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## Leaders as catalysts for new products

What if you could double your new product resources by employing people who understand the technology and markets, who cost nothing to bring on board, and can start work tomorrow?

Dan Adams | M Muneer New Delhi Last Updated: April 14, 2019 | 12:55 IST




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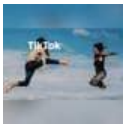
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Imagine you are heading a project that leads to steady state new product revenue of Rs 35 crore per year, with average industry profit margins. Using the net present value (NPV) financial modelling, with the accompanying assumptions, you find that the NPV of launching this product just one month earlier is about Rs 56 lakhs. That is, almost Rs 2.5 Lakhs per business day. Perhaps you could use a little more innovation proficiency and urgency?

We propose three ways for business leaders to accelerate new product development projects.

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## First, eliminate your "organisational friction"

Enterprises do many weird things to turn exciting innovations into demotivating slow deaths. Here are some examples:

- Travel bans:** In times such as now, yes, cost-cutting is a way of life and yes; it sure will save some money for this quarter, but at what cost? Teams are forced to postpone meetings to understand real customer needs, discuss prototypes, run trials, etc. Why would enterprises want their teams to wait to grow their business?
- Spending freezes:** If an enterprise delays spending a few lakh rupees on industry expert consultations or lab testing, it could result in deferring crores of rupees in new-product revenue by months or years.
- Hiring delays:** Failing to fill job positions whitewashes this quarter's income statement, but organisations will make inefficient teams due to imbalanced resources, slow down their progress, and signal what really matters to the organisation- certainly not innovation and progress!
- New workload:** Some companies in India add more work assignments than remove some burden. ICICI Bank used to assign innovation jobs randomly to people as decided by the top management in the Chanda regime. Remember, most employees are already overworked. It is a delusion to think the new assignment that was just given to a key employee didn't slow or halt progress elsewhere.
- Restructuring of organisation:** It is best to keep this few, far between, and low-impact. Picture this: Instead of letting your teams run on a flat, grassy field, you have made them slog through a muddy obstacle course as they re-evaluate priorities.
- Changes in strategy:** Would you keep changing strategies in the middle of a chess game? Fine tune it, but don't assume, a new leader requires a new strategy just as some of the elected governments in India do. The constancy of purpose, continuity and better execution are more important

## Second, concentrate your resources on fewer projects

Think of the ring roads in most cities in India. Because of poor planning and policy foresight, ring roads become like normal roads within a year of their commission because governments allow commerce and housing along the road. Traffic congestion is nightmarish. So what is the solution to reduce it? Allow more regular traffic or build more ring roads over the ring road? Just as ring roads need fewer cars to move faster, you need



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fewer projects to see faster returns. If your team members are overloaded at 95% utilisation, they will move much slower than Delhi peak traffic. But those at 65% utilisation will complete their tasks 4 times as fast. Do fewer projects, and optimally resource each of them so they can move rapidly. When we see a project with team members each giving only 10 or 20% of their time to it, we know this project will see ever-moving deadlines.

What if you could double your new product resources by employing people who understand the technology and markets, who cost nothing to bring on board, and can start work tomorrow? It is simple: Kill your dead-end projects and re-deploy the resources elsewhere. Research shows that nearly half of R&D spending is on work that does not lead to successful new products.

Our experience says most B2B companies wait far too long to kill their projects. What must be known to kill a project - especially for commercial reasons - is knowable much earlier than most realise. B2B customers have high knowledge, interest, objectivity, and foresight. This means they can tell you what is needed to significantly reduce your commercial risk in the front end.

B2B businesses can resolve most of their commercial risks in the front-end of innovation, instead of being surprised later.

### **Third, set clear design targets in the front-end**

Many CEOs think putting extra time in the front-end adds time to the overall project. This is a misconception. When B2B front-end work is done well, teams can present the CEO and management with a solid business case. In our work with clients, we suggest 12 items be included, but two critical elements stand above the others:

- Evidence that this market is attractive: In terms of market size, growth rate, competitive landscape, strategic fit, etc., teams must present a convincing case that this market is winnable and worth winning.
- Evidence of customer needs in this market: Qualitative Voice of Customer (VoC) isn't enough. Teams must provide quantitative data - direct from customers without bias or filtering - showing what customers want.

How does this accelerate new product innovation and/or development?

First, it prevents the squirrel syndrome and procrastination. We have seen many opportunities that were "talked about" for years and years within the business. When teams presented the management with hard evidence of customer needs, the projects finally moved forward, usually with great success.

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Second, front-end quantitative data prevents second-guessing and dead-end detours. As Netscape founder, Jim Barksdale, said, "If we have data, let's use it. If we have opinions, let's use mine." There is nothing like irrefutable evidence from customers to focus your team like a heat-seeking missile on what really matters.

Third, solid front-end work kills bad ideas quickly and efficiently. As noted before, you simply don't have enough resources to squander them on dead-end projects. In our work with clients, we have seen numerous projects getting stopped or redirected in the front-end. The front end is precisely when this should take place, so celebrate when it does.

The prudent business leader treats innovation as a fragile seedling to be sheltered from distractions, treated with care, and prized as the very lifeblood of their company's future. Myopic leaders see innovation activities as costs to be endured or manipulated for this quarter's financial report. They obviously are obsessed with QSQT (Quarter Se Quarter Tak).

When an organisation understands that its leaders see new product development as the key to its future, good things happen. Team members inherently want to understand and meet customer needs, often telling others later how they made a real difference. Leadership is often less about "motivating" employees to do this, and more about giving them tools, training, and environment. In essence, clearing a path for innovation.

Some leaders' net impact on innovation is more negative than positive due to their short-term focus and the result is for everyone to see: organisational friction, resources spread too thinly, and hurried front-end work. These leaders would boost innovation by staying at home and not coming to work.

Of course, the great leaders know how to both breakdown barriers to innovation for their people and build them up with growth tools and skills.

Get these things right and you will see profitable, sustainable growth. And you will see it faster.

***(Dan Adams is Founder of AIM Institute, USA; M Muneer is Co-Founder and Chief Evangelist of the non-profit Medici Institute)***

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