

THE JOURNEY TO BEST-IN-CLASS PRODUCT DEVELOPMENT

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Maybe the collective corporate hangover from large-scale investments in information systems is starting to fade. The results of recent Product Lifecycle Management (PLM) benchmark reports demonstrate that some companies are getting over their hangovers faster than others – and have learned a few lessons along the way.

In the past several years we have watched companies try to implement PLM solutions on a tactical basis; focusing on a single department or system function, defining the business problem narrowly, or taking a technology-replacement approach to their programs. These projects inevitably fail to deliver any significant business impact, but they are safe, small, and can “fly below the radar” of the executives. Nobody gets promoted, but nobody loses their job.

We attribute this tentative and cautious corporate behavior to the often oversold “transformation” promise of large programs. But the facts are that integrated ERP systems have transformed the operations of most companies that have stuck with the strategy and viewed their programs as long-term journeys.

Similarly, companies that adopt a strategic, “vision-driven” approach to their PLM programs are significantly outperforming those that view PLM more tactically. Specifically, there is a strong correlation between best-in-class program performance and the following actions taken by leading companies:

- **Developing a firm vision** and strategy for PLM that identifies a future state to achieve from PLM, and tie that vision back to the overall business strategy
- **Adopting a PLM program approach** to implementing PLM, addressing the implementation of PLM as a series of related projects
- Approaching the PLM implementation as a **business transformation as opposed to a technology installation**, recognizing the need to change behavior and business processes in addition to providing new software

It should be no surprise that this more strategic approach is yielding outsized returns. So why aren’t more companies taking this path? Success in this model requires large doses of leadership, courage, vision, and patience – and usually a bigger overall budget. The other thing you need is the experience and knowledge of *how* to transform your innovation processes by leveraging investments in PLM.

At Kalypso we help our clients through a multi-step process of developing a comprehensive PLM Strategy and preparing the organization for the journey. The process is supported by specific tools and methods - adaptable to multiple client environments - including activities to:

1. Define the problem in business terms
2. Identify the strategic objectives of the program
3. Create a clear multi-faceted business case and strategic imperative
4. Build a simple, integrated, software platform-independent PLM vision
5. Develop a flexible and incremental implementation roadmap
6. Align the organization on the goals and objectives of the program

A recent Aberdeen report¹ found that best-in-class companies were three times more likely than the laggards to have created a PLM vision that was clearly tied to business strategy (55% vs. 17%). These same companies were almost four times more likely to have justified their programs based on that strategy rather than a financial business case (40% vs. 11%).

This is not to say that a business case is not important – it is just not enough. We like business cases that justify strategic investments in PLM, but too often these documents are put in a drawer and never referenced again. A clear multi-faceted business case that defines the strategic imperative should be used as a tool throughout the program to set measurable goals, control scope, and guide the prioritization of investment. The majority of best-in-class companies in the Aberdeen report (56%) stated that they also “formally managed their implementations with performance metrics.” Business case metric tracking is a simple and effective way to focus the team and maintain momentum.

¹ Brown, Jim. “Aberdeen Profiting from PLM: Strategy and Delivery of the PLM Program.” AberdeenGroup, July 2007.

The “vision,” objective, business case, strategic imperative, or whatever you want to call it, is a clear statement of what you are trying to achieve with the program. The best ones can be reduced to messages that will fit on a bumper sticker: “Increase ROI on NPD”, “Improve NPD Win Rate,” “Connect and Develop,” “Keep Sue Out of Jail,” “Cut TTM in Half.” Reality is always more complex but, simply put, it’s about defining the destination before starting the journey. Leading companies are realizing greater benefits by putting a strategy in place before launching a PLM implementation program than those who are not.

There exists an interesting performance gap between firms that use a phased rollout approach and those that adopt an incremental project approach. As the report states, “Few companies that possess a firm future state vision and have undertaken an incremental approach are showing anything other than best-in-class performance, indicating that this combination is a more predictable path to PLM value.” We attribute this to the need to justify each incremental project on its own merits rather than starting with a fully-baked phased plan. This calls for a “flexible” roadmap that recognizes that certain things are unknown at the beginning of the journey and that the business environment is likely to change over the course of the program.

In our experience most companies struggle with the fundamental decision of where to start. If you are primarily concerned about tracing raw materials from China, are living under a regulatory cloud, or are in the middle of outsourcing manufacturing, then your decision may be easy. For others the questions loom. Should we build a solid foundation by getting control of our design processes and product data? Or should we target the decision-making functions like portfolio management and the phase-gate process? How about attacking NPI and launch execution first? Unfortunately, there is no easy answer. What is important is to have the debate. The report identifies the executive goal-setting workshop as a tactic used by successful companies. This is where these options should be fully considered and tied to the business strategy.



Kalypso PLM Capabilities Framework

Unlike ERP, an implementation of PLM rarely follows a “big bang” strategy. Since these are not transactional systems, you can phase in functionality over time without disruption. We use our PLM Capabilities Framework to facilitate these discussions and guide clients in the direction that is appropriate for their situation. Getting off on the right foot and having an early, visible success should be a consideration in this decision. As the scope of PLM has grown with the continued expansion of software functionality, the need to manage change and overcome organizational resistance has grown with it. This is a side effect of the ERP experience; immunity to half-hearted attempts at performance improvement.

We will explore the people side of PLM success in another commentary. For now, let’s say that strategic PLM is not a bottoms-up proposition. And it takes more than just executive “sponsorship” to achieve real results. Overcoming organizational antibodies to change requires an executive champion or, better yet, a cross-functional team of executive champions. Small doses of leadership won’t deliver the desired results.

The PLM Strategy development process steps described here are not terribly complicated. The single largest barrier is the inherently cross-functional nature of a broadly scoped vision. Building alignment across multiple organizations involves communication, collaboration, cooperation, and compromise. As consultants we often find ourselves playing the role of diplomat; bringing the Capulets and the Montagues to the table for the good of the entire company.

For those of you that already have a PLM platform in place or an implementation program underway, it is not too late to consider the strategic approach. You may actually be ahead of the game. The ROI on subsequent projects is often higher than the return on the initial implementation. What you need now is a strategy to evolve your PLM capabilities. The process we follow in these circumstances differs very little from the one described here. We simply recognize that you are starting from a different point.

The good news is that best-in-class companies are enjoying tremendous returns on their investments in PLM. They have shaken off the hangover, learned their lessons, and tackled another transformational program with success. They have done so by clearly defining a firm vision, articulating the strategic imperative, and taking an incremental yet comprehensive approach to all of the dimensions of PLM – the business processes, organizational structures, product development strategies, and systems needed to make their innovation engines work.

At Kalypso, we have the experience to guide you on your PLM journey. Our experts can help you navigate the tricky and treacherous waters of cross-functional cooperation. We created a suite of tools including the PLM Capabilities Framework to help clients scope and prioritize program investments. By working with all of the leading PLM software providers we maintain a first-hand knowledge of the applications and how they are unique. Our exclusive focus and comprehensive capabilities in innovation, product development and PLM technology consulting allows us to help you deliver on the promise of PLM within your organization. For more information about Kalypso and how we can help with your PLM journey, visit www.kalypso.com.