

FOUNDATIONS

Completing the Picture at Xerox Corporation

A Leading Innovator Identifies System Barriers that Limited their Customer's Adoption of Technology

When a new product launch wasn't as successful as expected for Xerox Corporation, the company turned to **Innovare's Vocal Insights®** discovery process to create a clear picture of customer challenges and increase adoption of its advanced new technology.



The company's industry-leading Xerox iGen3® Digital Production Press, launched in 2005, has the potential to transform the business of commercial printing. By combining high-quality, full-color digital printing with the ability to customize individual documents and produce them at high speed, the press offers a range of new possibilities for personalized marketing materials, books and statements.

Many commercial printers embraced the new device exactly as anticipated. They found new business opportunities, and increased their market share, revenues and bottom lines.

But some found the new capabilities difficult to incorporate into their business models. A host of possible reasons filtered into the Xerox team through sales force interactions, focus groups, quantitative surveys and other channels. Some customers said they wanted additional features, others wanted price breaks on printing supplies, but the feedback wasn't delivering a complete picture of the situation.

Xerox Corporation, winner of this year's PDMA Outstanding Corporate Innovator Award, had done their homework and knew they had a strong product in the Xerox iGen3. And they were committed to supporting the success of Xerox iGen3 owners. To ensure that their efforts were focused on the right issues, they knew they needed to learn more about the core challenges from the perspective of their customers, and then socialize the findings throughout the company.

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A Message From the President



Our process is designed to engage cross-functional teams as they build a “shared mental model” that guides innovation.

Organizational development and innovation experts know that one of the keys to innovation and change is overcoming deeply rooted mental models. These mental models are usually created within an organization, and limit its collective understanding of customer needs and the possible solutions.

The issue is often not a lack of creativity or motivation, but one of organizational learning. The individual innovators, the innovation team, and the overall organization need to establish shared understandings of where and how to innovate in a way that overcomes those internally derived and innovation-limiting mental models.

At **Innovare**, our innovation process engages cross-functional teams as they build a body of insights or “shared mental model” that guides innovation strategy and concept development. The team creates its direction based on a shared understanding of the key issues. They socialize their mental model with key stakeholders throughout the organization. This organizational learning process delivers strong concepts the entire organization can get behind.

The three companies featured in this issue had different organizational issues, customer bases and business needs. The common theme was that each needed to evolve its innovation culture to listen and act on customer insights.

At Xerox Corporation, our research focused on the company’s new digital color press. Pre-launch expectations weren’t matching post-launch market response, and the company decided it needed an in-depth qualitative methodology combined with a way to get the team on the same page regarding the findings. Our **Vocal Insights**® process fit the bill.

Harvard Pilgrim Health Care, faced with rapid, dramatic changes in the health insurance industry, wanted to understand its customers more thoroughly. After our research, they altered their strategy, embracing the need for a customer-driven approach. Again, cross-organizational learning was required to move forward with innovative concepts.

At Praxair, management confronted commoditized industry verticals and an insular innovation climate. In addition to helping them conduct voice of the customer research and create portfolios of new product concepts, we helped instill a culture of innovation by training four teams on our **TriCept**™ innovation processes, giving them the skills to lead ongoing innovation.

Thank you for your interest in **Innovare**. If you’d like to learn more, I invite you to visit our web site, www.innovare-inc.com email us, ideas@innovare-inc.com, or call me at 617-479-3818.

Dan Ross
President

Customer-Centered Innovation Transformation

Praxair Revamps Its Fuzzy Front End and Creates a Culture for Innovation

This leading global chemical company used **Innovare's** fuzzy front end to inspire a cultural shift toward customer-centered innovation while dramatically enhancing front end performance.

The company had an exceptionally strong R&D capability, with 700 scientists and engineers and almost 3,000 patents to its credit. But its innovation system needed to pull R&D and marketing together and focus future innovation on customer needs.

The company had recently implemented a phased-review innovation process. Management issued three more demands: populate the development pipeline with customer-driven innovations, train teams to use best practices for developing new concepts, and instill a climate for sustained innovation.

Learning While Doing

Innovare used an experiential learning model, letting team members develop innovation skills while working on a full-scale discovery program that delivered immediate business results.

Four cross-functional teams were established, each representing a critical industry vertical. **Innovare** facilitated each team and trained more than 60 team members on integrating customer needs with technology development to drive innovation.

