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Whitepaper

What is Outcome-Driven Innovation® (ODI)?

by Anthony W. Ulwick

ODI is a strategy and innovation process built around the theory that people buy products and services to get jobs done. It links a company's value creation activities to customer-defined metrics—a truly revolutionary concept in the field. With an 86 percent success rate, ODI helps companies make product and marketing decisions that ensure the growth of core markets and the successful entry into adjacent and new markets.

Contents

Introduction

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). With an 86 percent success rate, this 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 percent of the hundreds of companies Strategyn has assisted, managers haven't even been able to agree on the answer to the most fundamental question: what innovation 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, formulate a growth strategy, and devise and evaluate product and service concepts. Approved concepts then enter into development—a separate process. When the innovation process is executed effectively, only winning products enter the development process, and product success rates can exceed 80 percent—a vast improvement from today's 70–90 percent failure rates.

Today's most popular approaches to innovation fall into one of two types: those that revolve around ideas and those that revolve around 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. Unfortunately, the "ideas-first" approach is inherently flawed and cannot work, and the "needs-first" approach, although superior, often fails because it is structurally flawed. It can work, however, if those structural flaws 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 the ideas that will likely fail. They believe this approach gives them 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 percent[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 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 a major

[1] Robert Cooper, "Winning at New Products: Accelerating the Process from Idea to Launch," 3rd ed. (Da Capo Press, 2001), 311.
[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," *Academy of Management Journal 39,* no. 5 (October 1996), 1154.

corporation has participated in a brainstorming session in which, 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.

People are in effect brainstorming ideas without ever knowing what the customer's needs are or which of those needs are unmet.

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," the idea being that when many ideas are generated and tested quickly, the best ideas are revealed 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 *Innovators Guide to Growt*h 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 ideas-first approach to innovation cannot be counted on for predictable growth and 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 later) and that anywhere from 5 to 80 percent 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 a target without knowing what the target is. It is like expecting a doctor to recommend the right treatment without knowing what is wrong or what the symptoms are.

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[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, and Elizabeth J. Altman, *The Innovator's 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. If you assume three competing ideas for each of 15 unmet needs in various combination, then you are generating ideas on the order of three to the power of 15, which is 14 million ideas. The chances of any one idea effectively addressing 15 unmet needs are one in 14 million. Furthermore, in most markets, we find there are more than 15 unmet needs.

This brings us to a second reason why the ideas-first approach is doomed to failure: the evaluation and filtering processes are 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. Or, in other words, 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.

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.

Lacking explicit knowledge of customers' unmet needs, managers rely on intuition or evaluate proposed concepts using methods such as conjoint analysis, paired comparisons, and forced-choice scaling techniques, along with surveys and qualitative methods such as focus groups. These methods and others like them rely on customers to evaluate how well a proposed idea will address their unmet needs without truly understanding the product or technology and how it explicitly relates to those 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 ideas-first approach to innovation struggle to achieve success rates greater than 10 to 20 percent.

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 developed to offer these services, and yet companies nearly always fail to uncover all

[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* (Boston: Harvard Business School Press, 2002), 5.

or even most of the customer's needs. The reason for this is twofold. First, there is no universally accepted definition of a customer need, and second, there is an assumption 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 them all—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.

The sad reality is that despite all the talk about satisfying customer needs, there is very little understanding of what a customer need is or what the purpose, structure, content, and syntax of a need statement should be.

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-oriented 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 impossible. But the truth is that customers can articulate their needs and that all the needs can be captured.

And then there is the more basic problem of defining exactly what a customer need is. At most companies, 95 percent of managers will say there is disagreement regarding how a need should be defined. Even more significant, the companies tasked with capturing customer needs also disagree on the definition. The sad reality is that despite all the talk about satisfying customer needs, there is very little understanding of what a customer need is or what the purpose, structure, content, and syntax of a need statement should be.

Abbie Griffith and John Hauser loosely defined "customer need" 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. Today we know that obtaining inputs in the customer's own words will more often than not result in the wrong inputs. 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

[10] From the definition of "customer needs" in *The PDMA Glossary for New Product Development* (Mount Laurel, NJ: PDMA, 2006), http://www.pdma.org/npd_glossary.cfm.
[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 12,* no. 1 (Winter 1993), 4.

