

Disruptive Strategy at Kroll Ontrack

Case in Brief

To pursue or defend a corporate litigation matter, a lawyer must find, sort, and organize relevant data that resides electronically on storage devices housed throughout a client corporation. Kroll Ontrack, a technology services division of the risk consultancy firm Kroll, recognized an opportunity to develop an electronic document discovery solution for this purpose, but it lacked a product strategy. Using Strategyn's Outcome-Driven Innovation (ODI) methodology, the company was able to:

Discover opportunities for core platform disruption in the document discovery market

Create an effective product strategy for a revolutionary new electronic discovery solution

Attain market leadership through continuous innovation around lawyers' desired outcomes

Grow an \$11 million business to over \$200 million in seven years, winning numerous awards along the way

Client Challenge

In late 2001, Kroll Ontrack was faced with a strategic opportunity and a challenge. The opportunity lay in the potential market for an electronic document discovery solution for the legal industry. The challenge? Creating an effective market strategy for a business still in its infancy.

"The term 'paperless office' was just coming into vogue," notes Andrea Johnson, Kroll Ontrack's vice president of marketing and communications. Lawyers were finding that many documents relevant to a legal proceeding were available only in electronic form. Competitors who had historically served the market were able to meet the paper discovery needs of lawyers but were ill equipped to manage the discovery of these electronic records.

In response to a client's request, Kroll Ontrack started a small business focused on electronic document discovery in the late 1990s. It struggled at first to define a strategy based on customer needs. As Ben Allen, CEO of Kroll and former Kroll Ontrack president, explains, "We knew the potential for electronic discovery—all of the underlying foundational elements suggested that this would be an important industry opportunity. What we didn't know was how to understand what clients wanted to achieve in a way that could be translated into an efficient and effective strategy for growth. The electronic discovery market was so new that if you asked clients what features they wanted, they didn't know what you were talking about."



How Strategyn Helped

In order to define a market strategy for a product offering that was still in its infancy, Kroll Ontrack relied on Strategyn's ODI methodology. "After going home and reading 17 strategy books," Allen recalls, "what struck me about Strategyn's ODI thinking was the concept that outcomes wouldn't change over time. We were really at the stage where we were trying to figure out what lawyers were trying to accomplish, not what features they wanted."

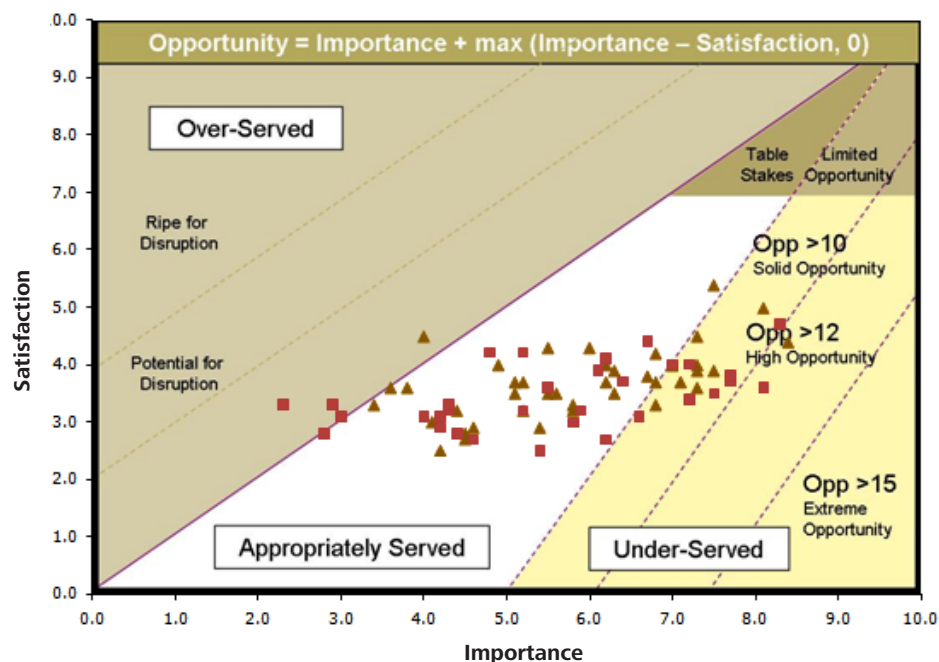
Drawing on the responses of 40 lawyers, Kroll Ontrack uncovered 32 outcomes related to managing information throughout the litigation process, including initial disclosure, discovery, trial, and post-trial activities. Also uncovered were 41 outcomes related to lawyers' electronic data discovery needs, including tasks such as capturing information, converting records to a searchable format, and culling information.

