Outside Innovation
Patricia B. Seybold
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Outside Innovation versus traditional innovation.

The traditional 'inside out' approaches to innovation assume that subject-matter experts invent and design innovative new products to meet needs that customers may not realize they have.

The 'outside in' approach is to flip the innovation process around and assume that customers have outcomes they want to achieve, they have deep knowledge about their own circumstances an contexts, and they are not happy with the way they have to do things today. You need to support the customers' creative processes with tools, resources and imagination.

How to harness customer innovation.

Design solutions to help customers accomplish their desired outcomes (Customer Scenarios) is the fundamental question for any business.

The relationship between Customer Scenarios and innovation.

The keys of unleashing customer innovation are:

1. Find and commercialize the innovations of lead users.
2. Engage and work with your most creative lead customers.
3. Empower your lead customers with co-design tools and innovation toolkits.

Innovation is spawn by the structural tension coming from the discrepancy between what customers can do today and what they want to be able to do.

Adopting a customer outcome-focused approach to business design.

You have to understand what your customers want and need to accomplish: their ideal scenarios. Co-designing new products, new business processes and new business models will generate organic growth.
Your brand experience = the ideal experience that customers want to have during their scenarios. You have to optimize the brand experience for each customer audience and scenario combination.
Products are not the focal point of your company because they are not your customers' focal point. Customers care about 'jobs' they need to get done and want to accomplish their scenarios.

Natural behaviors you can tap to unleash customer innovation.

Invite your most thoughtful customers to play as many roles in and around your business.

The five customer roles are as follow:

1. Lead customers: they innovate without being asked, they are thoughtful and passionate about the outcomes they want to achieve. They design your next-generation products or business-model.

2. Contributors: they donate work for the benefit of others, innovate within your company's guidelines.

3. Consultants: they provide deep subject-matter expertise and offer valuable guidance and insight by serving on committees and design teams, by validating strategies, by working all the time with your employees on new ideas.

4. Guides: they act as advisors to other customers, they solve problems, offer insights, help customers navigate product lines.

5. Promoters: they are enthusiastic about your brand and products, they spread the word and come up with innovative ideas about how to attract and delight other customers.

Powered by customers' inventiveness.

Here the author develops the Lego Group case which is making a comeback after some missteps.
Lego identified and sponsored lead users and then commissioned one of these lead users to develop robotics software needed for the educational market.
They continued to work with these lead users but also involved end customers in taking the commercial product into the market.
An emerging and unexpected audience of adult hobbyist was also quickly identified.
A Lego online community was created, innovative competitions were sponsored and most important: Lego listened to its lead customer. Some of the lead-customers became consultants in the co-design of the next generation products.
Customers were provided with an open toolkit to extend the product's capabilities.

Help customers reach their goals.

Following six design principles are essential for success:

1. Engage in customer research and ethnography.

Customer-centric business study how target groups do things 'in situ' by engaging with customers in deep dialog and listening. They run discovery sessions, and observe what customers are doing.

2. Bathe your organization in customer knowledge.

Customer-centric firms involve people from many different departments in the 'deep lives' of their customers. They set up online customer communities. The customers in these communities become virtual members of the company's own cross-functional product development and marketing efforts.

3. Discover what customers care about most.

Ethnography and deep customer research = understanding wha customers care about deeply.

4. Identify and streamline customer-critical scenarios.

Identify from the point of view of the customer what 'job' they are trying to do, define their desired outcome and their conditions of satisfaction.
Get creative ideas from the contrast between how customers do things today and how they ideally would like to do things.

5. Engage customers in co-designing.

Customers can act as guides, they can create new products or markets.

6. Build brand identity and customer experience.

Your brand is your customer experience.

Let customers strut their stuff.

Observe following design principles:

1. Give customers a role in creating and contributing content.

2. Find tools to make it easy and safe to create and share content.

3. Help customers find the recognition they crave.

4. Recruit subject-matter experts to build expertise.

5. Encourage customers to add value to your content.

6. Pay attention to new trends in customer-provided content.

Promote and leverage open source development.

The Open Source Model is a creation-by-customer-community model.

An open source model is about a group of people who care about creating an outcome that will benefit them and others. Complex products are co-created and evolve by a community of practitioners.

People in many industries try to replicate the success of the open source software movement.
Lessons learned by observing open source development communities:

- Communities are structured, organized and sustained in order to create and maintain complex toolsets and products.
- Communities become the ecosystems of participating players.
- The toolset and products created tend to be used to create additional products or specialized solutions.
- The communities generate value but calculating that value is a fascinating and complex topic.

Fundamental design principles for open source projects.

The main design principles are:

1. End users participate because they intend to use the resulting products.

2. Belief in symmetry: contribution and benefit.

3. Clarity on who makes the decisions and what processes are followed is critical for success.

4. Meritocracy prevails.

5. Visibility is critical.

6. Few design and build, many people improve and test, many more provide support.

7. Intellectual property belongs to the community.

8. Open source products don't need to be free to procure.

9. Projects are magnets for continuing innovation.

Enabling customer co-design.

Co-designing makes it easy for customers to design their own ideal solutions by leveraging domain knowledge and by learning what's possible as they do so.

Empower your customers.

When customers use the co-design tools, you transfer them to the hard part of the problem: specifying exactly what it is they want and need. These tools allow you to open up your proprietary expertise without exposing your intellectual property or compromising your deep domain knowledge.

Customer Scenario Mapping: a tool to enable customer innovation.

The core design elements of Customer Scenario Design and Mapping are:

- Design from the end customers' point of view.
- Recruit lead customers to co-design.
- Involve multiple stakeholders from your organization.
- Map out the ideal state.
- Capture customers' hot buttons and prioritized requirements.
- Identify the metrics crucial to your customers and your own business metrics.
- Convey the results by telling the story of the maps.

Let customers co-design and promote your products.

Here the author develops in detail the case of Threadless.com.

A blueprint for harnessing customer-led innovation.

Requirement for success: a large percentage of employees at every level of an organization have to be deeply curious about what problems and issues their customers are trying to solve and what those customers' aspirations are. They really like to get in their customers' shoes.

Customer-led innovation happens almost organically when the culture in the organization exists.