



An Introduction to Outcome-Driven Innovation

by Anthony W Ulwick, founder and CEO, Strategyn Inc.

With new theory, frameworks, and practices, innovation has been transformed from an unstructured, hit-or-miss process into a predictable, rules-based discipline. ODI is the process companies need to adopt to align their cross-functional strategies and become proficient at innovation.

Today more than ever, companies are looking at innovation as the key to growth – a way to fight through difficult economic times. CEOs have appointed chief innovation officers and vice presidents of innovation or have established high-level innovation program teams to figure out how to become more proficient at innovation. Before a company adopts and institutionalizes an innovation program, however, it must decide which innovation processes and practices to employ. It's a tough decision, but one that will ultimately make or break a company's innovation efforts.

Most of today's innovation processes and practices date back more than 20 years – and they contribute to the 70–90 percent new product failure rates that companies currently experience. Institutionalizing those failed practices will not help a company; rather, it will burden the company with an innovation handicap. A new, effective approach to innovation is needed.

This paper explains why most innovation processes are ineffective and describes a unique, proven and highly effective approach to innovation called Outcome-Driven Innovation® (ODI). This powerful methodology should be considered by innovation managers for adoption within the firm. It is the best choice to make when a company's future rests on its ability to innovate.

Why are most innovation processes broken?

In more than 95% of the hundreds of companies we have assisted, managers have been unable to agree on what innovation even is. A definition is in order. Innovation is not an initiative; it is a business process. The process begins with market selection and includes steps to uncover customer needs, determine which needs are unmet, select a growth strategy and devise and evaluate product and service concepts. Approved concepts then enter the development process – a separate process. If

the innovation process were executed effectively, only winning products would enter the development process, and product success rates would exceed 70 percent – a vast improvement over today's 70–90 percent failure rates.

The two popular approaches that have emerged for executing the innovation process revolve around the two key process inputs: ideas and needs. In what we call the “ideas-first” approach, companies brainstorm or otherwise come up with product or service ideas and then test them with customers to see how well the ideas address the customer's needs. In the “needs-first” approach, companies first learn what the customer's needs are, then discover which needs are unmet, and then devise a concept that addresses those unmet needs. What we have discovered is that the “ideas-first” approach is inherently flawed and cannot work, and that the “needs-first” approach often fails because it is structurally flawed. It can work, however, if the challenges that undermine its proper execution are overcome.

The Ideas-first Approach Is Inherently Flawed

Many companies adhere to the “ideas-first” approach and have developed support systems and organizational cultures that reinforce its use. Companies that follow this paradigm believe that the key to success in innovation is to be able to generate a large number of ideas (the more, the better) and to be able to quickly and inexpensively filter out those ideas that will likely fail. As the theory goes, this will give companies a better chance of coming up with a greater number of breakthrough ideas. This thinking is supported by many academics, managers and consultants. Creators and supporters of many of the popular gated or “phase gate” development processes, for example, state that the first step of the development process is idea generation. Approximately 68%¹ of firms have adopted some

form of gated development, which means that this same percentage have adopted, at least to some degree, the ideas-first mentality. Examples demonstrating the prevalence of this mind-set abound. In their recent book, *Innovation to the Core*, Strategos CEO Peter Skarzynski and Rowan Gibson say that “successful innovation is a numbers game ... the chance of finding a big, new opportunity is very much a function of how many ideas you generate, how many you pick out and test with low-cost experiments.”² Harvard Business School professor Teresa Amabile states in a frequently cited article that “all innovation begins with creative ideas.”³ Nearly everyone in every major corporation today has participated in a brainstorming session where, without knowing the customer’s needs, they were encouraged to generate hundreds of ideas and were told that there is no such thing as a bad idea. You can probably still picture walls of Post-It notes.

