



Winning at Product Innovation

Tips for Accelerating Innovation Cycles and Improving Product Success Rates

January 2005

Dear Product Professional,

We had lots of great feedback on our [recent newsletters](#) – thanks for reading!



This month we're covering some information on managing your product pipeline and managing your portfolio of products.

We hope you profit from this publication. Our inspiration for writing this free publication is fueled by new subscribers.

Could we ask you to forward this to one person you know who may benefit through subscribing?

[Joseph Kormos](#), Principal, Product-MASTERS

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Product Pipeline

Clever Photo of the Month

IS THIS YOUR PRODUCT PIPELINE?

Last month we showed the picture of a ["Rube Goldberg machine"](#) as a depiction of some company's **Product Innovation Engine**.

Since we're into clever photographs I'll offer another. This picture is reminiscent of the product pipeline at a recent client. Frozen Solid... just like this fountain... only without a spring thaw.

UNFREEZING THE PRODUCT FOUNTAIN

One of the reforms we needed to introduce was an improved approach to selecting and sanctioning Product Development projects.

As we got down to business our team realized that while our efforts were fully endorsed by the management team there wasn't a complete understanding of the

need to focus on product selection -- since the current approach to selection was comfortable in certain parts of the organization.

DRIVING AND RETARDING FORCES FOR CHANGING PROJECT SELECTION

We decided to engage a simple facilitation tool known as "Force Field". (See box for more info.) Simply put this approach helps a group to "unfreeze" behaviors by looking at both sides of the issue.

In this case we asked our team to define the organizational forces driving and impeding change to the organization's project selection methodology. In a brief session we came up with the following:

Forces Leading to Change in our Project Selection Methodology:

1. The increasing number of projects (being experienced by the organization) makes contention for resources more complex and selection more difficult... therefore a more robust process is necessary.
2. Clearly more projects were going into the pipeline than were exiting.
3. The increasing number of projects has led to more complex projects... which makes the selection more complex. With more choices there are more chances for sub-optimal decisions.
4. A modest improvement in product selection (Portfolio A compared to Portfolio B) has clear implications of significant financial payoff.

Force Field: A Process Tool

One of a variety of group facilitation tools used to help teams look at opposing forces acting on a situation. It helps groups make more effective decisions by asking groups to explore the positives and negatives of a situation.

Steps:

1. Identify topic.
2. State goal ("Define new project selection methodology")
3. Draw line down center of flip chart. Use one side to identify forces (or resources/ assets etc.). On the other side cite the forces, barriers, obstacles that could hinder achievement of the goal.
4. Use one of a number of decision grid or voting methods to prioritize the items.

Excerpted from "*Facilitation at a Glance*"
Ingrid Bens 1999, Goal QPC Publishing.

Forces Maintaining Status Quo in our Project Selection Methodology

1. This is how we've always done it.
2. People are busy and don't have time to think through improvements.
3. Those in control of the de facto selection process (marketing in this case) don't see a strong need to change; they believe it is "our job" and probably aren't interested in ceding "power" to other functions
4. It isn't absolutely clear that a better portfolio exists>> we've never tried to define a better one; no discussions undertaken. Positing that a better portfolio (project array) exists would be an implied critique of the Marketing... a powerful organization in this company.
5. Comparing portfolios implies that agreed upon criteria exist which can be used to evaluate how well a product or set of product projects aligns

If you aren't satisfied with the results of you're your product innovation payoff, the real question is...

how much have you invested in improved product innovation practices?

with the enterprise business and or product strategy...which implies there is a strategy... and there basically isn't one.

6. We lack a useful capacity/ resource management approach that can be used in the sanctioning stage to assess rough resource availability.
7. It isn't clear that an alternative process would result in something other than a lot more meetings, longer decision time frames and no better array of projects.
8. There is a feeling that a "portfolio method needs to be sophisticated and complex"... therefore time consuming and probably low impact.
9. We suffer from a continued silo mentality about who does what in developing new products. A new portfolio process (presumably involving broader cross functional involvement) will push people out of their comfort zone.

Sound familiar? I'd guess that some of these same forces are in play in the organizations of readers.

By defining the issues in play we've been able to describe a new process which focuses on simplicity and which doesn't seem to strip the gears/culture of the organization. The project selection process has been opened up to more perspectives.

Implementation of the new method, while going well still has a long way to go before it becomes an "unconscious competency" of the organization.

The fuzzy strategy issue, retarding force 5 above, is a continuing challenge but the effort to make a new selection approach work has shone a light on the need to "clarify where we want to go".

Basically there is now broader buy in and a more consistent effort to improve. But there is more work to be done.