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—Andrea Johnson, VP of Marketing & Communications

Next, using ODI-based quantitative research techniques, Kroll Ontrack had 177 lawyers prioritize the 73 outcomes. The opportunity landscape revealed that nine outcomes related to information management during the litigation process were underserved, as were 11 outcomes related to extant electronic discovery approaches.

The Opportunity Landscape



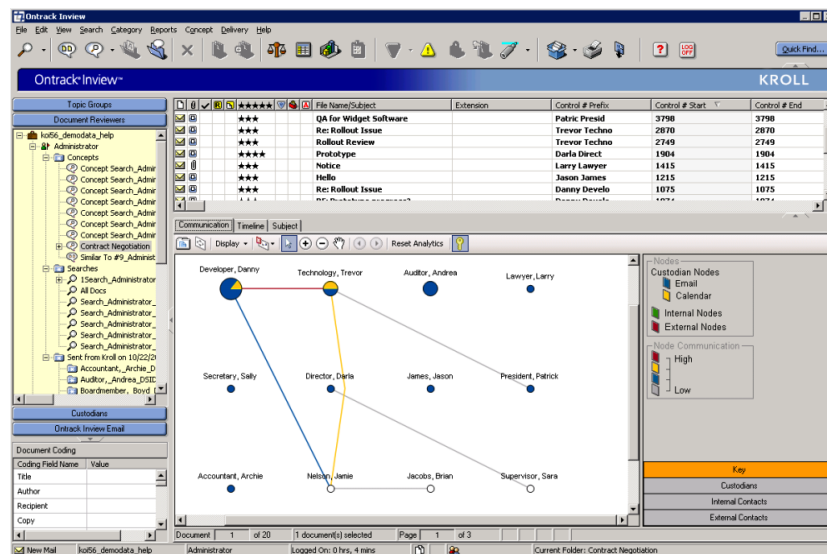
The opportunity landscape for lawyers revealed a number of opportunities that could not be adequately satisfied on the current platform. Guided by this strategic insight, Kroll Ontrack introduced innovations in electronic document discovery that led to a market leadership position.

To learn more about the opportunity landscape, see Anthony W. Ulwick, *What Customers Want* (New York: McGraw-Hill, 2005).

Legend

- Electronic Discovery Outcomes
- Information Management Outcomes

Kroll Ontrack's Electronic Discovery Product



The insights resulting from the ODI research guided the creation of a product strategy road map for Kroll Ontrack's electronic discovery product—a novel, technology-based collection of capabilities that would help lawyers get through the discovery phase. Kroll Ontrack has added innovative features to its electronic discovery product every quarter from 2002 to the present to address lawyers' desired outcomes. For example, Kroll Ontrack rolled out a new product called Harvester and some related imaging tools that addressed the top two underserved electronic discovery outcomes: "Minimize the number of relevant documents that were excluded from capture" and "Minimize the amount of information that is inadvertently altered or destroyed while the data is being captured." Because two other outcomes, "Minimize the number of coding errors made" and "Minimize the time that it takes to obtain all information relating to a specific subject," were also important, Kroll Ontrack added a custom-coding feature to its online review tool.

The 2001 research has guided the pursuit of numerous other innovations as well. For example, in 2005, Kroll acquired a clever search technology that employs clustering algorithms to enable a user to find documents associated with a keyword even if that keyword does not occur in the document. This was done to satisfy two of the outcome opportunities identified in 2001. In 2007, Kroll Ontrack launched ESI Consulting, which offers clients expert guidance in tackling the task of capturing all relevant documents, and in 2009, Kroll Ontrack rolled out a new trial preparation tool that targeted litigation process outcomes.