Others who support the ideas-first approach have promoted the benefits of executing the approach quickly. Many refer to this accelerated ideas-first approach as “failing-fast” – where many ideas are generated and tested quickly, thus revealing the best ideas faster. Since it is accepted that an “ideas-first” approach is going to generate many failures, it seems logical to try and weed out the failures quickly. This concept was touted by Tom Peters in *Thriving on Chaos*. In that book, Peters said companies should, “test fast, fail fast, adjust fast – pursue new business ideas on a small scale and in a way that generates quick feedback about whether an idea is viable.”⁴ IBM founder Thomas Watson, who years ago said, “If you want to succeed, double your failure rate,” also supported this thinking and adopted a management style that did not punish failure. The fail-fast approach is still well supported today. For example, the authors of the recently published book, *The Innovators Guide to Growth*, believe that “...if you fail fast and fail cheap, you have actually done your company a great service...”⁵

As a result of this ideas-first thinking, an entire ideation industry has evolved to compete on developing ways to generate and evaluate more and more ideas, faster and faster. But there is a problem: despite its popularity, academic support and widespread use, the idea-first approach to innovation is inherently doomed to failure. There are two reasons for this:

First, generating more ideas does not meaningfully improve the probability that someone will come up

with the optimal idea to satisfy unmet customer needs. People are in effect brainstorming ideas without ever knowing what the customer’s needs are or which of those needs are unmet. We know that in any given market a customer has 50 to 150 needs (how we know this will be discussed in later) and anywhere from 5% to 80% of those needs may be unmet. The mathematical probability of someone coming up with an idea that satisfactorily addresses all the customer’s unmet needs without knowing what they are or whether or not they are satisfied is close to zero.⁶ Generating more ideas that don’t meet customers’ needs is misguided, and doing something bad faster does not lead to better results.

This approach to innovation is analogous to expecting a sharpshooter to hit its target without knowing what the target is. It is like expecting a doctor to recommend to you the right treatment without knowing what is wrong with you or what symptoms you have.

This brings us to a second reason why the ideas-first approach is doomed to failure: the evaluation and filtering processes is flawed. Because the customer’s unmet needs are unknown, the evaluation and filtering processes used today can easily miss great ideas and fail to filter out bad ideas. Let’s remember what the evaluation and filtering process is supposed to do: separate the useful ideas from the useless ones, which is to say, choose the ideas that best address the customer’s unmet needs. And yet, this evaluation and filtering process is typically executed without knowing what the customer’s needs are.

Lacking explicit knowledge of customers’ unmet needs, managers (in addition to using intuition) rely on evaluation and filtering methods such as conjoint analysis, paired comparisons and forced-choice scaling techniques and use surveys and qualitative methods such as focus groups to evaluate proposed concepts. These methods and others like them rely on the customer to evaluate how well a proposed idea will address their unmet needs without the customer truly understanding the product or technology and how it explicitly relates to their own unmet needs. Such an evaluation and filtering process is faulty in several respects. The first and most obvious one, mentioned earlier, is that chances are great that the best solution is not even in the consideration set. But there is also the fact that customers may not be able to make the connection between the technology and their needs. It is not surprising then

that companies using the idea-first approach to innovation struggle to achieve success rates greater than 10–30%.

The Needs-first Approach Is Structurally Flawed

Those who have recognized the inherent flaws in the ideas-first approach often attempt to follow a needs-first approach to innovation. Using this approach, companies first attempt to understand the customer's needs, then figure out which are unmet and devise a concept that addresses those unmet needs.

This thinking, although very different from the ideas-first approach, is also supported by many academics, businesses and suppliers. Theodore Levitt, for example, in his 1960 landmark Harvard Business Review article, "Marketing Myopia," states, "an industry begins with the customer and his or her needs, not with a patent, a raw material, or a selling skill."⁷ Since then, others have drawn a similar conclusion. Harvard Business School professor David Garvin has noted that "studies comparing successful and unsuccessful innovation have found that the primary discriminator was the degree to which user needs were fully understood."⁸ In theory, if all the customer's unmet needs are known, then ideas can be generated to address them – and these ideas will have obvious value.

Over the years, many methods have been utilized to capture customer needs. These include focus groups, personal interviews, customer visits, and ethnographic, contextual and observational research methods in addition to interviewing techniques such as voice of the customer (VOC), lead user analysis and storytelling. A comprehensive supplier industry has been spawned and firmly established in these areas, and yet, companies nearly always fail to uncover all or even most of the customer's needs. Here's why: even though needs-first approaches acknowledge that customer needs are the most important input into the innovation process, there is no universally accepted definition of what a need is and it is assumed that customers have latent needs or needs that cannot be articulated. As a result, most companies don't know what customer inputs they are looking for or when they have all of them – they assume that it is impossible to capture a complete set of customer need statements and that they have no choice but to execute the innovation process without knowing all of them.