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 phrases should be used or avoided to ensure variability is not introduced into the statement—variability that can adversely affect later prioritization of unmet needs. 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 to use. And once forced into that position, getting it right becomes a process of trial and error.

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Many academics, consultants, supplier firms, and others end up regarding 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,"[14] as IDEO general manager Tom Kelley says in *The Ten Faces of Innovation*. 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 to 90 percent failure rates these methods delivery.

Unlike the ideas-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 (ODI) methodology. ODI is an needs-first approach to innovation that has an 86% success rate—5 times the industry average. It corrects the flaws in the methods that have been used to date: namely, it links a company's value creation activities to customer-defined metrics—a truly revolutionary concept in the field. By doing so, 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.

[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.

Creating an Effective Approach to Innovation

We did not arrive at this successful approach to innovation overnight. Development of the ODI methodology occurred over a 19-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. A job map provides the structure needed to ensure all customer needs are captured.
3. When the job is the unit of analysis, needs take the form of customer-defined metrics.
4. ODI's "jobs-to-be-done" principles apply equally well to design innovation.
5. The opportunity algorithm makes it possible to prioritize unmet needs.
6. Opportunities (unmet needs) dictate which growth strategy to pursue.
7. Scattershot brainstorming doesn't work; sequenced and focused idea generation does.
8. Concepts can be evaluated with precision against customer-defined metrics.

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 ODI 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 goal customers are trying to accomplish or problem they are trying to solve in a given situation. Making the job the unit of analysis is the cornerstone of successful innovation. 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.

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 better complete the job.

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.

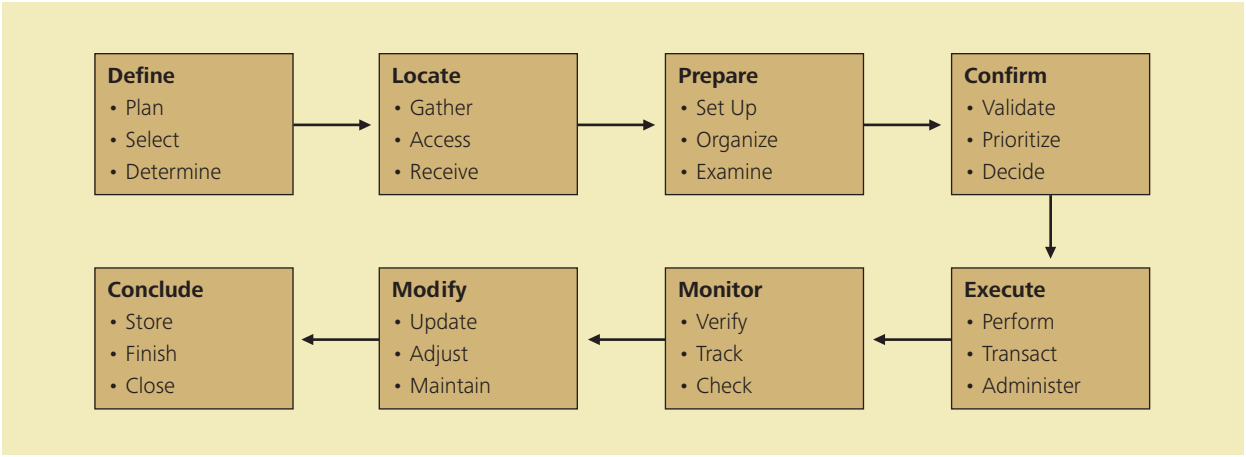
2. A job map provides the structure needed to ensure all customer needs are captured.

The second 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 1). 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.*)

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.

Figure 1. The Universal Job Map



3. When the job is the unit of analysis, a need takes the form of a customer-defined metric.

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 metrics they use to measure how well the job is executed being executed. Customers know perfectly well how they measure success when executing a job and are very capable of communicating those metrics—and those metrics, simply put, are their needs. A corn farmer, for example, may want to "minimize the time it takes for the corn seeds to germinate" or to "increase the percentage 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 struggle to satisfy 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, such as personal interviews, focus groups, ethnographic interviews, etc. With a job-focused mind-set, it is possible to know all your customers' needs.

