

Winning at Product Innovation

Tips for Accelerating Innovation Cycles and Improving Product Success Rates

September, 2004

Dear Product Professional,

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



This month we're covering more about metrics, the product innovation engine and fundamental questions driving performance improvement.

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

In this issue...

- ▶ **Your Product Innovation System?**
Clever Photo of the Month
- ▶ **Assessing Metrics Maturity**
What to Look For
- ▶ **Key Product Development Metrics**
A Starter Set
- ▶ **Key Questions for Improving Product Development Performance**
The Power of Fundamental Questions
- ▶ **Links**

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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Clever Photo of the Month

IS THIS YOUR PRODUCT INNOVATION ENGINE?

Last month we used the term *Product Innovation Engine* to describe an integrated set of processes, practices, principles, tools, methods, systems and structures for driving high value products to the market in a timely and continuously more efficient manner.

One alert reader sent this photo.



He said it's a decent depiction of their Innovation Engine. Do you see any similarities in your company?

Every organization has a product engine. The key question is whether it was **designed** to be effective -- or whether it just grew up in a haphazard manner.



What to Look For

ASSESSING METRICS MATURITY



When we conduct a Product-MASTERS “Innovation Engine Assessment” we always use metrics or lack of same to help quickly understand the organization’s strengths and weaknesses and what it knows about itself.

As companies mature at product development they tend to focus more of their effort on metrics because they know it’s important to confront the brutal facts. Effective metrics focus attention and call the organization to action. Ineffective metrics waste time, demotivate, generate counter behaviors and dilute the impact of otherwise well formed improvement initiatives.

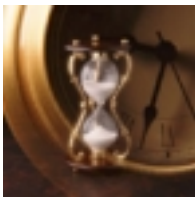
Some of the characteristics we look for are:

- ▶ Good balance between technical and business metrics
- ▶ Balance between lagging/results and leading indicators
- ▶ Correlation between metrics and desired behavior
- ▶ An effective, realistic approach for collecting and maintaining metrics data
- ▶ Consistent action taken on metrics

Further info can be found in our [Metrics Whitepaper](#)

A Starter Set

SOME KEY METRICS



Obviously another element of assessing metrics maturity is understanding which metrics are actually being evaluated by the company.

Everybody talks about “time to market”, “revenue from new products (released in the last X years)” and “R&D spending as a % of revenue”.

Today many companies actually do a reasonable job of maintaining consistent records on these and a few other metrics such as funnel ratios (Go kill ratios at various process gates.) and patents.

Beyond that however metrics are in a sad state of disarray at most companies.

Here are some metrics that we’ve seen that seem to deliver useful information for driving improvement action.

1. **Time to.... Money...Market** – In addition to time to market consider the metric of time to money (time to break-even) to comprehend the concept of business success of products. *(What? You mean that’s important too? Why was I not informed!)*
2. **Product Business Success Rates** – Simply monitor, perhaps through a grading system the market success of new products. OK it’s clearly a lagging metric but it builds focus on success... and everything necessary to achieve it.

3. **Time to Commit** – Looking to reduce the feeling you’re chasing competitors? Monitor your Time to Commit. That’s the time from first sensing or first appearance of market need until the time to commit to developing the product to address it.
4. **Pipeline Value** – Looking to get a predictive handle on what your revenue from new products will look like in the future? Sum up the value of projects in your current pipeline. (*What’s that? You say you don’t have a consistent list of current projects... much less a business projection for each? That’s why it’s important to try to measure product innovation performance – you discover lots of (gaping) holes.*)
5. **Pipeline Capacity** – Feel like the Product Committee is approving more product development projects than your development teams can possibly execute? Tired of building resource spreadsheets that are outdated before completion? Can’t afford an enterprise portfolio and resource system? Build a backward looking model that demonstrates what your Product Innovation Engine is historically capable of producing. OK, this is more than an afternoon’s work and requires some intelligent operational rationalization of your project portfolio. Nobody said this stuff is easy. When completed you’ll have nifty front-end tool that helps improve...well... time to market!

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

The Power of Fundamental Questions

KEY QUESTIONS FOR IMPROVING PRODUCT DEVELOPMENT PERFORMANCE



In his book *“Dialogue – The Art of Thinking Together”* author William Isaacs refers to the “power of fundamental questions”. He points out that in learning how to think “think together” to solve problems, a critical skill is learning to suspend certainty of out positions on important issues. He offers that learning to “mine for questions” – finding the really hard questions that address the heart of our concerns is a key organizational skill.

Applying this thought to the world of product development and innovation here are a few fundamental questions that we all may want to consider:

1. Why don’t we have what we want when it comes to product development performance?
2. Is it possible to consistently outperform our competitors at product innovation if we haven’t established an advantage in our product innovation methods, skills, practices and processes?
3. What would be the pay off from improved innovation and how much does an *ineffective* innovation system cost our company?
4. Has performance of our product innovation system improved in the last three years? How much?
5. Who is responsible for improved performance in product innovation?
6. At what practices, processes and competencies must we excel in order to consistently deliver superior products?

7. What are, in order of priority, the issues constraining the throughput of product value to the market at our company?
8. How much have we invested in improved product development and innovation in the last three years?
9. Do we understand our customers better than we did last year?
10. _____ (fill in yours!)

I'm sure you can think of other good ones. Let us hear from you.

Links

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Improving Product Innovation Performance

- ▶ [Innovation Services and Workshops](#)
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 - ▶ [The Product Innovation Maturity Model](#)
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