For 20 years, this belief has been supported and perpetuated by many well-respected individuals and organizations. In their 1991 best seller, *Competing for the Future*, Gary Hamel and C. K. Prahalad warn companies of the risk they run if they cannot get a view of the needs customers can't articulate.⁹ The Product Development Management Association (PDMA) states that "customer needs, either expressed or yet-to-be-articulated, provide new product development opportunities for the firm."¹⁰ Peter Sharzynski and Rowan Gibson explain in *Innovation to the Core* that "radical innovators are deeply empathetic; they understand – and feel – the unvoiced need of customers."¹¹ Even the process-orientated P&G CEO A. G. Lafley says in *The Game-Changer* that "great innovations come from understanding the customer's unmet needs and desires, both articulated and unarticulated – that is, not only what they say, but, more important, what they cannot articulate or do not want to say."¹² Given those attitudes, it is not surprising that companies think that customers cannot articulate their needs and that capturing all the customer's needs is not possible. The truth is customers can articulate their needs and they can all be captured.

And then there is the more basic problem of defining exactly what a customer need is. At most companies, 95% of managers will say there is disagreement among managers as to how a need should be defined. Even more significant, the companies tasked with capturing customer needs also disagree on the definition. This is the dirty little secret of innovation: despite all the talk about satisfying customer needs, there is very little understanding of what a customer need is – what its purpose, structure, content and syntax should be.

Abbie Griffith and John Hauser loosely defined the term in their 1991 article "Voice of the Customer," as "a description, in the customer's own words, of the benefit that he, she or they want fulfilled by the product or service."¹³ Unfortunately, this definition, and the notion that it is acceptable to capture the literal voice of the customer, took companies down the wrong path, because as we know today, obtaining inputs in the customer's own words will more often than not result in the wrong inputs. Today, most managers, consultants and academics agree that companies must look beyond the customer's own words to extract the kind of input that is needed, but they cannot seem to agree on whether or not a need is a description of customer benefit, a measure of customer value,

a statement of a problem, or something else entirely. We also find that they cannot agree on how the statement should look, what information it should contain, how it should be grammatically structured, or what types of words and wording should be used or avoided to ensure variability is not introduced into the statement and the way it is ultimately prioritized. Managers find themselves in a position that is analogous to that of a chef who knows that certain ingredients are required to produce a certain taste, but is unable to figure out precisely what combination of ingredients are required to produce that taste. And once forced into that position, getting it right becomes an art, symbolized by a trial and error.

Indeed, many academics, consultants, supplier firms and others do view the collection of these customer inputs as an art. In fact, some of the most popular approaches today utilize anthropologists to “seek out epiphanies through a sense of *Vuja De*”, as IDEO general manager Tom Kelley says in *The Ten Faces of Innovation*.¹⁴ Although we believe that observation can be an effective way to obtain customer inputs, we do not recommend relying on *Vuja De*, intuition or what Harvard Business School professor Dorothy Leonard calls “Deep Smarts.” We hold that the collection of inputs, like any other business process, ought to be well controlled and optimized for success. An artful approach may result in success on occasion, but process variability must be well controlled in order to overcome the 70–90% failure rates these methods delivery.

Unlike the idea-first approach to innovation, however, the needs-first approach is not inherently flawed, only structurally flawed – it can be made to work, as evidenced by the creation of the outcome-driven innovation methodology. ODI is an effective needs-first approach to innovation. It corrects the flaws in the methods that have been used to date: namely, it supplies a definition of customer needs that the entire organization can embrace, and it offers a rigorous, controlled approach to collecting needs statements, to formulating growth strategies and to generating and validating breakthrough ideas. Finally, ODI does not fall back on the notion that there are needs that customers cannot articulate.

CREATING AN EFFECTIVE APPROACH TO INNOVATION

We did not arrive at the outcome-driven innovation methodology overnight. Development of the methodology occurred over an 18-year period of

ongoing research, experimentation and refinement. To develop an innovation process that worked, we knew that we would have to define with clarity what a customer need was, find a way to identify all the customer’s needs, know with confidence when all were captured, determine with precision which were unmet and identify the best methods for devising and evaluating solutions that addressed those unmet needs. Over the years, we made eight very important discoveries that enabled us to achieve these goals:

1. When it comes to innovation, the job, not the product, must be the unit of analysis.
2. The proper definition of “customer need” becomes clear when the job is the unit of analysis.
3. A job map provides the structure needed to ensure all customer needs are captured.
4. Concept innovation and design innovation are two different things, but can be addressed similarly.
5. The opportunity algorithm makes it possible to prioritize unmet needs.
6. Opportunities (which needs are unmet) dictate which market growth paths to pursue.
7. Scattershot brainstorming doesn’t work; sequenced and focused idea generation does.
8. Ideas can be evaluated with precision when all the needs are known.