The program was modeled on **Innovare's TriCeptSM** front-end process, which uses three research modules to inform

concept development: **Vocal Insights[®]** voice of the customer research, a market trends analysis, and a technology exploratory. The holistic process delivers portfolios of high-value concepts ranging from close-in line extensions to breakthrough, game-changing innovations.

"**Innovare's** approach enhanced our success rate," says a marketing director who participated in the project. "By creating and prioritizing our new product concepts based on market trends as well as voice of the customer, and then lining them up around our competencies, we were in a much better position to sell our ideas to our customers."

Removing Doubts About the Expert's Role

As the work proceeded, the teams developed their ability to listen to the customer's voice. The shift was uncomfortable at times for an engineering and research staff accustomed to presenting themselves as industry authorities rather than listeners.

"At first, I thought voice of the customer was more appropriate for consumer products, when all you need to know is what a person likes or dislikes," says one top scientist. "We deal with sophisticated people who are very knowledgeable about their industries. I was afraid we wouldn't show ourselves in a good light if we went in and started asking basic questions."

"I thought voice of the customer was just for consumer products. But I became a believer. Our technical customers opened up."



Despite his doubts, the process proved itself. "I became a believer," he says. "Our technical customers opened up and were very helpful to us. We learned things." Since implementing **Innovare's** process, the company has enjoyed a four-fold increase in the number of high-value projects accepted into its pipeline. Its new front end is delivering stronger concepts and more of them. Meanwhile, members of the four original teams have populated new teams, transferring their innovation skills throughout the organization.

"I'm very impressed with the methodology," says the scientist. "It brought order out of chaos. It is helping us take random ideas and crystallize them into viable product concepts."

Creating the A-Ha Moment at

An Award-Winning Health Insurance Company Redefines its Course

At Harvard Pilgrim Health Care, results of a **Vocal Insights**® exploratory sparked a new customer-centered business approach that has brought the company top customer satisfaction ratings over the last three years.

“After our research with **Innovare**, we concluded that the way we were going to move ahead was to have better insights into customer needs,” says Ava Beaulieu, director of strategic development at Harvard Pilgrim. “Setting aside the notion that we in the industry have the best ideas was an important step for us.”

Harvard Pilgrim, which serves about a million members nationwide, has been a player in the competitive New England market for 35 years. Since making the strategic decision to focus on customer experiences, its customer satisfaction ratings have surged, earning the company the number one spot on U.S. News and World Report’s list of America’s best health plans for the past two years and J.D. Power and Associates recognition for “Outstanding Member Experience” for the past three years.

Taking a Closer Look at Customer Needs

Harvard Pilgrim initially engaged **Innovare** to help it understand constituents’ experiences and readiness to use interactive health plan information. This understanding would inform strategy development and decision-making in the new interactive space. Although the organization normally relied on focus groups for qualitative research, key stakeholders decided to try a more ethnographic approach.



“Innovare was able to tease out information we don’t get with other market research approaches. Good interviewing is an overlooked skill.”

The result was a set of research findings that transcended the issue of electronic information usage. By allowing customers to direct the interviews within a broad interview guide, **Innovare**’s researchers heard about a range of frustrating and positive experiences that wouldn’t have come out in a focus group designed to gauge reaction to a specific product concept. The findings provided a clear view of the customer’s rational and emotional needs as they negotiated their health care.

“The insights we got went far beyond the insurance business context in which we operate,” Beaulieu says. “They helped us understand how the customer thinks about the healthcare system as a whole. That was a very important first step toward figuring out how to add value.”

“**Innovare**’s approach was new for us,” says Rae Ann Leahy, director of market research and competitive intelligence at Harvard Pilgrim. “I checked references before I hired them. In a sense, my reputation within the organization made it happen. People know me, so they said, ‘Okay, if this is what you want to try, we’ll try it.’”

Leveraging the Art of the Interview

To collect these insights, **Innovare** conducted a **Vocal Insights**® exploratory among physicians, nurse practitioners, healthcare facility management, and patients. The research team conducted 36 interviews at physicians’ offices, in health

QUOTABLES

“The ability to learn faster than the competition is often the only sustainable competitive advantage a company can have.”

ARIE DE GEUS

Visiting Fellow at London Business School and Author of *The Living Company*

Harvard Pilgrim Health Care

clinics, in health center administrative offices, at patient locations and over the phone.

“**Innovare** was able to tease out information we don’t get with other market research approaches,” says Leahy. “A good open-ended interview can take someone down a path they’re comfortable with and find out what their needs really are. A good interviewer can tease information out without asking directly. It’s really an overlooked skill.”

