Tech-Clarity

Issue in Focus:

Meeting Fixed Product Launch Windows

Managing Portfolios When Time to Market is Non-Negotiable

Table of Contents

Introducing the Issue

Tech-Clarity research shows that reducing time to market is a high priority for companies targeting product development performance and profitability improvements. Speed is critical because the winner of the product development race can take advantage of premium pricing, higher profit margins, and a jump on the competition to lock in market share. On the other hand, the impact of delayed time to market can be significant, for example:

- A pharmaceutical company may lose $1 million per day a launch is late
- Government contractors missing milestones may forgo incentives and face penalties
- Industrial products companies can miss customer commitments and expectations

For some companies, time to market takes on even greater criticality. These companies face fixed launch windows driven by market dynamics beyond their control. If they miss the window, the market opportunity is lost. In some cases the opportunity may be available again in the next window, but because technology and innovation move so quickly many potential market offerings are lost forever and the product may simply be scrapped. For example:

- A confectionary company missing the Easter season faces significant bottom-line impact
- A high-tech company delaying release beyond an important trade show or investor conference can damage their brand and be punished by investors
- A toy company missing the Christmas season faces a huge lost opportunity
- A high fashion apparel company missing the Spring season is just not acceptable and will damage relationships with their retail partners

When time to market is critical, companies have to step up their product portfolio management (PPM) and new product development (NPD) performance.

Companies approaching fixed launch windows without any innovative, new products put customer satisfaction and brand loyalty at risk. As one consumer goods market insider said recently, "You can't negotiate with Christmas." If the usual brand doesn't have anything compelling to offer it gives loyal customers a reason to try a competitor's product and potentially switch their buying behavior. So when time to market is critical, companies have to step up their product portfolio management (PPM) and new product development (NPD) performance.

Create a Realistic Portfolio Plan

How can companies improve time to market? It has to start at the very beginning of the product planning process. The first step involves a disciplined, realistic approach to portfolio planning. Companies need to be diligent in prioritizing their product portfolios. Companies simply can't make up for bad planning or inefficient product development in manufacturing and distribution because brute force doesn't scale and wishful thinking doesn't help.

Product companies simply can't make up for bad planning or inefficient product development in manufacturing and distribution.

Of course, innovation starts early in the product lifecycle. When companies begin planning for a market window or season, they rely on having the right ideas to bring to market. These concepts start even earlier in the ideation phase where product ideas are captured and matured. Portfolio planners then have to avoid the temptation to clog the pipeline with too many of these ideas and must prioritize which of them will be developed for the upcoming window. This determination has to be made on consistent, accurate portfolio data including portfolio balance, value, risk, and resource availability. As Tech-Clarity's Issue in Focus: the ROI of Product Portfolio Management explains, "PPM helps companies develop high-value, strategically aligned portfolios, ensure they are resourced properly, and then execute them effectively to drive profitable revenue."

Roadmap Product to Launch Window Relationships

When products must be ready for inflexible launch windows, planning takes on even greater importance. Targets for launch are set in stone and must be well communicated. This requires a clear roadmap that ties new products to their product development and commercialization programs and associated dates. Then, all development projects for the program can be scheduled to accommodate the longest leadtime. For integrated offerings that include multiple items, it's important to plan portfolio investments across different products and product groups in a way that ensures that even if a product doesn't live up to expectations there is still enough in the pipeline to meet commitments and hit revenue targets.

Optimizing plans is very difficult to do with fragmented information and inconsistent product data.

Balancing complicated portfolios with many-to-many relationships between products and launch windows requires a lot of coordination. Optimizing plans is very difficult to do with fragmented information and inconsistent product data, particularly considering contributions and information required from across the business. As Tech-Clarity's

Improving Portfolio Decision Making concludes, "Many companies are stuck managing PPM with complex spreadsheets that have evolved over time, are difficult to maintain, and provide limited value." Comprehensive PPM solutions can help by providing cohesive information and visually communicating priorities and dependencies between products.