These discoveries and others have resulted from taking a holistic view of innovation; from building an end-to-end innovation process. We found that cobbling together the popular practices of the time did not work, as many of those practices were incomplete, overlapping or unnecessary. More details on each of these discoveries and their contributions toward the creation of a powerful approach to innovation follow.

1. When it comes to innovation, the job, not the product, must be the unit of analysis.

Today, most companies support the theory that customers buy products and services for a specific purpose: to get jobs done. A job is defined as the fundamental goals customers are trying to accomplish or problems they are trying to solve in a given situation. Making the job the unit of analysis

is the cornerstone of the outcome-driven innovation philosophy. From the customer’s perspective, it is the job that is the stable, long-term focal point around which value creation should be centered because the job’s perfect execution reflects the customer’s true definition of value.

Current products and services are merely point-in-time solutions that enable customers to execute jobs. They should not be the focal point for value creation. A vinyl record, a CD, and an MP3 storage unit, for example, all help customers accomplish the job of storing music. Focusing on creating a better record doesn’t help in the creation of the CD or the MP3 device, but focusing on improving the job of storing music supports the discovery and creation of new ways to help customers get the job done better.

This thinking, which we developed in the mid-1990s, has been widely cited and publicized by academics such as Harvard Business School professor Clayton Christensen and others in many articles and books. Accepting the job as the primary unit of analysis has important downstream ramifications: companies must stop thinking that customer needs somehow relate to the use of a product or service and instead must understand that needs relate to how well the customer is getting a job done. Figuring out how to help customers get a job done better or helping them get other or new jobs done is the real goal of innovation.

We have also discovered that customers have emotional jobs they are trying to get done when using a product or service. Knowing what these emotional jobs are can influence product design and help companies develop a more effective value proposition and marketing communications strategy.

2. The proper definition of “customer need” becomes clear when the job is the unit of analysis.

Because customers buy products to help get jobs done, if companies want to improve an existing product or to create a new product, they must figure out where the customer struggles in the execution of a specific job and then devise ways to help the customer. This means that companies must analyze the job of interest and ascertain from customers what must be measured and controlled to ensure the job is executed with the speed, predictability and output customers desire. The

metrics customers use to measure the successful execution of a job are what we call the customers’ desired outcomes; they are customer needs. A corn farmer, for example, may want to “minimize the time it takes for the corn seeds to germinate” or to “increase the percent of plants that emerge at the same time.” When trying to help customers get a job done better, companies must find out which outcomes customers are dissatisfied with and then devise solutions that address the problems. This is where the term outcome-driven innovation originates. These metrics can be uncovered using any of the popular interviewing methods, e.g., personal interviews, focus groups, ethnographic interviews, etc.

Desired outcome statements must conform to a specific structure (see Figure 1) and follow a set of stringent rules. This is necessary because variations in structure, terminology and syntax from statement to statement can introduce unwanted sources of variability that alter the importance and satisfaction ratings customers give the statements. This in turn will affect the way customers end up prioritizing innovation opportunities. (See “Giving Customers a Fair Hearing,” in the Spring 2008 issue of the Sloan Management Review for additional details on what a need is and the rules to follow when documenting outcome statements.) We also discovered that when the job is the unit of analysis it is possible to uncover customer needs in markets for which no products yet exist. This has major ramifications when it comes to successfully creating products and services in new markets.

[Direction of improvement] ... [Unit of measure] ... [Object of control] ... [Contextual clarifier] ... [Example of object of control]

Figure 1. Structure of a Desired Outcome Statement

Knowing that people buy products and services to get jobs done and that people use metrics to measure the successful execution of a job were two very important discoveries that provided the framework and inputs needed to effectively execute the innovation process.

3. A job map provides the structure needed to ensure all customer needs are captured.

The third discovery – the job map – gave us the framework that was needed to know when all customer needs were captured for a given job. What we discovered was that all functional jobs are processes and can be analyzed as such. This means

that jobs, just like business processes, can be broken down into process steps, and each process step can be analyzed to determine what metrics customers are using to judge its successful execution.