Provoking Organizational Change

At the end of the research phase, **Innovare** conducted an immersion process to transfer the customer experience discoveries to the Harvard Pilgrim team. **Innovare’s** research approach is designed to capture the subject’s experiences without filters or interpretations based on existing understandings. To ensure that the client team doesn’t apply its own internal filters, **Innovare’s** immersion process uses a grounded or bottom-up approach for qualitative data analysis. The approach improves organizational learning and enables the client team to create a new knowledge foundation that informs strategy development.

“I don’t think we realized at the beginning how much we would learn,” Beaulieu says. “We still had our insurance hats on, but the research pointed us toward a systems approach.”

The Harvard Pilgrim team used the research findings as a springboard to developing a more customer-centered strategy process. With **Innovare’s** guidance, they conducted an internal design workshop and developed a host of value-added services, ranging from redesigned information packets to phone calls to members at key stress times, such as when they are facing a new expense or healthcare decision.

Focusing on the Customer’s Need to Feel Empowered

A particular area of focus was the company’s consumer-directed products. These types of plans are increasingly popular with employers because they pass costs and decision-making burden onto individual members through higher copays and coinsurance. They can be unpopular with members for basically the same reasons, but Harvard Pilgrim has seen a steady increase in satisfaction. This year, satisfaction rates for consumer-directed products was actually equivalent to rates for traditional plans.

“I don’t think we realized how much we would learn. We had our insurance hats on, but the research pointed us toward a systems approach.”

“Once we understood from the research that the customer viewed health care as a system, we realized that the key was to make them feel more empowered and in control,” Beaulieu says.

Achieving Ongoing Innovation

Looking ahead, Harvard Pilgrim anticipates continuing to evolve its business strategy to meet a full range of customer needs, and advanced research tools are part of the process. “We’re becoming a highly evolved user of ethnographic research,” Beaulieu says. “As an industry, we’re recognizing the need for innovation. It’s a very exciting time for us.”

“Launching a breakthrough idea is like shooting skeet. People’s needs change, so you must aim well ahead of the target to hit it.”

RAYMOND KURZWEIL

Futurist and pioneer of pattern recognition technologies

WHAT IS VOCAL INSIGHTS?

Vocal Insights® generates fresh customer insights and renewed passion for innovation throughout your organization. Based on the principles of voice of

the customer, ethnographic research and organizational learning, Vocal Insights® immerses your development team into the customer's environment, enabling them to

CONTINUED FROM PG. 1 - COMPLETING THE PICTURE AT XEROX CORPORATION

“We are always doing research to strengthen Xerox's connection to its customers,” says Jenifer Colby, manager, customer insight research, and sponsor of the project. “I'm big on qualitative research because qualitative gives you the dialog you need to understand what's really on the customer's mind. For this particular project, the question was, how customer-led did we need that dialog to be?”

The Right Approach for the Right Challenge

Colby was drawn to **Innovare** and its **Vocal Insights®** research process for two reasons: the strength of its customer-driven inquiry approach and the thoroughness of its immersion process for disseminating the research results and creating a shared mental model of the customer's world.

“Any company of any size faces the challenge of how to keep employees connected to the customer,” Colby says. “You can't send everyone into the field. Innovare's approach represented the next best thing—a way to close the gap by bringing the customer in.”

Vocal Insights® is a best-practices approach for capturing a wide range of customer voices, synthesizing them into core themes and insights, and bringing those insights into the organization rapidly through an immersion workshop. Through the workshop, participants create a shared contextual understanding of the customer experiences, needs, frustrations, and hopes, then communicate that understanding across the organization to spark innovation.

Hearing the Customer's Voice

Innovare's research design included customer-driven interviews and informal observations at commercial printing sites in North America and Europe. Interview subjects included business owners, marketers and operations managers. The sites covered a range of printer segments, and included both Xerox and competitive equipment.

Central to **Innovare's** approach is the customer-driven interview. During each interview, researchers introduce broad topics and encourage subjects to take the conversation wherever it leads them. The technique provides a rich set of stories representing the voice of the customer. This allows the innovation team to really listen to the customer in the context of their day-to-day frustrations, needs and wants—all of which point to opportunities for innovation. The conversations are complemented with digital photos and video of the printing operations.

“The research showed us a clear path to success for commercial printers entering the digital printing space,” says Don Ross, **Innovare** president and a lead researcher on the project. “In the context of a customer-driven interview, these printers really opened up their business models and processes for us and let us see the range of human and technology resources they put in place to drive success, as well as the issues that may hold them back.”



