



# Winnovation

BY ROWAN GIBSON

## Matching what is possible with what is needed

Corporate innovation has traditionally been driven from the technology side; from departments like R&D and engineering. It's an approach that can be very successful. Indeed, it has often led to great breakthroughs. But if a company wants to win in today's value-based economy, this is no longer the best way of doing things. Instead, organizations must learn how to drive innovation from both the technology side and the customer side. Sure, innovation can spring from a technological discovery that is then leveraged to meet a customer need. But, conversely, it can be driven by an unmet customer need that inspires a new technical solution. So the challenge for companies is how to get better at bringing those two sides together.

In Boston Consulting Group's "Innovation 2009" survey, they found that roughly half of all the senior managers they interviewed were unsatisfied with the financial return on their innovation investments. This doesn't surprise me at all. Even when an organization invests substantial amounts in R&D from year to year, it can find that few of these innovation dollars actually translate into significant commercial opportunities.

Take GM. The firm has pumped more money into R&D than any other company on earth over the last twenty five years and it's currently struggling just to stay alive! Where GM has clearly failed is in linking its technological research to the articulated and unarticulated needs of its customers. So all of that engineering effort has produced very little in terms of customer value.

How can a company avoid this expensive innovation trap? Consumer products giant Procter & Gamble provides a powerful lesson in how to break out of the technology-centric mindset. Back in the 1990s, a group of P&G's senior managers woke up and realized the company had missed a series of big commercial opportunities by encouraging innovation solely from the R&D department; by historically being too technology-driven.

For example, P&G's Oral Care division had looked into the idea of adding baking soda to toothpaste as a way of reducing plaque-related periodontal diseases. The R&D people tested it and concluded that, from a technology perspective, there was no merit in the idea. There was absolutely no way they could clinically demonstrate any benefits. So they said, "OK. It's just smoke and mirrors. We're not interested in it." But then some of P&G's competitors added baking soda to their toothpaste – along with a premium price tag – and made a huge business success out of it. How was that possible? It was because, even though the idea didn't work as a piece of technology, it worked in the consumer's mind. It leveraged the fact that generations of dentists had told people that, under certain circumstances, they should use baking soda for oral-care-related problems. So rather than being a technology-based innovation, this opportunity was based on a deep consumer need that looked, at least psychologically, as if it was being met.

This, and a few similar experiences, began to hammer the message home to Procter & Gamble that innovation is not just an R&D game. Of course, technology is a very important part of the equation, and P&G probably still outspends most of its competitors on technical research, but what senior management finally understood back then was that it's only half of the loaf. That was what prompted them to develop an internal strategy aimed at bringing both the technology and the consumer side together. It was called "Matching what is Possible with what is Needed".

This was when P&G's marketing people made the fundamental switch from managing brands to managing consumers' needs. For example, the company discovered when they talked to consumers that they assumed soap was not good for their skin (P&G had been making and selling soap since 1837!). So they went back to R&D and combined the cleansing action of a soap bar with the moisturizing effect of a lotion to create Olay Body Wash, which was a big commercial success. In fact, in 2009 it was voted "Product of the Year" in the "Body Care" category by the largest consumer-voted program in North America to recognize innovation among consumer packaged goods.

When P&G listened to consumers talk about hair care, they found that people thought shampoo would make their hair shiny but that it wouldn't actually make it very healthy. So they asked the scientists in R&D to add some vitamin technology to the shampoo, which was the birth of Pantene Pro-V (pro-vitamin) products. Today, they are the top-selling hair products in the world.

The range includes products designed exclusively to meet specific consumer needs: from the hair textures of different ethnic groups, to color-treated hair, to hair that needs protection from urban pollutants. And when consumers said they would like a hairspray to provide hold but without the gluey stiffness makes hair impossible to comb, P&G responded with Pantene Pro-V Flexible Hold Hair Spray, which was an instant hit.

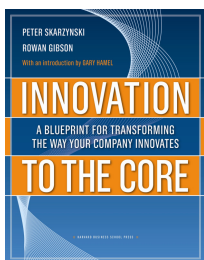
This is not to say that innovation at P&G can no longer originate on the technology side. Far from it. But the company has managed to strike the right balance between technical R&D and customer-centric marketing so that the two sides work symbiotically to create new value. That means the correlation between P&G's innovation investments and commercial outcomes is now much stronger than ever before.

Sadly, in many other companies we still find a great divide between these two sides of the business when it comes to innovation. We find engineers and scientists locked away in isolated research labs, assuming that marketing's job is simply to advertise and sell their finished inventions. We find R&D people protecting their turf rather than embrace new concepts like crowdsourcing and open innovation – where customers and other external parties become co-inventors and co-designers. On the other hand, we find marketing and sales managers who are far more focused on the features and benefits of their offerings than on the unmet needs of their customers. And when R&D comes up with a truly disruptive innovation, we often find the marketing department arguing vehemently against it on the basis that it would cannibalize their existing business.

So how is the situation inside your own organization? Have you achieved a high level of synchronicity between engineering and marketing? Are your marketing people generating a constant stream of quality customer insights to guide your engineers on where to innovate? And are your engineers producing a slew of new technical possibilities for your marketing people so they can leverage these to address unmet customer needs?

In short, is your company already adept at matching what is possible with what is needed, and vice versa? Or will it have to get a whole lot better?

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