Create Detailed Project Plans

Once the portfolio plan is in place and priorities are well communicated, it is time to detail the work to be performed. Effective resource planning is critical. Many companies have loosened up their innovation budgets in the recovery but have not increased headcount, instead choosing to maintain downturn levels. As the 3rd Product Portfolio Management Study commissioned by Planview explains, "nearly 70% of respondents identified too many projects for their resources as their number one pain point."

Effective resource planning is critical.

In this environment, it is important to understand the roles and skills required to develop the targeted product portfolio and ensure they are available. This is typically accomplished in two phases. The first phase of resource planning is balancing demand at a high level against resource pools by role. This planning can use estimated lead times and resource requirements based on project type and product complexity, but it's important to use realistic numbers for planning even at this stage. It's also important to consider maintenance of in-market products that consume limited time and resources. For companies with good records of their past projects, they can use historical data to develop realistic benchmarks for time and effort.

After rough-cut plans are in place, companies can develop detailed plans with named resources for execution.

After rough-cut plans are in place, companies can develop detailed plans with named resources for execution. It's important to consider all tasks in planning at this time. A successful product may miss critical launch windows if legal reviews, labeling, or regulatory compliance work isn't completed in time. If any task, particularly one that comes at the end of the development cycle, needs to happen with less than the standard leadtime, identify and manage the associated risks and alter the plans using realistic expectations. Use resource planning tools and past product development performance data to validate that revised plans are achievable.

Recognize and Account for Risk

Things happen during product development that can't be predicted or controlled. A good portion of product development risk, however, can be planned for. The primary risk factors companies plan for include:

- **Technical risk** – the possibility that a product can't be brought to market for some reason. Material shortages, a copyright or patent issue, or some product development issue that can't be overcome could result in technical product issues.
- **Market risk** – the possibility that the commercial potential for the product changes significantly. An unexpected competitive move, a new market entrant, an economic change, or changes in consumer buying behavior may lead to market or commercialization issues for the product.

It is best practice to postpone commitment to commercialization costs until likely technical development issues are addressed.

No company can control all risk factors, but they can manage them and account for the potential impact on launch windows. The first step is to identify risk factors, predict their potential impact, and determine the chances that they will occur. For high priority items, specific risk mitigation plans can be put in place. For example, a high-risk element to technical success, such as electronic component availability, should be addressed early in the project so that if it can't be overcome there is time to react. Addressing the riskier elements early allows projects to fail sooner, limiting resources wasted on more predictable tasks for a product that will not make it to market. It is best practice to postpone commitment to commercialization costs until likely technical development issues are addressed. In addition, companies may consider using lean product development approaches such as developing an alternate, less-risky approach in parallel so there is a backup plan.

Keep the cross-functional team involved and aware through consistent, centralized, visible information in PPM so they can re-plan as necessary.

When issues do occur, re-evaluate the portfolio based on the new information. A blockbuster product might have just become a "me too" for the season and might not be worth the priority and investment originally placed on it. The best decision may be to redeploy commercialization resources and capital away from these now lower-value products. The important thing is to identify challenged projects early and quickly decide how to recover, defer, or cancel them. Then, realign resources based on revised priorities. Keep the cross-functional team involved and aware through consistent, centralized, visible information in PPM so they can re-plan as necessary.

Portfolio management solutions can help account for both technical and market risk and help systematically evaluate the potential impact on value.

If the product will miss the window, it's important to evaluate whether hitting the next launch window with quality is better than hitting the current one poorly. Another option may be to make scope tradeoffs to meet the launch date. Whatever approach is selected, the sooner a decision is made the more options are available for recovery. For example, an integrated offering might require a substitute or a previous product may need to be enhanced and used to round out the portfolio. Advanced notice also gives channels time to react and update commercialization plans. The key is to understand the financial and market impact of missed windows by comparing accurate, consistent product development metrics and making timely, facts-based decisions. The 3rd Product Portfolio Management Benchmark Study, however, indicates that "44% of companies have no consistent and transparent way to measure the value of projects." Portfolio management solutions can help account for both technical and market risk and enable systematic evaluation of the potential impact on value.

