

Innovative Development Associates

White Paper

Linking Product Development with Strategy

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Customer Centered Product and Market Development

Linking Product Development with Strategy

Alignment of Products, Positioning and Distribution is Key

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In a recent poll, software executives were asked to consider an important competitor whose prowess at delivering new products they admire...

- ☞ What actions distinguish this company as a leader in product development?*
- ☞ Are their products consistently first with new technology and innovative features?*
- ☞ Do they seem exceptional at understanding their customers?*
- ☞ Do they invest more in R&D?*
- ☞ Is the sheer number of products launched by this organization greater than other software companies?*

The overwhelming positive attribute that was admired most was a software company's *ability to align products, company positioning and distribution into a common business strategy*. These companies seem to have a precise plan for building a suite of products that address specific customer needs, positioning these products so that they build word-of-mouth momentum, and energizing a sales force to define the buying agenda.

What does it take to build this often illusive quality of "alignment"? In my experience consulting with software companies, product development alignment consists of five essential ingredients:

- ☞ Product Vision Statement*
- ☞ Product Development System*
- ☞ Project Selection Process*
- ☞ Product Definition Methodology*
- ☞ Link to Launch*

Crafting a Product Vision Statement

Corporate alignment begins with a cross-functional, shared vision of where the company is heading. Without it, development chases technology instead of customers, marketing communications is continually redefining the message, and sales chases warm bodies.

Published, and regularly updated, product vision statements are a successful tool for focusing efforts that identify product opportunities, direct technology development, and define requirements for product development strategy.

To measure the quality of your product vision statement, ask yourself the following questions:

- ✍ Does the product vision statement define your target customers and your signature product traits? Signature traits are those product traits that consistently cross-over among products and from version to version, and that allow your marketing department to build brand equity with customers.
- ✍ Will your products emphasize functionality? Performance? Customization? Usability? Integration? Or, of course (!), all of the above?
- ✍ Have you defined the scope and architecture of your product line? This includes defining the scope and boundaries of markets, end users, and application areas. These boundaries will shift over time but establishing them now avoids wasted hours and dollars on chasing opportunities that aren't in your best interest.
- ✍ Does the product vision statement answer the basic product development question? For example, does your company intend to be innovators and first to market, or to win the market share as fast followers who deliver completeness and whole-product solutions? Each approach requires vastly different development and marketing capabilities. Rare is the company that can master both. And if mastered, they have a hard time finding customers who value both from a vendor.

Designing a Product Development System

With a product vision statement in hand, a software company's next step is to design a product development system. The product development system is a collection of corporate practices, methods, tools, metrics and organizational competencies needed to develop and launch products.

Designing the type of product development capability you need requires answering the following questions:

- ✍ What role does product development play in your firm? Do you really need product development to be a distinctive core competency of the company? If so, are you prepared to invest the resources needed to be better than your competition? Or is it good enough to be a little better than you are today?
- ✍ Have you communicated to your developers an overriding business goal that defines the growth gap that needs to be closed with new products? Have you set growth targets for future percentage of revenue from new products?
- ✍ Have you projected the load on your product development system in terms of number of products and upgrades per year? How will your efforts balance focus and diversification? High and low risk activities? Long-term vs. short-term goals?
- ✍ What requirements does your product vision place on the future characteristics of your development and product support organizations in terms of size, skills, structure, partnerships, and tools?

A Process for Project Selection

When it comes time to improve product development success, most software companies place their initial emphasis on improving project management or revising system development methodologies. However, achieving alignment of new products with business strategy also requires focusing on the process of selecting which projects enter the development pipeline.

To evaluate how well you perform in this area, spend some time examining:

- /// How well the product vision has been communicated to those who select and prioritize development features and products. What percentage of your development team could pass a basic quiz designed to test their knowledge of the company's vision?
- /// What methods are used to select short- and long-range development projects. What percentage of projects is approved without a specific link to strategy?
- /// Does your product vision have enough detail to serve as a filter for useful product ideas?
- /// Do you have clear screening criteria for selecting product projects and testing their strategic fit with your vision and the capabilities of your product development team?
- /// Are product reviews designed to provide crisp, incremental funding decisions and keep winners moving forward?

Product Definition Template

Once you've fine tuned the product development agenda, it is time to tailor each product to meet the customers' needs. Changing requirements is the single-most important cause of development delay and rework, so it pays to invest in understanding the customer up front by following an organized path to product definition.

Improving your approach to defining a product that your customer needs and wants requires focusing on the following:

- /// Does product definition follow an organized, enterprise-wide path? Or does each project group make it up as they go along?
- /// Do you employ checklists to be sure that you have executed a comprehensive product definition effort?
- /// Are developers afforded the opportunity to talk directly to customers? Applications developers who have rarely even visited a customer site often create vague specifications resulting in awkward implementations.
- /// How many requirements changes occur on a typical project? What are the causes of these changes? How can they be avoided or reduced?

The Linked Launch Process

When the right products are built for the right customers success is assured - right? Not quite. Many a successful product launch falls flat due to poor market preparation or sales execution. If you find that your well defined and well built products seem to disappoint customers once in the marketplace, look for misalignments in the following areas:

- /// Does your product vision statement allow marketing communications to prepare the market for the forthcoming product benefits and advantages?
- /// Does the product definition process require early versions of press releases and product bulletins to test positioning and ensure that the product will deliver "a story"?
- /// Are channel participants provided with usable information on how to portray the product's advantages fluently? Can they interact professionally with the decision makers? Or do they just get more to-do lists?
- /// Are your sales compensation plans linked to product direction, or do new products have to compete with established offerings for the sales force's attention?
- /// Is pricing an afterthought? Or is it considered on the front end as part of the vision and product definition process? Does the price fit with the feature set being proposed and the competitive landscape?

~~Are~~ Are product support plans and staff in place?

In Conclusion

Software companies spend upwards of 20 percent of revenues developing and maintaining products. By aligning product vision, product development capabilities, project selection, product definition, and product launch capabilities, software companies can harness this R&D investment to attract new customers and partners and strengthen existing customer relationships.

*Joseph Kormos is author of **Product Planning Practices in the Software Industry**, and **Planning Software Products That Sell** both published by Culpepper and Associates. He is also Director of the **Product-MASTERS Collaborative**. His consulting firm, **Innovative Development Associates**, helps high tech companies benchmark and improve product development processes to boost the payoff from their R&D investment. For more information or to order the book contact 513-683-1911 or www.inndev.com*