

Drowning In Product Development

by Jonathan Smith

In the coming months, we will look at various aspects of running an effective NPD operation. But first, let's look at a central issue in product development: the cost of running an overloaded NPD operation.

For every company we see that is doing too little new product development, two others are doing too much. A great deal of effort is devoted to projects that are not genuine innovation but just range extension and duplication. In one medium-sized business, we found 99 NPD projects on the books at once. A project count of 50 or more is common. The resulting situation is familiar - chaos!

Countless meetings are held as frustrated managers wade through updates on a seemingly endless list of projects. The unfortunate project owners bounce between departments trying to get resources for their favoured projects.

As with so many business problems, the road to hell is paved with good intentions. New product ideas spring up from a wide variety of sources, all for the best of motives. Marketeers and salespeople have no monopoly on innovation. Ideas originating with the chairman's wife are usually modest in number but unique in their disruptive potential!

Brainstorming sessions, customer requests, and the wish to be seen to be active all compound the problem. The temptation is simply to start more and more projects and hope for the best.

The lack of an effective process for screening ideas leads to too many poor quality projects getting started. Similarly, neglecting to use consumer research early in the life of a project ensures the continuation of too many duff projects.

Another major contributor to the problem is the unwillingness to kill off projects that are clearly failing. Often people press on, trying to save projects long after there is a reasonable chance of them succeeding.

Lack of basic project management disciplines often means that individual projects progress more slowly and clog up the system. Projects are too often managed one step at a time rather than comprehensively from start to finish.

Given all the different forces pushing managers towards NPD overload, it's an easy trap to fall into. Without

systematic efforts to prevent the problem, it will naturally occur.

Does all this really matter? In short, yes! Too much NPD can significantly dent the bottom line in the immediate term, hamper overall commercial performance and damage customer relationships.

Ingredients and packaging used are the most obvious cost. Also, more projects mean greater disruption to production operations. All this causes substantial costs.

The amount of management time soaked up by all these projects represents a considerable hidden cost. As well as the employment cost of the people concerned, there is also the opportunity cost. An excess of variable-quality projects is guaranteed to put further strain on the often fraught relationship between the commercial and operational sides of the business.

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Ironically, too much development activity can stifle true creativity. If time is frittered away on lots of minor projects, less will be available to devote to thinking about

Speed-to-market is widely understood to be a critical driver of competitive advantage. If the system is clogged up with sub-standard projects, the good ones get to market much more slowly, or not at all. In the competitive struggle, this is a major issue.

Sub-standard projects that actually make it to market before failing to incur the greatest costs of all. There are the extra costs of write-offs and the management of the withdrawal.

The penalties of NPD overload are clearly too serious to ignore. The combination of increased costs, loss of speed-to-market, and damage to credibility with customers, makes it an important commercial performance issue.

The solutions, whilst taking concerted effort to implement, are within the reach of any company. We will explore these in the coming months.