

Insight Into Product Development

"Enjoy failure and learn from it. You can never learn from success."

James Dyson

The decision to start developing a new product or service is often triggered by a powerful set of emotions. Someone may have identified an opportunity in the market. Alternatively they may have come across a "mind blowing" new way of doing things. The enthusiasm and passion displayed by such entrepreneurial individuals is not to be dismissed, however it needs to be tempered with an analysis of the impact such development would have on the organisation. Before embarking on ANY product development there must be a due diligence phase where the cost of developing a new product or service is balanced against the financial impact such an adventure will have on the organisation and an assessment of the potential for a return on investment (ROI).

The consequences of not performing basic due diligence

It's very easy to invest thousands of pounds on a "good idea" never to realise a return on investment

The history books are littered with the stories of companies that were sunk by having an imbalance between their ability to generate revenue from their core business activity and the investment in new products and services. The risk of making such mistakes is particularly prevalent in hi tech industries

where technical excellence is held as the primary currency of the organisation. Decisions are often made on faith and wishful thinking, rather than sound business logic based on hard evidence, numbers and facts.

There are some very simple tools that you can use to avoid a negative outcome

In a large organisation the senior management team should be in control of all stages of product development. This is achieved by installing a set of gates and appointing gatekeepers to review progress and to seek approval and sign off from the Senior Management Team (SMT) at each stage.

In smaller organisations the principles are the same however the execution may be scaled to fit the size of the organisation. The basic stages are shown on the right. The gate keepers may be different people at different stages. Financial Director, Sales Director and Technical Director may act as gatekeepers during the process whilst performing their usual roles. This is fine as long as the overriding mandate is about making decisions based on sound facts, numbers and evidence.

Getting it right:



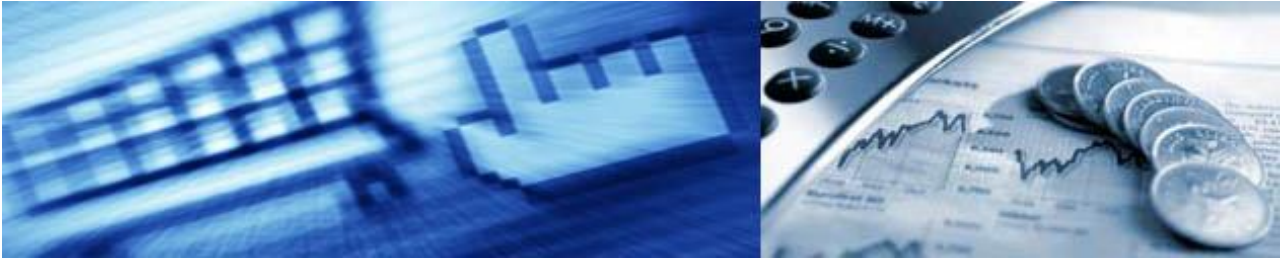
THE STAGE GATE PROCESS

- **Establish a need** Take a brief cursory look at the idea, is it unique, how much will it cost, will it generate enough revenue to secure ROI? If yes sign off and move on.
- **Build a Business case** Designate an individual or a team with clear brief and a fixed time period to make a more detailed investigation and build a business case for developing the idea further. Review findings and decide if further investment is justified.
- **Development phase** Draw up a project plan, allocate resources, finalise the development budget and set milestones and key performance indicators. Then review the process regularly.
- **Deployment.** User acceptance testing alpha test, beta testing, training and launch planning.
- **Operational Readiness Tests.** Stop! Perform an operational readiness test, BEFORE you go to market. Ask can we sell it, build it, deliver it and bill it?
- **Go to market** ensure you have a commercial launch plan, go to market strategy, sales execution plan and the development of sales tools.

The important thing to recognise is not the depth, breadth or scope of these stages but the fact that each stage has a set of checks and balances. The process defined above is sound logic for every project, be it a seven day one man project or a large team working over many months.



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So what does the ideal stage gate process look like?

- Identify need and qualify if there is a need. Set aside a small budget to identify if the project warrants further investigation. Focus on what else is in the market, how unique is the idea. Estimate how much it might cost to develop it further. What level of investment will be needed to bring the idea to market? Set a time frame and a set of deliverables for the outcome of the investigation. For example two people for 48 hours who then must report back on five key questions.
- Building a business case. If the preliminary investigation warrants further work, set a budget, deliverables and a time frame for building a business case. This time the team will need longer, you will be looking for detailed market research (evidence), the development of sales forecasts supported by a documented commitment from your sales team (evidence), P&L forecasts, development costs, an assessment of the risks, the impact on day to day operations and an estimate of the resources required for the development stage.
- The development stage will need to have a clearly defined project plan with milestones, key performance indicators and project reviews documented and understood by all involved. This must be done before commencing with the project. The "buy in" and "sign off" from all of the teams involved from sales through to billing will be essential. Be prepared for set backs and changes in direction and some surprises, the key requirement is to ensure the senior management are in control because only they understand the big picture in terms of strategy and the day to day impact that the project has on the core business.
- The deployment phase starts when the project begins to impact on the core business processes. Test the product or service and the processes and systems that will be needed to deliver the project to market from initial sales lead to cash. Ensure the teams receive training and provide them with support, do some "real world tests" internally and then find a friendly customer and test it in the field. Before commencing to final commercial launch perform a short operational readiness test to prove that it can be sold, delivered, supported and billed.
- The final step is to go to market with a fully developed set of sales tools and a defined go to market strategy supported by a properly funded commercial launch plan.

An example

An Internet Service Provider (ISP) realised that to stay competitive they had to offer a range of new innovative services that hadn't previously been available for purchase on line. The challenge was that the organisation had a history of projects being delivered late and often failing to realise an ROI. The Andante consultant implemented a stage gate process that ensured the buy in and co-operation of all customer facing teams across the business.

The result

The new services were delivered to market two months ahead of schedule and delivered a return on investment well before the buy back dates predicted in the original business case.

Andante helping you achieve your objectives by guiding you through the product development process, securing the maximum available funding and providing specialists skills to deliver innovative solutions