New Product Development Risk Puzzle

1. Communication risk
2. Competition risk
3. Compliance risk
4. Counterparty risk
5. Credit risk
6. Culture risk
7. Delivery systems risk
8. Demand risk
9. External risks
10. Financial management risk
11. Fraud risk
12. Human resource risk
13. Incentive systems risk
14. Information systems risk
15. Management / board commitment risk
16. New target market risk
17. Orphan product risk
18. Positioning risk
19. Product design risk
20. Product mix risk
21. Reputation risk
22. Security risk
23. Strategic risk
24. Transaction risk

	The possibility that a new product will not meet customer needs.
	The possibility of over- or underestimating how many customers will want to use a new product, or how much they will want to use it.
	The possibility that an MFI will not be able to market its new product effectively, either internally or externally.
	The possibility that an MFI does not have adequate infrastructure to get its product to customers as promised.
	The possibility that the actions of other financial service providers will affect the success of a product.
	The possibility that other organisations with which an MFI has joined forces to deliver a new product might fail to perform in some way that is harmful to the MFI.
	The possibility that sufficiently skilled staff are not available or are not assigned to work on the new product.
	The possibility that an MFI's data gathering and processing technologies cannot handle the requirements or scale of a new product.
	The possibility of human or computer error during daily processing of a product.
	The possibility that borrowers will repay late or not at all.
	The possibility that a new product will create opportunities for staff to deceive or misrepresent an MFI for the purpose of material gain.
	The possibility that a new product will not adequately meet the terms of a country's regulations and laws.
	The possibility that a new product will distort existing staff incentive systems, or that an existing system will impede the success of a new product.
	The possibility that senior managers or the Board of Directors will not fully support the development of a new product.
	The possibility that a new product will not be integrated into an MFI's day to day operations.
	The possibility that weak institutional commitment to continuous improvement or client-centred product development could delay or impede a new product.
	The possibility that a new product will weaken an MFI's asset and liability balance, liquidity or earnings.
	The possibility that a new product will damage an institution's image or brand
	The possibility that a new product will increase an MFI's vulnerability to theft or crime.
	The possibility that a new product will increase an institution's exposure to macroeconomic, demographic, physical environment, regulatory or political risk.
	The possibility that a new product will confuse, or change in an undesirable manner, the public's perception of what an MFI offers.
	The possibility that an MFI will not fully understand the needs of a new group of customers it wants to serve due to invalid assumptions based on experience with past customers.
	The possibility that poor decision making or resource allocation will result in a new product not being compatible with an MFI's goals.
	The possibility that a new product will not complement an institution's existing portfolio of products, perhaps even cannibalizing one or more of those products.

Source: Adapted from Pikholz et al., 2005, *Institutional and product development risk management toolkit* (Nairobi, *MicroSave*, Shorebank Advisory Services), in Frankiewicz, C. and Churchill, C., 2011, *Making microfinance work: Managing product diversification* (Geneva, ILO).