matter of the degree to which you innovate.

Start with the end in mind:

- How do you want to be perceived in the industry?
- What do your customers expect of you?
- What kind of culture do you want for your employees?
- How supportive and adaptive is your organization to change?
- Is there value to your organization to go beyond problem solving?

# Questions and Discussion

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