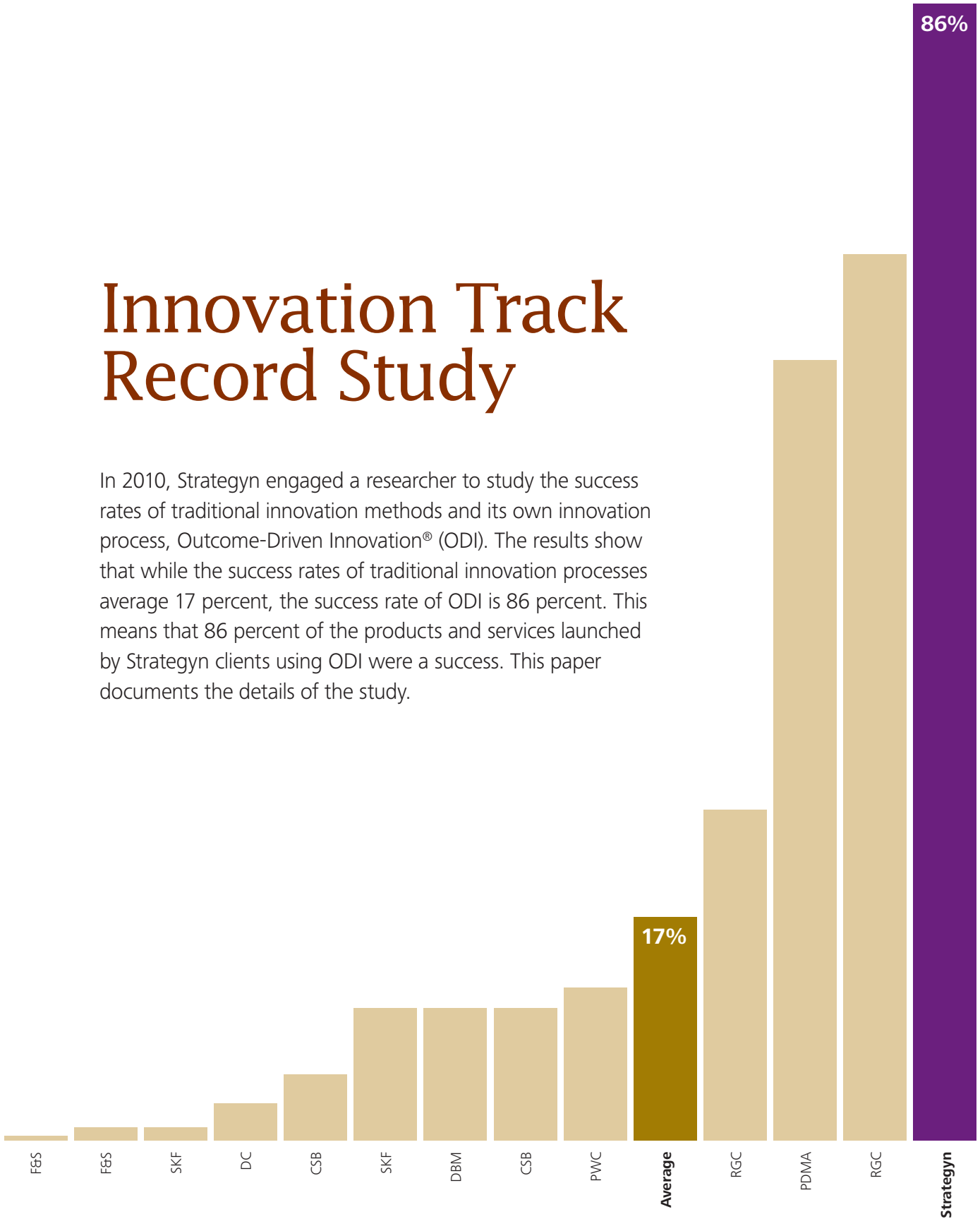STRATEGYN

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Innovation Track Record Study

In 2010, Strategyn engaged a researcher to study the success rates of traditional innovation methods and its own innovation process, Outcome-Driven Innovation® (ODI). The results show that while the success rates of traditional innovation processes average 17 percent, the success rate of ODI is 86 percent. This means that 86 percent of the products and services launched by Strategyn clients using ODI were a success. This paper documents the details of the study.