A job map is a visual depiction of a functional job, deconstructed into its discrete process steps, which explains in detail exactly what the customer is trying to get done. Unlike a process map, a job map does not show what the customer is doing (a solution view); rather, it describes what the customer is trying to get done (a needs view). Analysis of hundreds of jobs has revealed that all jobs consist of some or all of the eight fundamental process steps: define, locate, prepare, confirm, execute, monitor, modify and conclude (see the universal job map in Figure 2). This insight is essential for creating a framework around which customer needs (desired outcomes) are gathered. (To learn more about job mapping, see “The Customer-Centered Innovation Map” in the May 2008 issue of the Harvard Business Review.)

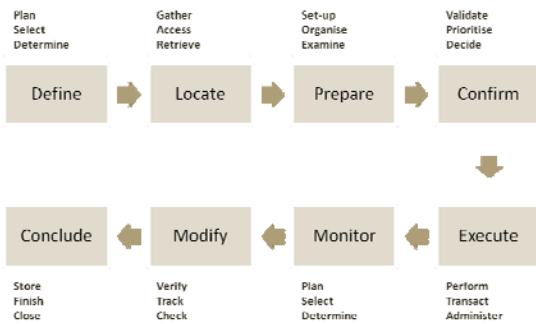


Figure 2: The Customer-Centered Innovation Map

Once a job map is created for a specific functional job, customer needs must be captured for each step in the job map. When need statements that describe issues related to the speed, stability and output of each process step are captured, all needs are known. We have discovered that most jobs consist of 8–12 process steps, that 6–12 needs exist per process step, and that approximately 50–150 needs exist for any given job. When the job is the unit of analysis, there is no such thing as an unarticulated or latent customer need – customers clearly know what jobs they are trying to get done and how they measure success.

4. Concept innovation and design innovation are two different things, but can be addressed similarly.

Traditional VOC and QFD practitioners have for years tried to persuade companies that the same tools that were created to help engineers craft products and make design trade-off decisions after products had entered into development (design innovation), are useful in coming up with the product concept that is approved for product development to begin with (concept innovation). That is simply not the case, as product failure rates of 70 to 90 percent attest. We have discovered, however, that the opposite is true – the tools that work for concept innovation are in fact more effective than the traditional tools used by engineers to make design decisions and assist in design innovation.

A key goal of development is to optimize the product design so that customers are able to successfully execute a number of consumption chain jobs related to the use of the product or service – including the customer’s ability to purchase, receive, install, set up, learn to use, interface with, transport, store, maintain, upgrade, replace and dispose of the products they use. The concept must be known and approved before the product design can be optimized for those purposes. Although those tasks are not the primary reason for acquiring the product or service, the customer must be able to perform them easily if the product or service is to be perceived favorably. Each of these 12 consumption chain jobs should be considered targets for design innovation, especially those that have a history of poor execution.

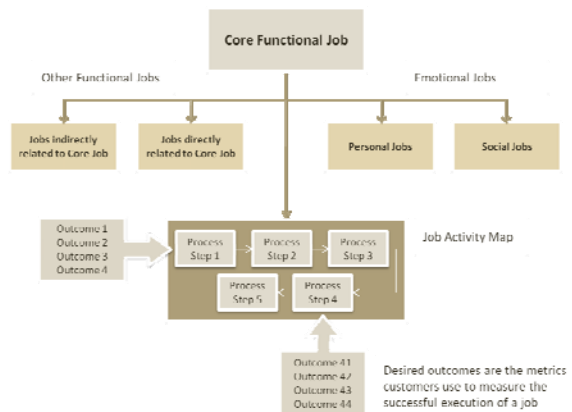


Figure 3: The Hierarchy of Customer Needs

We have discovered that each consumption chain job has its own distinct job map and set of need statements. Knowing what all these needs are and how many are unmet gives designers and engineers the information they need to be proficient at design innovation. With structured frameworks (such as the customer input hierarchy shown in Figure 3),

and a clear definition of what a need is, the capture, organization and processing of all these customer inputs is possible.

