

Innovation Is Not Inherently Risky. The Way Most Companies Do Customer Discovery Is.



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How would you feel if you went to your doctor to relieve an ache and they told you to “Increase your tolerance for pain” before exhausting all options to reduce the pain? Probably not good. Yet many companies are advised to do something similar. Some “experts” tell boards and executives to raise their “tolerance for risk” before exhausting the ways to reduce it. Persistent innovation failure rates have convinced many people that innovation itself is inherently risky, so “increasing risk tolerance” might seem reasonable. But the diagnosis is wrong. Innovation is not inherently risky. The way most companies do customer discovery is. The good news is there’s now a way to fix that.

This article introduces Lean JTBD OS, a qualitative front-end innovation operating system designed to address this gap, and the GIMI-accredited Level 1 certification course being developed to teach it.

Aristotle argued in *Posterior Analytics* that scientific knowledge requires definition before reasoning. You cannot reason carefully about something you do not understand. Hippocratic physicians applied the same discipline in medicine: diagnosis precedes treatment. Confucius taught the Rectification of Names (正名): if names are not correct, affairs cannot be carried on to success. Traditional Chinese Medicine and Ayurveda developed similar principles independently: identify the underlying pattern or cause before prescribing treatment.

These traditions emerged on different continents but converged on the same logic: define the problem, then solve it. Innovation fails when it violates this principle.

The Fuzzy Front End

The “front end of innovation” is the earliest stage of the innovation process, from the start of an innovation initiative through concept creation, before building anything. It is the stage where the team decides what should be built. The innovation field has long called this the “fuzzy front end” because the methods commonly used in this stage often fail to deliver clarity about what should be built. Development, the stage that follows, decides how to build it and executes.

Two of the most visible methods shaping today’s front end of innovation are Design Thinking and Lean Startup. Both emerged in response to persistent innovation failures and the limits of traditional methods. Despite their adoption, high new product failure rates have continued.





The Two Risks of Innovation

To understand why high failure rates have continued, we need to recognize the two chief risks of innovation: market and solution risk. Market risk is the possibility of misunderstanding customers' needs, so they don't buy what you make. Solution risk is the possibility of not being able to make or deliver what customers want. For most companies, the biggest risk is market risk, although the balance between the two varies by industry and project.

Design Thinking and Lean Startup were designed to reduce both market and solution risk. While both are effective at reducing solution risk through iteration, they are structurally limited in systematically identifying customers' important unsatisfied needs to reliably guide idea generation and solution development.

Design Thinking seeks to reduce market risk through customer empathy. Lean Startup seeks to do so through hypothesis building and iteration of solution concepts. Both methods do what they can given their original understanding of the challenge, which included a misreading of what customers can and cannot tell us.

What Customers Can and Cannot Tell Us

That misreading is captured in a single phrase: "customers cannot tell us what they want." The phrase has two meanings. Conflating them shaped today's most widely adopted methods. Design Thinking and Lean Startup were right to conclude customers cannot reliably specify solutions and features. Customers are generally not engineers, technologists, or solution experts. When asked what product to build or what features to include, customers respond with what is familiar, what they see competitors offer, or what they imagine they might buy in a future they have not yet experienced. Asking customers to design the solution is like asking the patient to develop the treatment plan. They don't have the expertise to do it.

But just as patients can tell their doctor, I want to “clear up this rash,” “lift weights again without shoulder pain,” or “heal this wound,” customers can tell a skilled interviewer what they are trying to accomplish and where they struggle. Doing so requires a form of discovery that reveals customers’ jobs to be done and the outcomes they remain unable to achieve satisfactorily.

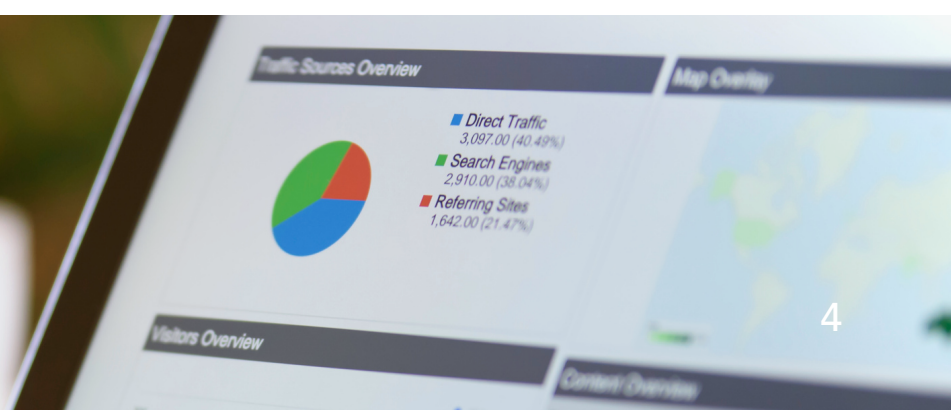
For example, by 2005, digital music services were still an unsettled category, and customers could not have specified Spotify as a solution. But they could have articulated outcomes such as “minimize the time it takes to find new music I will enjoy,” “minimize the time to access a specific song,” and “minimize the time it takes to identify songs that fit my current mood.” Those outcomes do not specify features; they define the criteria a successful solution must satisfy. Spotify later addressed those outcomes through easier discovery, larger catalog access, mobile convenience, and lower friction. The solutions changed, but the outcomes did not.