86%

17%

| F&S | F&S | SKF | DC | CSB | SKF | DBM | CSB | PWC | Average | RGC | PDMA | RGC | Strategyn |

Goal of the Study

In May 2010, Strategyn engaged a researcher to:

1. Research and determine traditional innovation process success rates.
2. Research and calculate the success rate of its Outcome-Driven Innovation® process.

The goal of the study was to determine how ODI's success rate compares with that of traditional innovation methods.

Traditional Success Rates

In order to accurately determine the success rate for traditional innovation processes, the researcher consulted success rate reports from 12 different sources, including the Harvard Business Review, the consulting firm Frost & Sullivan, the professional services firm PricewaterhouseCoopers, the Product Development Management Association (PDMA), the Corporate Strategy Board and others.

Frost & Sullivan reports (i) that only one in 300 new products significantly impacts a company's growth and (ii) that only 1% of new products recoup their product development costs. The Corporate Strategy Board reports that over the past four decades, of the 172 companies that spent time in the Fortune 50, only 5% sustained a growth rate greater than the growth rate of the gross domestic product. PricewaterhouseCoopers reports that only 11% of all venture investments get to any capital liquidity. R.G. Cooper reports that new products succeed 25% of the time, and the PDMA claims that new products succeed 59% of the time. The 12 sources studied along with embedded links and the innovation success rates they cited are summarized in Table 1.0.

These 12 sources collectively make a strong point: that generating growth using traditional innovation methods is exceptionally hard in any market at any stage. If the success rates are averaged for all 12 sources, the result is 17%, and if the low and high outliers are removed, the average success rate is only 8.5%. From this it can be conservatively concluded that traditional innovation methods succeed between 10 to 20 percent of the time.

Table 1.0: Traditional Innovation Success Rates

Source	Rate
Frost & Sullivan, "Growth Process Toolkit: New Product Development," 2008.	0.3%
Frost & Sullivan, "Growth Process Toolkit: New Product Development," 2008.	1%
Andrew Campbell and Robert Park, "Stop Kissing Frogs," *Harvard Business Review,* July–August 2004.	1%
Dr. John Sviokla, "The Calculus of Commerce," DiamondCluster International, Inc. *2004.*	3%
Corporate Strategy Board, "Stall Points," 1998. Cited in Clayton Christensen and Michael Raynor, "The Innovator's Solution," page 5, *Harvard Business School Press,* 2003.	5%
Andrew Campbell and Robert Park, "Stop Kissing Frogs," *Harvard Business Review,* July–August 2004.	10%
Kevin J. Clancy and Randy L. Stone, "Don't Blame the Metrics," *Harvard Business Review,* June 2005.	10%
Corporate Strategy Board, "Overcoming Stall Points," 2006.	10%
PricewaterhouseCoopers, "Shaking the Money-Tree," slide 33, U.S. Venture Liquidity 2001–2007, Q3 2008.	11%
Average	17%
Dr. Robert G. Cooper, "Doing it Right," Product Development Institute Inc., 2006.	25%
Abbie Griffin, "Drivers of New Product Success," Product Development & Management Association, 1997.	59%
Dr. Robert G. Cooper, "Doing it Right," Product Development Institute Inc., 2006.	67%
Strategyn	86%

ODI Success Rate

In order to study the success rate of Strategyn's ODI methodology, the researcher conducted interviews with representatives of 43 companies that had used ODI to launch a product or service or to engage in an operational or marketing innovation initiative. No incentives were offered to those who participated, and to encourage candor, anonymity was assured.

Questions Asked in the Study

The questions in the study were designed to develop a broad understanding of how ODI was used, how the results were measured, and whether the company felt the initiative was a success. They fell into four categories:

1. Background information including name, title and work experience with Strategyn, number of ODI projects completed and dates of completion.
2. Product launch information including the number of products or services launched, whether they were considered a success by the company and what metrics were used to measure success.
3. ODI impact information including whether ODI had a significant influence on the success of the product or service or the definition of the platform, the feature set, or the business model.
4. ODI process information including whether the company considered the ODI process itself a success and what, if any, behavior changes were prompted by going through the process.