Reflecting on the top opportunities that the ODI methodology revealed, Allen recalls, "There has been a ton of innovation at Kroll around these outcomes. These are the heart of it. We brought forward all elements that an electronic document has available and made them available to filter or search by. And we have continued to add features along the way."

The Results

Using Strategyn's ODI process, Kroll Ontrack gained a better understanding of the opportunities presented by electronic discovery, and it used this knowledge to develop an effective product strategy. Kroll Ontrack focused on the job of e-document discovery and the outcomes that members of the legal community desired, which led the company to develop a groundbreaking new solution.

Kroll Ontrack's electronic discovery product was a disruptive innovation to the paper discovery products offered by entrenched competitors. Prior to Kroll Ontrack, competitors had been attempting to address the challenges presented by electronic documents with modifications to the paper document discovery systems. In contrast, "Kroll Ontrack leapfrogged the competition with a revolutionary innovation," observes Johnson, "because it added capabilities based on the job that customers were trying to get done rather than seeking to improve the current solution platform."

A myopic definition of the market ultimately cost the leading competitors their discovery business. Allen concludes, "If these big, well-established companies had understood the outcomes that customers really valued, they could have dominated this business. I think they saw themselves as paper document processing companies, not discovery solutions providers. The leaders today—none of them were players in the old paper discovery business."

"Strategyn helped us the most by taking a lot of guesswork out of the process. If you know the outcomes that you are trying to solve, your innovation is focused. You don't spend time and money innovating against any outcome that the customer doesn't care about or is already completely satisfied with."

—Ben Allen, CEO, Kroll

Kroll's market strategy has paid off. Kroll Ontrack has grown from \$11 million in electronic discovery revenues in 2001 to over \$200 million in 2008. The company is the industry leader in both market share and revenues. They have received acclaim from industry experts and customers for quality. In fact, Kroll Ontrack was named the top electronic data discovery system by readers of *Law Technology News*, and it has been recognized by *Law Firm Inc.* as the most-used electronic discovery provider for seven years in a row.



Since working with Strategyn, Kroll has received accolades from industry experts and customers for its innovations in electronic discovery.

“Strategyn helped us understand the outcomes our clients wanted for a product that didn’t yet exist. We were able to innovate against those outcomes in a way that led us to a position of market leadership.”

—Ben Allen, CEO, Kroll

Learn More

Strategyn is an innovation consulting firm specializing in the management of innovation. To learn how to make Strategyn’s Outcome-Driven Innovation methodology the cornerstone of your company’s corporate innovation efforts, visit strategyn.com.

Publications that explain the details behind Strategyn’s methodology include:

- Anthony Ulwick, *What is Outcome-Driven Innovation?*, (White paper, March 2009).
- Anthony W. Ulwick, *Turn Customer Input into Innovation*, *Harvard Business Review* 80, No. 1 (January 2002).
- Anthony W. Ulwick, *What Customers Want*, (New York: McGraw-Hill, 2005).
- Anthony W. Ulwick and Lance Bettencourt, *Giving Customers a Fair Hearing*, *MIT Sloan Management Review* 49, No. 3 (Spring 2008).
- Lance Bettencourt and Anthony W. Ulwick, *The Customer-Centered Innovation Map*, *Harvard Business Review* 86, No. 5 (May 2008).
- Lance Bettencourt, PhD, *Service Innovation: How to Go From Customer Needs to Breakthrough Services*, (New York: McGraw-Hill, 2010).

Contacts

United States

Tony Ulwick
CEO & Founder
Strategyn
ulwick@strategyn.com
+1 415 787 2706

Europe

Petr Salz
Director of Business
Development
psalz@strategyn.com
+31 0 40 2261800

France & Italy

Maurizio Beltrami
Managing Partner
maurizio.beltrami@strategyn.com
+41 79 596 34 27

Germany, Austria, Switzerland

Martin Pattera
Managing Partner
martin.pattera@strategyn.com
+43 7472 65510 121



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