Desired-outcome statements must conform to a specific structure (see Figure 2) and follow a set of stringent rules. This is necessary because differences 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.

Figure 2. A Desired Outcome Statement

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

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 in the development of ODI. They provide the framework and inputs needed to effectively execute the innovation process.

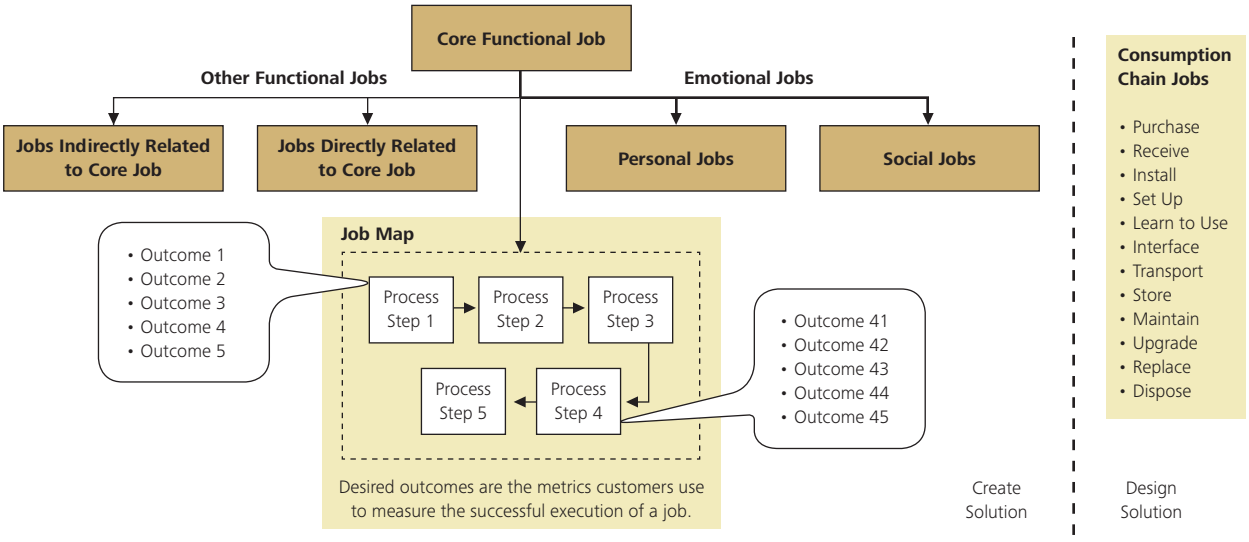
4. ODI's "jobs-to-be-done" principles apply equally well to design innovation.

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. 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.

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 which 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.

Figure 3. The Hierarchy of Customer Needs



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 ODI 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:

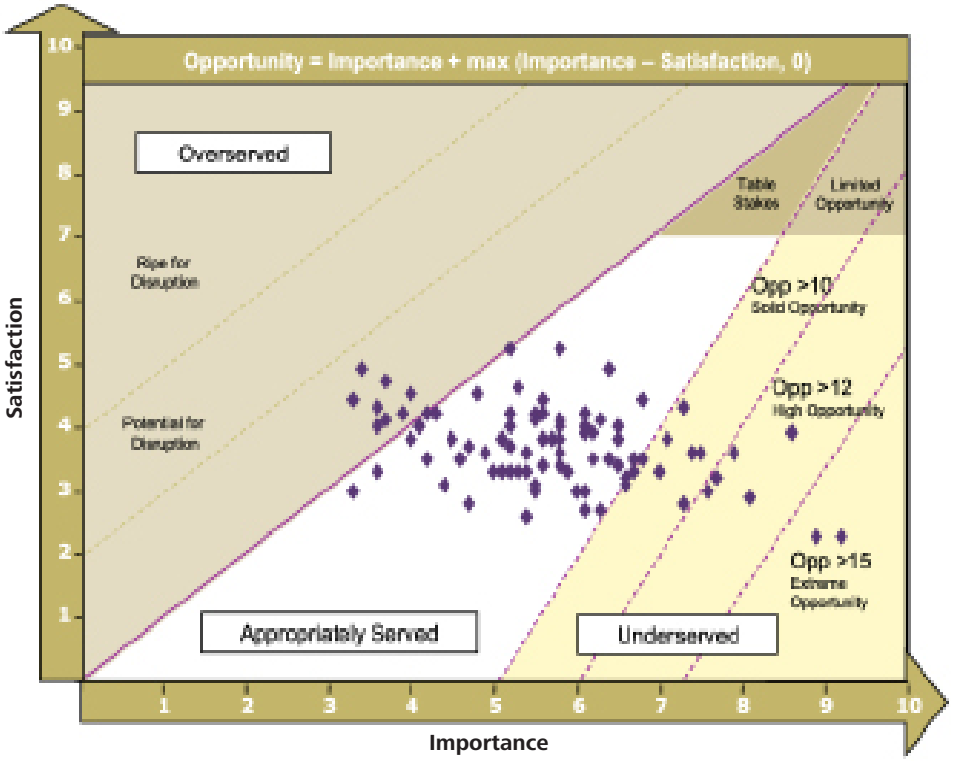
$$\text{Opportunity} = \text{Importance} + \max(\text{Importance} - \text{Satisfaction}, 0)$$

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 adjacent 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.

Figure 4. The Opportunity Landscape Model



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

Through our hands-on experiences in helping companies execute hundreds of innovation initiatives, we have discovered that there are only six strategies that will lead to growth through innovation. A company can:

Once a company knows precisely which customer needs are unmet, it can accurately assess if and where the market is over- or underserved and what strategy to pursue.

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 one or more related jobs done.
3. Create a new platform to help customers get the core job done better and/or cheaper.
4. Create a new platform to help customers get the core job better and also get one or more related jobs done.
5. Create a new platform that enables a new job executor to execute the core job.
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 what strategy to pursue. Companies can quickly determine if 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 incorporate these strategies and that these strategies are not mutually exclusive. Ideally, a company will optimize profitability across all strategies. (See "A New Perspective on Strategy" a Strategyn whitepaper authored by Tony Ulwick for more information.)

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

When people generate ideas around a specific unmet need, the chances of devising a solution of great customer value increase dramatically.

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 against customer-defined metrics.

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) against all the customer-defined metrics. 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.

The Benefits of ODI

Through our experience and extensive research on this subject for more than 19 years, we have determined that an effective innovation process can and should:

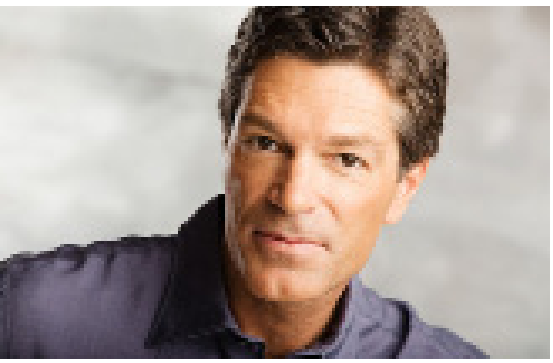
- Encompass and holistically integrate all innovation process steps, maximizing efficiency and yield.
- Incorporate a metric-based system that enables value creation to be measured and validated.
- Provide companies with a complete and unambiguous innovation language.
- Align value creation activities across the company, e.g., development, marketing, communications, branding, R&D, M&A, etc.
- Effectively address all innovation possibilities, i.e., protecting and growing existing markets, entering adjacent or new markets, or finding new markets for existing technologies.
- Support institutionalization through the use of information-based tools that interoperate with the enterprise's other information platforms (such as Microsoft, Oracle and SAP).
- Have a proven track record.
- Provide companies with the potential to achieve at least a 70–90 percent success rate while reducing development costs and time to market.

ODI possesses these and other favorable characteristics.

Adopting a New Standard for Innovation

It is the responsibility of company leadership to determine which 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 19 years and is the only innovation process that has an 86% success rate. 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.

Contacts



About the Author

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