Success Metrics

Strategyn's clients were asked to judge the success of the ODI initiative they undertook based on their choice of one of four success metrics: revenue, market share, customer satisfaction, or return on investment. The company representative was re-contacted to confirm agreement with the categorizations (i.e., successful or unsuccessful, the success metrics used, etc).

Results: The ODI Success Rate

Of 21 projects that made use of the ODI methodology and resulted in product launches, 18 were rated successes by the sponsoring company—an 86% success rate. Five of these product launches received industry awards. Strategyn has case studies on eight launched products and services, available on its website (http://www.strategyn.com/successes/).

The 21 launches were categorized as follows: new product (10), new service (1), product enhancement (4), service enhancement (4), and operational enhancement (2).

For the three product launches that were considered unsuccessful, the sponsoring companies indicated that they did a poor job of executing the commercialization of the product.

An additional 28 products or services derived from the ODI process are currently in development in the companies that were interviewed and are pending launch.

Table 2.0: ODI Study in Brief

Strategyn clients interviewed	43
ODI-based products entered into development	49
Pending launch	28
Launched	21
Declared a success after launch	18
Success Rate	**86%**

ODI Track Record Details

Company	Industry	What was launched	Success Criteria	Case Study	Award	Success
Company A	Medical devices	New product	Revenue	✔		✔
Company B	Hardware	New product	Market share	✔	✔	✔
Company C	Software	New product	Revenue			
Company D	Financial services	New product	Customer satisfaction			✔
Company E	Industrial	New product	Revenue			✔
Company F	Medical devices	New product	Revenue	✔		✔
Company F	Medical devices	New product	Customer satisfaction	✔	✔	✔
Company G	Software	New product	Revenue	✔	✔	✔
Company H	Consumer electronics	New product	Revenue	✔		
Company I	Hardware	New product	Market share		✔	✔
Company J	Manufacturing	New service	Customer satisfaction			✔
Company F	Medical devices	Product enhancement	Revenue			✔
Company F	Medical devices	Product enhancement	Revenue			
Company K	Software	Product enhancement	Revenue	✔		✔
Company K	Software	Product enhancement	Revenue			✔
Company L	Medical services	Service enhancement	Customer satisfaction	✔	✔	✔
Company M	Business services	Service enhancement	Customer satisfaction			✔
Company N	Financial services	Service enhancement	Customer satisfaction			✔
Company O	Emergency services	Service enhancement	Revenue			✔
Company P	Aviation	Operational enhancement	ROI			✔
Company P	Aviation	Operational enhancement	ROI			✔
Subtotals				**8**	**5**	**18**
Total						**21**
Success Rate						**86%**

About the Researcher

Janet Bumpas is president of Good Step Enterprises. A graduate of Harvard Business School, she has held positions with Boston Consulting Group, several Internet dot.com companies, the World Health Organization, the World Bank, and TechnoServe. She lives in San Francisco. Her current clients include the United Nations, the World Bank, and several NGOs.

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About Outcome-Driven Innovation (ODI)

ODI is an innovation process built around the theory that people buy products and services to get jobs done. This proprietary process was developed by Strategyn CEO Tony Ulwick in 1991 and has been tested and refined through its use in hundreds of new product and service innovation initiatives in Fortune 1000 companies.

ODI is unique in that the process does not begin with an idea. Rather, it begins with identifying all the customers' needs in an attractive market and then finding solutions to address those needs that are unmet. By studying the job the customer is trying to get done, companies garner insight into literally all the customer's needs in advance of idea generation, including the needs that others often call latent or unarticulated.

Companies using ODI are able to pinpoint exactly what unmet needs to focus on and direct the creativity of employees and others to find workable solutions. Knowing precisely what needs to address takes the guesswork out of the innovation process, making it possible to obtain a much higher success rate.

To learn more about ODI, download the whitepaper "What Is Outcome-Driven Innovation" from the Strategyn website at http://www.strategyn.com/resources/white-papers/what-outcome-driven-innovation-odi/.

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