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## Mind the Gap

*Product Development Strategy as the bridge between companies and potential customers*

by Paul Kramer  
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### OVERVIEW

Gaps of understanding between companies and potential customers provide rich opportunities for discovery that can provide the basis for competitive advantage.

When contemplating new innovation initiatives, it can be tempting for leaders to solicit new solutions from internal expert groups in isolation or solely from external customers. And while it is common knowledge that for businesses to succeed, they need to understand their customers' needs, it is imperative to growth that this understanding be integrated into the core of its Product Development Strategy. Specifically, the process of discovering motivations of potential customers, developing a shared point of view based on these motivations, and formulating a strategy aligned with these motivations closes gaps of understanding and drives collective action.

### THE PITFALL OF PROFESSIONAL BIAS

The first pitfall of the internal approach is that operating in isolation, internal expert groups are likely to fall prey to the conventions of their disciplines... "When all you have is a hammer, everything looks like a nail." Without a shared understanding of potential customer needs, R&D may seek ways to use their technical acumen to enhance performance of existing products. Marketing may seek to gain parity with competitors by adding new features. Manufacturing may focus on production efficiency and proven techniques. When combined, this amounts to incremental improvements to existing products, but often not the kind of catalytic innovation that creates new markets and dramatic growth.

### THE PITFALL OF EXISTING CUSTOMERS

The second pitfall, revealed in Clayton Christenson and Michael Raynor's book, *The Innovator's Solution*, is that the process of filtering and shaping innovative ideas in large companies tends to limit their impact to growth. The authors conclude that as gatekeepers of innovation, midlevel managers are presented with countless innovative ideas from below but are incentivized to "promote only those new-growth ideas that will pay off within the time that they reside in that particular job." Consequently, they tend to sift and shape new ideas "to resemble ideas that were approved and became successful in the past," and "potentially innovative new ideas seem inexorably to be recast into attempts to make existing customers still happier." This tendency to refocus innovation activities on pleasing existing customers rather than focusing on the unique needs of potential new customers limits growth.

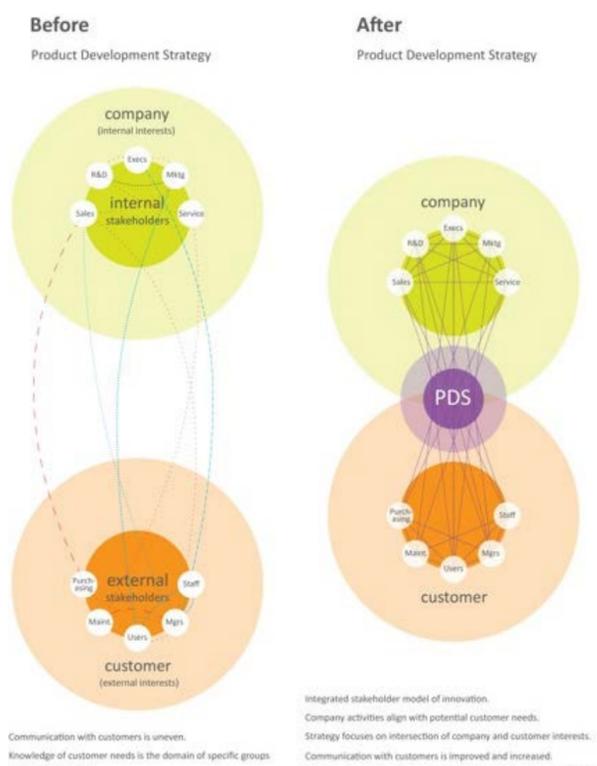
### THE PITFALL OF POTENTIAL CUSTOMERS

The third pitfall, this time external, is that potential customers cannot necessarily identify the problem they are having, let alone the solution. Because people are highly adaptable, we quickly adjust to suboptimal conditions. In *What Customers Want*, Anthony Ulwick calls into question current "voice of the customer" practices, advocating that the voice of the customer be silenced, instead proposing the idea of "outcome-driven" innovation. "The literal voice of the customer sidetracks the innovation process because customers are not qualified to know what solutions are best – that is the job of the organization." As such, time must be spent to understand the primary motivations of purchase decision makers, users, and influencers, and to observe users in their context to uncover insights about new ways to support what they are trying to do. Specifically, he advocates gathering data around the "jobs" and "outcomes" potential customers are trying to achieve. "To formulate an effective innovation strategy, companies must correctly determine who in the value chain makes the most important judgments about value and go to them directly to understand what metrics they use to make those judgments."

### MINDING THE GAP: THE INTEGRATED STAKEHOLDER MODEL

Our experience working with clients has demonstrated that when united by a shared vision of the needs of potential customers, the combined perspectives of internal expert groups reveal innovation opportunities and unlock breakthrough leaps of thinking.