The Perception Gap

Customers can articulate their jobs and outcomes when asked the right questions. But most teams are not asking. They operate on internal assumptions about what customers want, and those assumptions are rarely as reliable as the team thinks. Three studies show how far companies' self-assessments run from their customers' assessments:

- Bain & Company (2005): 80% of companies believed they delivered a superior customer experience; 8% of their customers agreed.
- Capgemini (2017): 75% of companies believed they were customer-centric; 30% of customers agreed.
- PwC (2024): 90% of executives believed customers highly trusted their company; 30% of customers said they did.

Leaders consistently rate their companies far higher than their customers do. Even capable teams can struggle to distinguish what they know from what they think they know. There are a number of cognitive biases at work here but suffice it to say that teams cannot resolve their perception gap from within. Closing it requires bringing the customer’s actual needs into the team’s conversation.





The Cost of Poor Customer Discovery, and Why AI Has Not Lowered It

Your effectiveness at reducing market risk depends on the effectiveness of your customer discovery. The cost of poor customer discovery is high.

CB Insights' March 2026 analysis of 431 VC-backed shutdowns since 2023 found \$17.5 billion in equity funding lost, with the average failed company having raised \$48 million before going under. Of the 385 companies with identifiable failure causes, running out of capital was the most cited at 70%, but the researchers note that capital exhaustion is almost always the final cause of death, not the root problem. Poor product-market fit accounts for 43%, the leading root cause.

Venture funding is only one measure of the cost of failure. It captures VC-backed companies but excludes the millions of startups that never raise venture capital and still consume founders' time, savings, and opportunity. The broader cost extends beyond venture capital to corporate product programs that never reach scale and to entrepreneurs whose investments do not appear in any post-mortem.

Established firms are not immune. Strategy&'s 14 annual "Global Innovation 1000" studies tracked annual R&D spending across the world's top 1,000 spenders (\$782 billion in 2018) and consistently found no correlation between spending levels and innovation success at the aggregate level. The firms that achieve a high ROI on their R&D spending do so through practices that connect products to customer needs.

Dr. Robert Cooper, Professor Emeritus at McMaster University and creator of the Stage-Gate® process, found that the top 25% of performers generate \$39 in new product sales per R&D dollar. The bottom 25% generate \$3.30. On a \$1 million R&D budget, that is a \$35.7 million difference per year. Same investment, dramatically different return.

Where market risk is the dominant risk, innovation is not inherently risky. High failure rates are the consequence of not capturing the critical customer inputs needed to reliably guide idea generation and development. The remedy is not more risk tolerance. It is more effective discovery.

AI has not changed this. AI has made building faster and cheaper than ever. Teams can prototype in days what used to take months, and AI can analyze the operational data organizations already have at remarkable speed. Some tools can also mine forums and reviews for complaint patterns, generate interview questions, and cluster transcripts. These capabilities are real and useful.

But none of them has reliably shown the ability to determine what is worth building. Operational data tells you what customers do with what already exists. Public-source scraping tells you what customers say about what already exists. Both describe reactions to current solutions. Neither tells you what customers are trying to accomplish or how they measure success at getting it done. Jobs and outcomes are separate and distinct from any solutions. They often have to be elicited from customers directly, and the evidence has to carry provenance the team can defend when challenged.

AI accelerates whatever work it is given. It does not choose the direction. Humans should lead discovery. AI should accelerate execution. Customers remain the source of truth. With that in place, innovation becomes a repeatable business process, no longer a haphazard game of chance.





The First Step

The first step is to test whether your team can state its strategic objective and answer the first three of Minimum Viable Discovery's (MVD) five customer questions with answers they can defend: who the target customer is, what job they are trying to get done, and where and when they struggle to get the job done.

Most teams discover they cannot. The strategic objective and the target customer require decisions from leadership. The job and the struggle require customer input. This is not because teams lack creativity, intelligence, technology, or effort. It is because critical inputs are still missing at the moment the most important innovation decisions are made.

Lean JTBD OS was developed to address that problem directly. It is a qualitative, AI-augmented front-end innovation operating system designed to make customer discovery more practical, accessible, and actionable for modern innovation teams. It uses language from Outcome-Driven Innovation® (ODI) developed by Tony Ulwick, with his permission.

Where ODI provides comprehensive quantitative rigor, Lean JTBD OS is designed to make qualitative discovery as simple as possible and only as complex as necessary for confident innovation decisions. The goal is not to replace existing JTBD approaches, but to expand the reach and adoption of Jobs-to-be-Done thinking by helping more organizations apply it effectively at the front end of innovation. Steve Blank, the architect of Customer Development, identified in a 2021 blog post that Lean Startup lacks a market definition step, and recommended Jobs-to-be-Done as the front end of customer discovery.

The forthcoming GIMI-accredited Level 1 certification course teaches a practical system for uncovering customers' jobs and unmet outcomes before solution development begins, enabling teams to reduce market risk, strengthen conceptual product-market fit, and guide innovation with greater clarity and precision.

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