Execute

To ensure smooth execution, companies need to develop standard, repeatable processes. There are multiple benefits to this, including enabling continuous process improvement over time instead of reinventing the process on each project. Further, projects tracked with common metrics in a common system can be readily compared for tradeoffs. "An enterprise level PPM system offers the benefit of more consistent data, analyses, and metrics, comparing 'apples to apples' to make decisions more fact-based and objective," according to Improving Portfolio Decision Making. While the process should be standardized, it should not be burdensome. For example, there may be different project templates for different project sizes, complexity, and risk profiles.

A common system that contains consistent data and "one version of the truth" helps ensure that when something goes wrong the entire team is informed so they can react appropriately.

During the execution phase, it's critical to track schedules closely. Companies need to monitor milestones, tasks, deliverables, budgets, and schedules diligently. Perhaps the most important thing in the execution phase is providing transparency and visibility to project issues and status. A common system that contains consistent data and "one version of the truth" helps ensure that when something goes wrong the entire team is informed so they can react appropriately.

Conclusion

Time to market is important to most product-oriented companies, but even more so when fixed launch windows aren't negotiable. In this scenario, companies need to put extra attention on planning their portfolios because product delays can turn into missed opportunities that impact brand, margin, market share, stock price, and customer satisfaction.

Companies whose product launches are constrained by market windows need to spend extra effort prioritizing their portfolio plans and accounting for risk.

Companies whose product launches are constrained by market windows need to spend extra effort prioritizing their portfolio plans and accounting for risk. They need to ensure that their plans are feasible using rough-cut resource management, and then manage plans at the detailed task and responsibility level. Common PPM processes, metrics, and systems can help them execute plans effectively and ensure all phases of the project are accounted for.

Companies can identify issues in time to make tradeoffs when they monitor execution diligently and providing visibility to status and issues.

With the right plan in place, companies can turn their attention to execution. Companies can identify issues in time to make tradeoffs when they monitor execution diligently and providing visibility to status and issues. This allows them time to make facts-based decisions on how to remediate the product development effort or free up resources for product development and commercialization before additional money is committed.

Recommendations

Based on industry experience and research for this report, Tech-Clarity offers the following recommendations:

- Adopt a disciplined, end-to-end portfolio management process to help prioritize investments and develop a realistic, balanced plan. Use PPM to make plan priorities and launch windows highly visible.
- Create a portfolio roadmap that relates product development projects with the appropriate commercialization programs for each launch window.
- Develop a detailed plan in PPM that includes targeted product development projects and existing product support tasks, balancing this plan in detail with available resources by role.
- Account for risk and make sure you have backup plans, prioritizing tasks in each product development project to execute higher-risk tasks sooner in the timeline to

ensure success or fail early so portfolios can be adjusted and resources can be redeployed.

- Use automated, standard product development processes with common metrics, plans, and deliverables. Provide visibility and open dialogue (across disciplines) about status and issues, and make decisions based on facts and data.
- Move beyond spreadsheets to manage PPM processes and information to help meet fixed product launch windows and drive greater product profitability.

About the Author

Jim Brown is the President of Tech-Clarity, an independent research and consulting firm that specializes in analyzing the true business value of software technology and services. Jim has over 20 years of experience in software for the manufacturing industries, with a broad background including roles in industry, management consulting, the software industry, and research. His experience spans enterprise applications including PLM, PPM, ERP, quality management, service, manufacturing, and others. Jim is passionate about improving product innovation, product development, and engineering performance through the use of software technology and social computing techniques.

Jim is an experienced researcher, author, and public speaker and enjoys the opportunity to speak at conferences or anywhere that he can engage with people that are passionate about improving business performance through software technology.

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