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Message from the future

WHAT ARE THE INSENSIBLE PRACTICES IN PRODUCT INNOVATION TODAY, LET'S ASK OUR TOMORROW

Let us board a time machine to travel 20 years into the future and look back at B2B innovation today. Aren't there enough outdated practices that will make us snigger?

We know of many old practices that were outdated a long time ago, yet several still practise them! High-pressure selling ("Always be closing") versus consultative selling, quality control inspectors versus statistical process control, net present value model to make investment decisions versus options thinking and discovery-driven planning?

New practices "seep in" at snail's pace through the business world, sometimes requiring two or three decades before broad adoption. This seems odd when early adopters reap major competitive advantages in improved quality, leaner operations, better customer relations and so on.

If you, as a business leader, want to see the future, you need to be good at customer-facing innovation. Sustainable business growth cannot happen without that. Your advantage over competitors would almost seem unfair: They'd be stuck at the typical new-product success rate of 25%, while you will delight customers with one superior new product after another.

From the time machine looking back from 20 years ahead, which of today's practices would be recognised as obstacles to profitable, sustainable growth? Which would cause us to giggle at how long they went unchallenged?

HERE ARE SIX WE COULD SUGGEST:

❶ We test market needs by launching products at customers.

Companies like to talk about the voice of the customer but most use "voice of self", creating product concepts in their own conference rooms. So, when does the average supplier understand whether its solution meets market needs? Only when it launches the product and sees if anyone buys it!

Launching products at customers is an incredibly inefficient approach that is commonly practised in B2B, though B2B customers have great knowledge, interest, objectivity and foresight. They are capable of articulating what they want before any development is initiated, if only we know how to ask them.

Years from now, companies will be amazed that their innovation methods were too much supplier-centric.

❷ We don't understand what organic growth requires of us.

In most annual operating plans, growth is projected as faster than the market growth. But how has that been working for companies? Mostly below par.

Truth is, there are three types of growth and companies can only control one of them. The first is inherited growth from products launched long ago, which now "carry" the business. The second is market growth, the tide that lifts all boats. You can only impact the third — earned growth — by delivering real value to your customers.

Don't let the first two types of growth lull you into thinking it's doing better than it is. Every year, purchasing agents and competitors are working hard to commoditise your specialty products and only your team can stop them. You need to earn your growth by doing a better job than every competitor in understanding and meeting customer needs in any given market.

❸ We misunderstand the proper role of stage-and-gate processes.

Most companies expect their stage-and-gate process to do what it was never designed to do. It was designed to manage the interface between project teams and the company, for portfolio analysis, resource planning, risk reduction, tracking and so on.

This is necessary, but not sufficient. By itself, your process fosters internal focus, analytical thinking and a checklist mentality. At your next gate review, just ask team members how many hours they spent talking to customers and how many hours talking to colleagues.

Keep your internal process, but build a strong "team-customer interface" upon it: Ensure your teams have the customer-facing skills to understand market needs better than competitors. Your gate reviews will be much more rewarding. Instead of discussing what the team forgot on a checklist, you'll discuss what they found in a customer interview. That's what leads to blockbusters.

Quality and productivity initiatives are useful, but unless you're creating new value for customers, you're in a race to the bottom

❹ We interview customers to "validate" our hypothesis.

The problem with asking customers about your great new product concept is confirmation bias — interpreting new information in a way that confirms your existing beliefs. In your last performance review, you might have agreed with your boss' praise more than his criticism. Unless you're the rare exception, confirmation bias is hard to overcome. During customer interviews, you'll "hear what you want to hear" and this distortion is doing huge damage to your company's innovation today.

Another problem is that when you're done "validating", you probably think you have learnt about market needs. Unfortunately, you have only learnt about market reaction. To a single idea. Your idea.

It's better to conduct divergent interviews, where customers give you dozens of desired outcomes, many of which you never expected. Our experience with hundreds of global industries has shown that these unexpected outcomes often lead to the most exciting and valuable new products.

❺ We fail to fully engage all our customers in our innovation.

Many companies manage to bore customers with their voice-of-customer efforts. Do you like to answer surveys at home? How about at work, where you're even busier? So imagine how customers feel about your questionnaires. Forget your list of brilliant questions. Instead, learn to brilliantly probe whatever customers want to tell you. They should lead the interview — and you should be fascinated by what they tell you.

Think of it this way: Research shows the best sales pros ask customers questions such as, "What problems are you facing?" Why not ask this before you develop a new product — not just later when selling it? Such questions engage, so customers are "half-sold" by your launch date. And their answers let you create much better new products.

❻ We are very easily distracted from customer-facing innovation.

You simply can't get profitable, sustainable organic growth without strong customer-facing innovation. Quality and productivity initiatives are useful, but unless you are creating new value for customers, you're in a race to the bottom.

No matter how well you improve operational efficiency, you'll eventually approach diminishing returns, competitors will catch up, and you'll sink into the dismal quagmire of commoditisation and price cuts.

Instead of chasing short-term Bright Shiny Objects (BSO), future winners will focus on developing growth muscles for the long term. Their employees will gain the skills and drive to enter customers' worlds, and understand their outcomes far better than competitors.

What is needed today is new product blueprinting, which is all about understanding customer outcomes at unprecedented levels. It is the science of B2B customer insight. Just as a microbiologist puts a specimen under a microscope, an outcome is studied in increasing detail. For each outcome, the "magnification" is turned up through several levels, until the supplier approaches the same level of understanding as the customer. Relatively few companies do this today, but it's the future for all of us.

Bottom line: Getting to the future first will remove any opportunities for the future innovators to laugh at us. And deliver phenomenal results. OB

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