When gaps between customers and internal expert groups are bridged, the power of a focused and unified approach to satisfying the needs of customers is unleashed. Financial and cultural benefits result from the shared experience of creating a consistent, differentiated product portfolio that resonates with customers.



### BRIDGING GAPS FOR COMPETITIVE ADVANTAGE

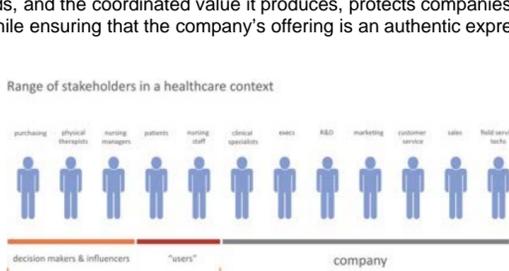
Strategy describes a path to a position of sustained competitive advantage. More specifically, Product Development Strategy describes the aspect of company strategy that defines a vision for its offering based on insights about customer motivations. This vision consists of a set of product development plans crafted to deliver growth.

To bridge the gaps between customer and internal stakeholder points of view, insights about unmet customer needs must be at the center of Product Development Strategy. Once these insights are discovered, the integrative process of establishing a Product Development Strategy pulls together internal expert groups (business leaders, marketing, technical teams, sales, etc...) around a common understanding of how their work connects directly to the people they wish to serve.

The outcome is a coordinated framework for innovation that transcends company silos and unites internal stakeholders around actionable plans for creating meaningful connections with potential customers. These connections create loyal customer relationships and serve as the foundation of sustained competitive advantage.

### REACHING OUT

The first step in the process of unlocking this source of innovation requires commitment and an effective methodology to solicit and balance input from a range of stakeholders, both internal (execs, R&D, marketing, sales, customer support) and external (purchasers, users, influencers). (See below for an example of the range of stakeholders in a healthcare context.) This investigative activity reveals gaps between customer needs and company perspectives, calling into question internal assumptions and company bias. As such, this objective and non-judgmental process of self-reflection allows companies to see themselves realistically and helps them to get out of their own way to provide a product offering that more closely aligns with rapidly changing customer needs. Alignment with customer needs, and the coordinated value it produces, protects companies from disruptive competitors while ensuring that the company's offering is an authentic expression of its brand.



### CROSSING THE CHASM

After these perspectives have been mined and synthesized into insights, a holistic view emerges that serves as the foundation for the process of envisioning and validating a product. This results in a coordinated framework for innovation that ensures company-wide participation and ultimately delivers a more coherent offering to the marketplace.

The process of taking this strategy back to stakeholders for validation aligns disparate groups behind a common vision. The shared sense of ownership that results from this process cannot be achieved in a top-down or bottom-up manner. This process demands of its participants the sometimes frightening leap of suspending hierarchy and impulses towards self-preservation in exchange for collaborative thinking and withheld judgment. This takes the form of honest feedback in group settings about the best ideas, regardless of where they came from. In so doing, it unlocks the creative potential of the organization.

### ENVISIONING "WHAT MIGHT BE"

Recently quoted in Alan Murray's *Wall Street Journal* article, "The End of Management," the strategist Gary Hamel states that "the single biggest reason companies fail is that they overinvest in what is, as opposed to what might be."

Product Development Strategy is most effective when rooted in deep insights about potential customers, and provides a vision and roadmap for how the organization can come together around a common, outwardly-focused direction. Internal barriers begin to dissolve when the focus moves away from what has failed in the past or "what marketing / engineering / or management wants," and lies instead with "what people need" and how we can come together to achieve it in a way that fits with the positioning and current or future capabilities of the company.

### PROVIDING CLARITY

This strategic vision, which articulates a path to sustained competitive advantage, connects highest level business objectives to brand strategy, product line success drivers, and individual product concepts. The emerging strategy empowers internal teams with a vision to pursue and a framework for decision making that aligns with the highest-level goals of the company.

One great benefit of clarity is efficiency. When beginning new initiatives, leaders no longer waste time starting from scratch and debating a fundamental point of view. A shared understanding of the strategic vision provides the direction and basic alignment that allows new initiatives to get off the ground quickly.

### TOWARDS A CULTURE OF INNOVATION

With a shared vision and a framework for decision-making in hand, the full creative potential of the organization and its partners is brought to bear. New ideas emerge and can be objectively prioritized based on the strategy, rather than the position of the person from which it came. As contributors let go of personal ownership of ideas and instead take personal ownership in satisfying the needs of customers, true innovative collaboration becomes possible.

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