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A Business Analysis Dive into Knoxville-based Knowledge Launch

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Preface

I'll be the first to admit that for the longest time, I was lost when it came to even remotely thinking about what my thesis project would entail. Before I knew it, it was the start of the spring semester of my senior year, and still I had not decided on what I was going to do. However, as I've learned, things tend to work themselves out, and this "thing" came in the form of John Tolsma, CEO of Knoxville-based Knowledge Launch (KL). Mr. Tolsma invited me into his company and gave me a look into the work that his company is involved in. It didn't take me long to realize I had stumbled into what would soon become the focus of my thesis project – this small company revolutionizing how employee training productions are done. I asked Mr. Tolsma for his help, and he happily obliged.

After a month or two of ironing out the kinks, my advisor and I settled on the following deliverable: a presentation and appropriate supporting documentation focused on: 1) the origin of Knowledge Launch, 2) an in-depth managerial analysis of KL itself and the industry in which KL operates, and 3) a mock production utilizing the strategy KL uses to build its program for clients.

Numbers 1 and 2 were relatively simple – do a little background research and use the tools I have gained over my career in management here at the University of Tennessee. But what about the mock production? Mr. Tolsma gave me some direction. He filled me in on an actual production that KL had been tasked with organizing. Prudential, a large insurance company, had asked Mr. Tolsma and his team to put together a presentation for approximately 50 of Prudential's top Level 3 and 4 insurance brokers. Prudential wanted these brokers to be brought up to speed on current digital trends to make sure they were current on their information and also to possibly harvest some innovative ideas that could help Prudential in the future.

What I just described is what Mr. Tolsma tasked me with – educate these high-performing insurance brokers on some of the major digital trends, have them apply the information, and bring what they learned home to Prudential to hopefully make some positive changes. I set out to do this, and I also threw in my own personal spin, as I also focused on insurtech in my presentation. These are insurance brokers, after all. I felt that insurance technology, which is ramping up rather quickly these days, should be a major emphasis for the education. And with this in mind, I set out to make a mock production.

Appendix 1

Knowledge Launch Origin/Background

Knowledge Launch was originally Erroyo, a startup launched on July 1, 2000 by RIVR Media. With the arrival of the internet and intensifying cable network competition, RIVR Media was looking for a way to capitalize on the use of the internet as a medium for videos. Their final idea? A startup serving as an online video production business, focused on producing educational worker development and training videos for businesses. But who would lead this new startup? Dee Haslam, CEO of RIVR Media, already had her hands full managing her own company, so she looked for someone young, intelligent, and creative enough to tackle launching and running Erroyo. She finally decided on John Tolsma, a Duke student body president and Harvard MBA.

The original idea behind Erroyo was: 1) to have a hub of videos available for use by clients and 2) to make custom videos specifically for business clients. However, as Mr. Tolsma met with potential clients, he learned that while these companies liked the idea of custom videos, they further desired well-crafted, customizable productions which integrated these short videos. As former UTK student Darren Lifferth wrote about the situation, “The videos drove the learning experience. But the video did not exclude other types of learning” (*Erroyo*, pg. 15). This idea became the basis of Knowledge Launch, which John Tolsma launched independently from RIVR Media in 2006.

To this day, Knowledge Launch focuses on developing acumen and engaging clients’ employees in thought-provoking productions. Not only does Knowledge Launch educate employees on major trends and specific ideas in the business sector, but it also forces these employees to engage in the production and apply what they learned to both the production and also to their businesses to which they return.

Appendix 2

Internal Analysis

Strengths

The majority of KL's strengths centers around its competent, personable staff and its acumen. KL has done a good job of reaching a sustained competitive advantage as it centers itself around these resources. Knowledgeable staff work one-on-one with clients to construct personalized education and training productions/programs. Since clients have direct representation, they have someone they can go to with problems or questions, resulting in them feeling like they have someone on their side. This staff also regularly checks in with clients while working on projects to ensure the direction of the piece is to the client's liking, which gives clients confidence that they are receiving the exact product they are paying for. Also, with KL having its own acumen from which to educate, it has full control of its content, and it has the ability to add/subtract/modify, etc. information as it applies to specific situations.

Weaknesses

KL's main weakness is its small size and the inherent problems that arise with this. With its low numbers of staff, KL is unable to take on as many projects as other, larger companies, which also means KL has less of a production base to pull from to show to potential clients. In addition, KL has only one true location, which makes fostering some connections slightly more difficult. Finally, KL doesn't have many knowledge experts on its team; they almost always have to hire others to develop higher tier acumen and programs.