5. The opportunity algorithm makes it possible to prioritize unmet needs.

Which customer needs represent the best opportunities for growth? To answer this question, companies must be able to figure out which needs are most important and least satisfied. The opportunity algorithm, shown below, is a simple mathematical formula that makes it possible for companies to do just that. Using this algorithm, companies can prioritize the most promising opportunities for growth. (The opportunity algorithm was first introduced in the January 2002 Harvard Business Review article “Turn Customer Input into Innovation.”)

As part of the outcome-driven innovation philosophy, it is assumed that an opportunity for innovation exists when a need is important and not well satisfied. The more important the need is, and the less satisfied customers are, the greater the opportunity is for value creation. Using this formula, the needs that are most important and least satisfied receive the highest priority:

$$\text{Opportunity Score} = \text{Importance} + \max(\text{Importance} - \text{Satisfaction}, 0)$$

Underserved desired outcomes represent opportunities for core and new market growth for a specific job, as they pinpoint what aspect of a job needs to be improved in order to get the job done better. These underserved outcomes point to where customers want to see improvements made. If circular saw users, for example, feel that minimizing the likelihood of the cut going off track is an important and unsatisfied outcome, then that outcome represents an opportunity for improvement.

Underserved jobs, on the other hand, represent opportunities for new market creation and ancillary market growth. These are jobs that customers currently cannot get done satisfactorily – although they would like to – because products or services designed to get the jobs done do not exist or are inadequate. For example, if it were determined that people want to wake up with fresh breath after sleeping all night, then that job would point to a brand-new market.

For the past 10 years, the opportunity algorithm has enabled the accurate prioritization of unmet customer needs. In addition, this algorithm has been useful in market segmentation, giving companies the ability to uncover segments of opportunity – that is, segments of a population that have different unmet needs. The degree to which a market is over or underserved can easily be seen by plotting research data in the opportunity landscape model. The example shown in Figure 4 indicates the market is underserved.

6. Opportunities (unmet needs) dictate which market growth paths to pursue.

Through our hands-on experiences in helping companies execute hundreds of innovation initiatives, we have discovered that there are only 6 growth paths that can be followed in order to achieve growth through innovation. Companies can:

1. Add features to an existing platform to help customers get the core job done better,
2. Add features to an existing platform to help customers get related jobs done,
3. Create a new platform to help customers get the core job and related jobs done,
4. Create a new platform to help customers get the core job done better and/or cheaper,
5. Create a new platform that enables a new job executor to execute the core job, and
6. Create a new platform that enables a new job executor to execute the core and related jobs.

Once a company knows precisely which customer needs are unmet, it can accurately assess if and where the market is over- or underserved and whether features can be added to the current platform or if a new (disruptive, radical) product platform must be created in order to address the opportunities or satisfy a new job executor. We have also discovered that all markets evolve within these growth paths and that these paths are not mutually exclusive. Ideally, a company will optimize profitability across all 6 growth paths. (A whitepaper on the 6 growth paths is forthcoming).

7. Scattershot brainstorming doesn't work; sequenced and focused idea generation does.

Many companies tie the success of a brainstorming session to the number of ideas generated. Then they struggle to evaluate all the ideas to determine which should be pursued. This is typical of the ideas-first approach to innovation. In the outcome-driven world, however, the approach is turned around. With customer needs already identified and prioritized and knowing what type of innovation is needed (a new platform or features on the current platform), creative efforts are much more focused. Company employees and others can concentrate solely on devising valued and potentially breakthrough solutions to address high-priority, unmet needs.

When a new platform is needed, companies must first devise the platform that will get the job done, then the business model and then the feature set that will address the customer's desired outcomes. The goal of an idea generation effort is to devise one or two ideas that will dramatically increase the customer's level of satisfaction for each unmet need and do so for little product cost, development effort or technical risk. When people generate ideas around a specific unmet need, the chances of devising a solution of great customer value increase dramatically. Companies rarely lack ideas – they simply lack focus. Knowing where to focus creativity changes the dynamics of idea generation. (See Breakthrough Thinking from Inside the Box, Harvard Business Review, December 2007, for more insight into the concept of focused brainstorming).

