



THE RELEVANCE OF OUTCOME-DRIVEN INNOVATION

BlogPost by Susanne Justesen, INNOVERSITY RESEARCH, on August 15 2006

I just spent most of my weekend reading Anthony Ulwick's latest book What Customers Want (2005) in which he elaborates on his approach to user-driven, or as he calls it, outcome-driven innovation (which he claims is all about moving beyond customer-driven innovation. The book is a quick read and offers some easy-read tools and methodologies for working strategically with customer input in the innovation process.

I first learned of Ulwick and his approach to innovation in 2002, in the Harvard Business Review article: "Turn Customer Input into Innovation", where he criticized the ways in which many companies failed in their attempts to capture valuable customer input, and how they made use of that input to direct innovation efforts... According to Ulwick, too many companies simply collect the wrong input from their customers, as he explains:

"Customers should not be trusted to come up with solutions; they aren't expert or informed enough for that part of the innovation process. That's what your R&D team is for. Rather, customers should be asked only for outcomes - that is, what they want a new product or service to do for them. Maybe they want to feel a closer bond to people when talking on the phone or to spend less time traveling to and from the grocery store. What form the solutions take should be up to you, and you alone (Ulwick, 2002:92)"

But this does not mean that one should not be listening to customers, it only means that the way in which customer input is collected, used and applied should be carefully structured, not around solutions, needs and benefits, but rather focus on the outcome customers want a given product or service to have, and none the least, to focus on the 'jobs' and 'tasks' that customers are actually seeking to achieve.

The book which came out last year is an elaboration of the 2002-article, which has been developed a bit further to also include the innovation process, which he describes in these steps:

1. Plan outcome--based customer interviews (requires field observation to understand product use)
2. Capture desired outcomes (Ulwick states that most products have between 50-150 outcome metrics)
3. Organize the outcomes
4. Rate outcomes for importance and satisfaction (using the opportunity algorithm described below)
5. Use the outcomes to jump-start innovation (this is where his message becomes a little toooooo simple...)

The opportunity algorithm basically captures the relationship between the importance customers attach to each of the identified outcomes, or as described by Ulwick:

"The formula [$\text{Importance} - \{\text{Importance-Satisfaction}\} = \text{Opportunity}$] yields highly accurate results. Companies ask their customers to quantify on a scale of one to ten the importance of each desired outcome and the degree to which it is currently satisfied. Those rankings are inserted into the formula, resulting in an overall opportunity score" (Ulwick, 2002: 96)

What then emerges is an overall score, identifying where the opportunities for innovation seem to be most interesting, namely the outcomes with the highest scores on importance and lowest scores of satisfaction. Other innovation opportunities exist in terms of cost-cutting, which becomes an evident path to pursue when certain outcomes score high on satisfaction and low on importance.

The way in which this is all presented by Ulwick is rather simplistic, which can be quite annoying at times during the reading, but none the less, he really offers some interesting insights regarding user-driven innovation, and in his book he describes the need for us to move beyond the customer-driven paradigm, which he describes in this way:

"Using the customer-driven approach, companies began to conduct customer interviews and act on the feedback they received. They performed ethnographic and anthropological research. They began to test product concepts with users. Indeed, over the past two decades qualitative and quantitative research methods have become corporate staples. (...) Customer-driven thinking is well entrenched and has become the mantra of the corporate world. But after twenty years of customer-driven thinking, U.S. companies still find that 50 to 90 percent of their

product and service initiatives are failures, collectively costing them more than \$100 billion each year" (Ulwick, 2005:xiv).