Appendix 3

KL External Analysis

Opportunities

New technologies need new education

- As technology and techniques advance, there will be an increased need for education on these innovations

Growing digital upscale market

- The world of traditional brick and mortar retail/production is evolving into a digital Internet of Things. This means more and more companies are looking to digitally upscale, growing KL's market.

New mediums of corporate education

- Companies are turning to mediums such as YouTube and apps for corporate education. As mediums transform, so will the education.

Corporate Leader/Manager Development

- Another avenue/market KL could explore is managerial development, the more common form of corporate education

Threats

Companies with better resources/acumen/apps

- The size of companies does not matter as much as in other industries, but companies with more resources have the opportunity to outperform KL

Too much information

- There is some potential for information overload if digital upscaling becomes too high-tech/complex. KL needs to make sure to keep up with latest trends and continue to educate themselves on new ideas

Regulations in industries which need education

- Regulation by government/3rd parties is always a worry, especially when dealing with information/security, which digital upscaling does

Appendix 4

Porter's Five Forces Analysis

Threat of Substitutes

While KL's productions are customized to the client's needs, services are only as indistinguishable from each other as the people who provide said services. As such, the threat of substitutes for KL is high.

Threat of New Entrants

The corporate education entry has low barriers to entry, given the low capital and time investment needed to start a business in said industry. Also, prior experience is not absolutely necessary, and economies of scale don't provide the huge advantages for larger companies that they do for other industries. The threat of new entrants is high.

Power of Suppliers

With the corporate education business being a service industry, "supplies" are harder to identify. SMEs (Subject Matter Experts) are main suppliers, since they have the relevant information. SMEs for basic concepts have low power, since their numbers are very high. However, SMEs in very niche areas of expertise have very high power, since their numbers are so few. Supplier power depends on the subject matter.

Power of Buyers

Relatively low switching costs give buyers, aka customers, power, but the number of customers in the corporate education field is large, meaning buyers have less power. When it balances out, buyers have moderate power.

Competitive Rivalry

The competitive rivalry between companies in the corporate education industry seems to be moderate. With a high threat of new entrants, high threat of substitutes, and moderate buyer power, companies need to differentiate themselves. However, with demand growing rapidly for corporate education, rivalry is tampered slightly.

Appendix 5

Learning Objectives

Participants will:

1. Be able to identify major trends in the digital business fields.
    - Major Trends
    - Intro to Innovation
2. Be able to discuss the basics of insurtech and its impact on the insurance field.
    - Foundations of Insurtech
3. Obtain a grasp on Prudential's internal and external environment
    - SWOT Formulations
4. Use gained environmental understanding to identify and analyze potential sources of competitive advantage
    - Active Learning
    - Application and What's Next?

Appendix 6

Synopsis of 5 Major Trends According to Versed

Artificial Intelligence

Artificial intelligence, by definition, is the ability of computer systems to accomplish tasks normally limited to humans. Artificial intelligence is driven by data; enormous amounts of data are used to train these computer systems to recognize patterns, make decisions, etc., which will eliminate the need for many of the lower-income jobs across the globe. Gone will be the cashiers and the scribes; these tasks will be delegated to more efficient, more accurate, cheaper robots. A big headline is the trucking industry, with self-driving trucks set to revolutionize the trucking industry but at the cost of tens or maybe hundreds of thousands of jobs.

IoT

IoT stands for the Internet of Things and is all about connectivity. By 2020, Cisco predicts that more than 50 billion devices will be connected to the internet. As one can see, this is a lot of connectivity and information being shared. This IoT is what drives our dynamic data listed below; all of these points connected to the internet are constantly monitoring movements and decisions. Whether this is beneficial or malevolent depends on the stance you take with technology.

Cybersecurity

Where there is information being shared, there are security risks. One of the major problems arising with our connected world is how are we going to keep information that is

supposed to be secure safe? The traditional way of doing so, keeping info encrypted or on private networks, is changing, as AI is being used by hackers to decrypt private information and people are demanding full-time access to even private networks. The security industry has lots to deal with over the next era of technology.

Blockchain

Blockchain is a new, decentralized way of sharing transactional data. It utilizes Distributed Ledger Technology (DLT), which is a form of peer-to-peer communication, to record transactions and information. With this decentralized method, no longer can hackers attack one central point and negatively affect a system. The blockchain system is a majority rules system, meaning a hacker would have to instantaneously hack more than 50% of the ledgers in these networks, which is almost impossibly difficult, at least for now. Blockchain allows for greater security as detailed above, transparency of information with the information being distributed to multiple parties, and cuts down on administrative costs by eliminating the need of a third party.

