

The time to boost innovation capabilities is now

It's no secret that many financial services firms struggle with technology and business model innovation.

With a customer base heavily influenced by their interaction with the likes of Amazon, Alibaba and Apple, and a whole range of new FinTech entrants, financial institutions know that they must adapt to changing consumer expectations.

To link company behaviour to outputs, management teams frequently use KPIs—Key Performance Indicators. KPIs help managers to align behaviour and incentivise performance around specific revenue goals.

This works very well until an organisation has to change. Management may then find itself in the unlucky position of incentivising counterproductive behaviour. As employees continue to focus on execution, the organisation runs the risk of becoming captive to its KPI programme.

To counter this, a fresh line of thinking has been developed, promoting a new set of metrics called KCIs, or Key Capability Indicators. The essential benefit of a KCI is that it measures the capability of an organisation to change at a structural level rather than its ability to create new outputs. It is not an output metric. It does not provide an indicator of new products created, increased profits, or improved asset utilisation. Those types of metrics are already in place and can be adapted readily.



For Innotribe@Sibos 2014, Innotribe commissioned [Haydn Shaughnessy](#), an expert on the topic, to produce a financial services specific KCI Index. This resulted in a compelling [presentation](#) at Sibos in which Haydn discussed the innovation capabilities needed by organisations to succeed in the 21st century. Based on the positive feedback of our audience, we decided to consolidate Haydn's findings in a whitepaper – *Innovation in Financial Services: The Elastic Innovation Index Report*.

The paper highlights that most organisations lack a KCI set which can make change more manageable. KCIs can:

- help leaders to understand the skills they need to have in place in order to effect change;
- provide a model for change because capabilities map directly to a future, desired organisational competency;
- benchmark their organisation against others;
- apply to investment decisions;
- be used as a barometer of capability development.

Developing innovation capabilities can prove challenging; however, once they are institutionalised, it has the advantage of strongly embedding innovation within the organisation. The paper asserts that there are a number of key measurements to assess the innovation capability of financial firms: namely content, platform, leadership, strategy and externalisation.

The white paper provides innovation leaders at financial institutions with a useful benchmark, at a time when developing a set of Key Capability Indicators has never been more critical. [Download it here.](#)