Creating and sharing customer-need storyboards during a Vocal Insights® immersion workshop.

create a shared understanding of key customer needs that focuses innovation. Whether you're in an emerging business or a mature industry

where you may think you've already tried everything, Vocal Insights® can help your team look at your customers and products in a completely new light.



“The process gave us a more complete picture of the customer’s world that will help drive our thought process and actions in the future.”

The research made it clear that business systems issues, much more than equipment issues, were at the heart of the technology adoption challenge. Enabling the Xerox innovation team and other key stakeholders to understand how those systems operated was the next challenge for the project. A solid understanding was a crucial step toward finding effective solutions.

Making Sense of a Mountain of Data

Innovare ended the research with some 40 hours of interviews and 800 pages of transcripts—not an unusual volume of data for ethnographic or depth research. To make the data easily accessible to the Xerox team and preserve its richness, the **Innovare** team chunked the information into “images,” short written statements that capture the essence of the customer’s environment. An image can be a verbatim, a short story of an experience, or an observation made during the interview. The goal is to help the reader imagine what the customer is experiencing at that moment.

Over 300 images were harvested from the interviews. **Innovare** categorized each image and built a database for later meta-analysis. A subset of images covering the full range of issues and experiences was selected and used for team immersion.

Creating a Shared Mental Model

About a dozen Xerox stakeholders participated in a two-day Customer Insights Immersion Workshop in which they shared the images, photos and customers’ stories. They created image maps and story boards to describe the customers’ business environment and needs.

“The Xerox team was very invested in the process, which helped them get great results,” says Mike Compeau, a principal consultant at **Innovare**. “They were very active in working through the findings and bringing them to life. And they had broad representation throughout the company, so they really benefited from one another’s experience.”

The mapping process involves spatially organizing the images based on their affinity for each other and building a framework that describes customer’s experiences. The process allows team members to gain an intimate working knowledge of the customer’s environment. From that, members can easily infer the

customer’s desired experiences and needs. Articulating the customer needs on story boards completed the learning process.

“The process really helped the team internalize the research,” Colby says. “It wasn’t just a half hour speech from the researcher. It gave everyone a more complete picture of the customer’s world—an understanding of the context—that will help drive our thought process and actions in the future.”

Driving Innovation

Some of the most immediate changes Xerox made based on the research involved its customer business development portfolio. “Most of the pieces were already there, but we identified a need to turn up the volume in certain places to make sure our services were in alignment with what we learned,” Colby says.

Other innovations are in development, and will require a longer cycle time. In the meantime, Xerox is looking for other ways to engage **Innovare** to help it increase its customer knowledge.

“This technique helped put things in context, so we have a more complete picture,” Colby says. “If you don’t understand a complex area, or if you think you understand it but something isn’t working as you expected, this becomes a valuable tool for understanding what’s really going on.”

Xerox Corporation (NYSE:XXR) is a \$15.7 billion technology and services enterprise that helps businesses deploy Smarter Document ManagementSM strategies and find better ways to work.

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About Innovare

Innovare is a research and innovation process company. We use best practices to help you build the knowledge foundation, business systems, and climate you need to create winning new products, services, and customer experiences that build brands and drive business growth.

We focus on customer-centered innovation, which is a business process and a philosophy that places understanding customer needs at the center of the innovation process. We work with you to develop a deep understanding of customer needs and how those needs evolve due to market drivers and changes in science and technology. We use those understandings to guide the creation of innovative new products, services, and strategies.

Our Research, Consulting and Training Services

Customer and Market Research

Discovery, refinement, and validation research creating insights and organizational knowledge to guide innovation.

Qualitative: Ethnography, **Vocal Insights**[®] customer needs research, in-depth and focus groups with consumers, professionals, experts, and executives.

Quantitative: On-line, phone, or in-field; product and concept testing, segmentation, attitude and use, and customer satisfaction.

Strategic Research and Analysis

Primary and secondary research on policy issues, markets, technology and business synthesizing knowledge into actionable strategic recommendations.

Concept Development

Team facilitation using our informed ideation process that delivers powerful new ideas and shapes them into viable innovation concepts.

Innovation Process Consulting & Training

TriCeptSM, our systematic front end innovation process, delivers innovation strategy, portfolios of new product and service concepts, business model innovation, and technology direction.

I N N O V A R E[®]

Grounded in Research, Driving for Innovation

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Our Mission is to enhance each client's success through customer-centered innovation that drives profitable growth.

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