PRINCIPLES AND PRACTICES FOR EFFECTIVE PROJECT SELECTION

Assuming a few of you found some similarities between your situation and the above, you may be in identifying some of the principles and practices that you can consider for improving the situation.

The following is a partial of ideas we've offered to clients and that we picked up along the way from good practices of others.

PRINCIPLES

1. Link your projects to your business strategy.
2. Our project list and resource allocation should reflect our business strategy
3. In it's simplest form strategy can be expressed as a set of a few simple rules. Those rules form the basis for a selection approach.
4. Rules are necessary. (For selecting projects and other aspects of product development.)
5. You need to "decide how you are going to decide". Most any approach is better than no approach. Modify your approach as you go along.
6. Find ways to get the entire organization to join the party. People need to feel like "we did this ourselves".

7. Due to the continuing nature of most software products, portfolio management for software companies takes on a different quality than some other businesses. (More "content of next release" focus.) But, it is no less important.
8. There is some data to indicate that medium length projects deliver faster time to profitability than shorter or longer projects.
9. It is a sign of health to see different projects travel through the front end (selection process) at different speeds.
10. if you can't get 80% of your product professionals to describe, with reasonable accuracy, your selection process you either don't have one or it isn't used. (Being able to describe it still doesn't mean it's effective.)

PRACTICES

1. Establish a consistent product release cadence to help organize the flow of projects through the pipeline.
2. Link the timing/cadence of portfolio reviews to the release cadence. For example, conduct quarterly cross project portfolio reviews to understand the direction/value/fit of your current set of projects.
3. Establish a cross functional Product Acceptance Committee (PAC) to be the gatekeepers for project selection and to perform portfolio reviews.
4. Include a member from the field organizations (sales and customer service) on the PAC.
5. PAC should agree upon portfolio targets (strategic buckets) for the project list. Mix of projects between new old customers; high low risk, short term long term etc. Portfolio review is used to assess conformity to those targets or to shift priorities.
6. If strategic buckets are used consider deciding on the size of each bucket, classifying each project nominee into a bucket, then selecting within the bucket.
7. Use Portfolio maps (generally 2D plots of circles with varying sizes) to depict the status of your portfolio, and to find holes and gaps.
8. Establish a written set of project selection criteria. Adapt as necessary.
9. As a start simply write a few (1-3) basic rules. Expand the list as necessary. Example:
 - a. No projects longer than 9 months in duration.
 - b. No projects which commingle research with development.
 - c. No projects for which a clear need has not been expressed by more than one customer.
10. Use scoring models to include multiple dimensions (beyond financial only) to the selection process.
11. Consider using the following broad categories in the selection criteria.
 - Do we care?
 - Does the customer care?

- Can we do it?
 - Can we win?
12. Vary the order in which these criteria are applied depending on how you want to guide the selection. (E.g. If resource bound apply can we do it first. If attempting to improve customer focus apply does customer care first.)
 13. To help build the criteria list and to establish/calibrate the weights on your scoring model analyze past/current projects (presumably selected w/o clear criteria) and ask "what 'rules' caused the selection of this set of projects?" Would this (new) scoring model have yielded the same list? A better list?"
 14. Link your selection criteria to pass fail criteria in your phase review (stage/gate) system. Define increasing precision expectations for each criteria area at each subsequent gate.
 15. Use a four item measurement scale when ranking priorities... this forces a choice and keeps items from being ranked "medium".
 16. Insist that every key product professional knows the priority of every development project in the pipeline.
 17. Monitor funnel ratios at each gate in the process. (e.g ratio of number of projects proposed vs # accepted). Decide how these can be adjusted (by tighter, looser, different criteria) to improve the flow of project value to the market/users and to reduce effort on projects which don't make it.
 18. Monitor the time it takes you to decide if a project is viable. (time from first knowledge of the need/project to time when serious work actually begins.)
 19. Establish a high-speed checkout lane/fast track process for projects with extreme market criticality or competitive response. Use it sparingly.
 20. To improve the quality of info in project proposals consider reserving a small amount of unused resource to be used for exploring early product concept ideas.

LIFECYCLE OF A SILVER BULLET

The world of NPD is awash with models, methods, theorys, and improvement methodologies promising fantastic results.

However, if you're like so many other organizations your attempts to imitate the success of others don't seem to drive the results you read about in that management magazine or that conference you attended.

[This link](#) to an article by Sarah Sheard of the Software Productivity Consortium may provide some useful insight.

QUOTES OF THE MONTH

"The one thing that unites all human beings, regardless of age, gender, religion, economic status or ethnic background, is that, deep down inside, we ALL believe that we are above average drivers"

Well... that's enough for this month. Perhaps we'll pass on more in the future.

Links

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Winning at New Product Innovation Newsletter

Monthly tips for accelerating innovation cycles and improving product success rates.

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