8. Concepts can be evaluated with precision when all the needs are known.

When using traditional concept evaluation methods, companies usually place a solution in front of a customer for evaluation. The customer is expected to make the connection between the product and its features and their own unmet needs, and yet those needs are never explicitly articulated. In this situation, customers often give conflicting evaluations, and those evaluations do not accurately reflect how they would behave toward the product in the marketplace. We have discovered that concept evaluation can be made much more accurate by asking customers to evaluate a new concept (platform and features) for its ability to satisfy all 50–150 customer needs. By presenting a feature to a customer and asking the degree to which that feature will satisfy a specific

need, a complete and accurate evaluation can be made. Using this approach, companies can quantify potential improvements in customer satisfaction and invest in new product and service concepts with confidence.

DISCOVERY IMPLICATIONS

Over the years, these and other discoveries have been integrated into a holistic end-to-end innovation process – ODI. In our view, this is the most powerful innovation process in the world and should be considered for adoption by any firm interested in making innovation a core competency. ODI's ability to execute the innovation process effectively has three major implications for companies:

1. Companies are no longer dependent on one person for their success.

Many companies (Apple, for example) are dependent on one great mind (that of Steve Jobs) for their success. This is not a sustainable strategy. Using ODI, it becomes possible for hundreds of authorized employees to know with certainty all the customer's needs, precisely which of them are unmet, and how to generate powerful ideas that address those unmet needs. Any authorized employee can become proficient at innovation, and companies are no longer dependent on one person or a handful of intuitive employees who sometimes get it right.

2. A common set of needs aligns all marketing and development strategies.

In many companies we find that research and development, marketing and sales independently capture requirements from customers in an attempt to get the information they need to guide their decisions and strategies. Because their reasons for obtaining these inputs may differ, and because there is no agreement on what inputs are needed to begin with, each function is likely to end up using different inputs. As a result, their strategies are likely to be misaligned, dividing the company's energies and focus.

ODI overcomes this problem by providing all the functions with a single set of customer inputs, all revolving around the main purpose the organization is there in the first place – to help customers get a job done. A single set of job-based customer inputs drives and aligns strategies for messaging, positioning, purpose branding and sales, along with strategies for beating the

competition, pipeline prioritization, concept creation and evaluation, patent portfolio development, acquisition assessment, research and development and other related activities. When using this approach, the company's thinking is aligned with the customer's value measurement system.

3. ODI enables continuous innovation.

ODI not only delivers high success rates, but because it enables continuous innovation, it also dramatically reduces development time, time to market and development expense and enables a company to respond quickly to the changes in the priority of customer needs.

Traditionally, innovation has been treated as a sporadic or episodic event. At some given point, a company decides that it needs to devise a new product or the next version or generation of a product, and only then does the company initiate the innovation process. When innovation is carried out sporadically like this, the process may take anywhere from three to nine months.

With ODI, however, innovation can be a continuous, proactive process, in which all customer needs are known at all times for all markets of interest. This is possible because the research required to produce this needed input is continuous. All customer needs are stored in a database – and the needs that are unmet are identified and codified as such. This information is always available. At the same time, ideas that address those unmet needs are continuously solicited from employees and others in an asynchronous fashion and stored in an idea database. People are encouraged and directed to offer their ideas, and they are rewarded for doing so. So when management says, "We need a new product concept," the concept can be generated in minutes, rather than months, using an algorithm that matches features to unmet needs.

THE BENEFITS OF ODI

Through our experience and extensive research on this subject for more than 18 years, we have determined that an effective innovation process can and should:

- Provide companies with the potential to achieve at least a 70–90% success rate.
- Provide companies with the ability to reduce development costs and time to market.

- Provide companies with an enterprise-wide, metric-based system for value creation.
- Provide companies with a complete and unambiguous innovation language.
- Encompass and holistically integrate all innovation process steps, maximizing efficiency and yield.
- Ensure that development, marketing, communications, branding, R&D, M&A and other critical cross-functional strategies are aligned with the growth and innovation strategy.
- Address effectively all innovation possibilities – whether growing existing markets, creating new markets or engaging in disruptive, radical innovation.
- Support institutionalization through the use of information-based tools that interoperate with the enterprise's other information platforms (such as Microsoft, Oracle and SAP).
- Enable continuous innovation.
- Enable management to assess the company's progress in mastering the innovation process.
- Have a proven track record.

ODI possesses these and other favorable characteristics.

ADOPTING A NEW STANDARD FOR INNOVATION

It is the responsibility of company leadership to determine the innovation process the company should adopt in its quest to manage organic growth. Ideas-first methods are certain to fail, and traditional needs-first methods are highly inadequate. ODI is the ideal attractive alternative. The ODI process has been refined over the past 18 years and is now the world's most powerful innovation process. Mastering ODI and making it part of a company's operating DNA will enable a company to successfully manage organic growth and give it the confidence it needs to successfully make the big bets.