Data/Visualization

Data has been described as the “new oil,” and for good reason. Dynamic data is completely revolutionizing the way companies operate and monitor performance. Traditional monitoring meant using historical analyses, seeing what worked in the past and what did not. However, now with dynamic data constantly being collected across the globe, the days of guesswork and hindsight are over. Now, companies can see in real time how their products are doing, where they are failing if at all, etc., and can adapt on the fly to ensure both optimal customer satisfaction and maximum profit for themselves.

Appendix 7

Insurtech Material

Background

Insurtech is the use of technology and innovation to make the current insurance model more efficient and cost-effective. Also looking to add value for the customer. $2.7 billion invested in insurtechs/insurtech innovations in 2015. US is the pioneering market for insurtechs.

The business world is becoming more digital; modern customers expect instant digital transactions. These instant transactions were not possible with the old model of insurance, needing to visit an office or meet with an agent. In addition, there exists less loyalty by customers today; customers just want to fulfill their personal needs.

Matteo Carbone, an insurtech expert: “I believe that, in the future, all insurance players will be insurtech. Meaning, organization that will use technology as key enabler to achieve strategic goals.”

According to McKinsey Panorama Insurtech Database, insurtechs are concentrated in distribution (making products more available/easier to access for customers); also present in product development, marketing, pricing, and claims.

Main insurtech value drivers are increase customer experience (growth) and reduce acquisition and administrative expense ratio (cost reductions). Cost reduction achieved through extremely lean operations.

Incumbents need to innovate to stay relevant; otherwise they risk losing their places at the top. Just look at Blockbuster!

The insurance industry is highly regulated, made incumbents hesitant at first to take risk/embark on large projects into unexplored territory. Now, regulators and businesses are seeing its benefits, that it may add value. Insurtechs being encouraged in places like Australia, Singapore, and UK, to innovate, with regulatory barriers lowered for them to see what they can do.

Insurtechs began with a focus on the retail segment at 75% retail/25% commercial, moving more into commercial segment now.

Utility

Includes innovation in constant monitoring, ultra-customized policies, social insurance. Previously people lumped into categories; push for ultra-customized plans for individuals.

Examples of innovations include BIMA, offering pay-as-you-go insurance to people living on less than $10 a day in unreached markets; also Slice, which provides coverage for Airbnb rental homes.

Four Strategic Options of Companies Using Insurtech:

1. “Delivering ahead of customer expectations
2. Accessing new markets and segments

3. Shifting from purely underwriting risk to providing more comprehensive well-being
4. Reimagining the operating model to generate higher profitability”

Use of AI to find right mix of policies for an individual’s coverage; IoT and telematics to keep track of movements, behaviors, etc.

Appendix 8

CEO "Role-Play"

Script

"Good morning, ladies and gentlemen, esteemed associates of Prudential. My name is Roger Naples, and I am the CEO of Insurgency, a small insurtech company revolutionizing how the insurance game is played. I come to you today with a proposal: I'd like to partner with Prudential. We at Insurgency already have a well-established customer base that we have obtained through our cost leadership strategy; our small size – it's just 2 software engineers and I – allows us to offer low prices due to low administrative and overhead costs. In addition, we offer ultra-customized plans for individuals based on the information we obtain from their daily activities. We've probably even persuaded a few of your clients to switch to our services. However, I would like access to your vast array of resources, and I think my patented software could be of value to you as well. I'm also open to any other proposals you may have to offer. Thank you for your time, and I look forward to a potential partnership."

Questions to Group

- What are some potential options for approaching this situation?
- Would an acquisition grant us any sources of competitive advantage? And would it be sustainable?
- What are the risks (both internal and external) associated with an acquisition? … or with your proposed potential option?

- What are the potential benefits (both internal and external) associated with an acquisition? … or with your proposed potential option?
- How would an acquisition or your proposed option affect your day-to-day activities? How would it affect Prudential in the long run?
- Do you think Prudential could do what Insurgency does, but better? I.e. should Prudential try to mimic Insurgency? Should Prudential acquire Insurgency and improve it? Or should Prudential simply ignore Insurgency and keep doing what they are doing?

Appendix 9

SWOT and Action Plan Guidance

SWOT Guiding Questions

- What are our strengths? What do we do best? How can we get the most out of our strengths?
- What are our weaknesses, and what can we do to mitigate them? What could we improve? What are we lacking?
- What opportunities can we act on? How can we turn our strengths into opportunities? Is there a new market we could enter?
- What threats should we watch out for/prepare for? Are there changes in our field that could harm our success?

Action Plan

Steps to take now

Steps to take within a month

Steps to take within 6 months

Steps to take within a year

Markets to explore/develop? Tech to implement? Processes to cut?

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