1) Dr. Robert Cooper, *Winning at New Products: Accelerating the Process from Idea to Launch*, Edition:3, (Da Capo Press, 2001), 311

STRATEGYN – OUTCOME-DRIVEN INNOVATION

- 2) Peter Skarzynski and Rowan Gibson, *Innovation to the Core* (Chicago: Strategos, 2008), 137.
- 3) Teresa M. Amabile, Regina Conti, Heather Coon, Jeffrey Lazenby, and Michael Herron, "Assessing the Work Environment for Creativity," *The Academy of Management Journal* 39, no. 5 (October 1996), 1154.
- 4) Tom Peters, *Thriving on Chaos: Handbook for a Management Revolution* (New York: Knopf/Random House, 1987), 479.
- 5) Scott D. Anthony, Mark W. Johnson, Joseph V. Sinfield, Elizabeth J. Altman, *The Innovators Guide to Growth, Putting Disruptive Innovation to Work*, (Harvard Business Press, 2008), 94.
- 6) Given the number of possible ways that just 15 unmet needs could be satisfied by products and services in any given market, millions of ideas would have to be generated before an exhaustive set of ideas could be created (assume 3 competing ideas for each of 15 unmet needs in various combination = 3 to the power of 15 = 14 million). The chances of any one idea effectively addressing 15 unmet needs are 1 in 14 million. In most markets we find that more than 15 unmet needs are present.
- 7) Theodore Levitt, "Marketing Myopia," *Harvard Business Review* 38 no. 4 (July-August 1960)
- 8) David Garvin, "A Note on Corporate Venturing and New Business Creation," (Harvard Business School, December 2002), 5.
- 9) Gary Hamel and C. K. Prahalad, *Competing for the Future*, (Boston: Harvard Business School Press, 1994), 111.
- 10) PDMA online glossary of terms
- 11) Peter Skarzynski and Rowan Gibson, *Innovation to the Core*, 69.
- 12) A. G. Lafley and Ram Charan, *The Game-Changer* (New York: Crown Business, 2008), 45.
- 13) Abbie Griffin and John Hauser, *Voice of the Customer* (*Marketing Science*, Volume 12, No. 1, Winter 1993), 4.
- 14) Tom Kelley makes that statement on page 17 of *The Ten Faces of Innovation* (New York: Doubleday, 2005). He goes on to say that anthropologists have a half a dozen distinguishing characteristics that include, for example, practicing the Zen principle of "beginner's mind," embracing human behavior with all its surprises and drawing inferences by listening to their intuition. Our opinion is that this mind-set makes it all too easy for dangerous variability to creep into the need statements and the inputs themselves.

Anthony W. Ulwick is the founder and CEO of Strategyn, an innovation management consultancy firm based in Aspen, Colorado and with offices throughout the world including the UK, Australia, France, Netherlands, Austria, South America. He is the author of *What Customers Want* (McGraw-Hill, 2005) and "Turn Customer Input into Innovation" (*Harvard Business Review*, January 2002). With Lance Bettencourt, he is the coauthor of "The Customer-Centered Innovation Map" (*Harvard Business Review*, May 2008) and "Giving Customers a Fair Hearing" (*Sloan Management Review*, Spring 2008). He can be contacted at ulwick@strategyn.com.

Strategyn UK provides outcome-driven innovation (ODI) projects, consulting, mentoring and training programmes for companies in all sectors. ODI is deployed at the front-end of innovation programmes, bringing predictability, focus, discipline and cost-saving to all downstream efforts.

With the precise actionable measures of customer unmet needs and market opportunity provided by ODI, we can help you to:

- *Formulate sustaining, disruptive growth strategy*
- *Segment markets for growth, predictably*
- *Reallocate existing project resources to the biggest market opportunities*
- *Reposition current products and services on unmessage strengths*
- *Focus your idea-generation programmes on important, unmet needs*
- *Deliver revenue and profit margin growth*

For further information and an initial briefing, contact Chris Lawer, MD, Strategyn UK in the London office on +44(0)207 869 8082 or via email: Uk@strategyn.com. Alternatively, visit our website: www.strategyn.co.uk.
