Embracing Quick Wins... and Quick Losses

BY SCOTT SIEGEL

When moving a new product or service through the development cycle, there are generally four outcomes a New Product Development (NPD) team can expect. Two of these outcomes are especially good – although which ones they are might surprise you. It may seem counterintuitive, but one of the positive outcomes does not result in revenue – or even a product – and organizations must learn to embrace this notion.

**Four Typical NPD Outcomes**

Not all initiatives in your innovation pipeline are going to be successful or even make it to market. Studies vary, but a general guideline advises that for every seven new project concepts, four will enter development, and only one to two will be commercialized*. From there, the prospects for commercial success are even more daunting. The sobering reality of the data underscores the need to validate the potential value of projects earlier in the development process. Early understanding and corroboration of “in-market” value allows companies to cancel poor prospects and re-focus scarce resources on the best opportunities. There are many tools and techniques to gauge market potential during the development cycle, but none of these will be effective without the implicit organizational acceptance that certain types of failures can be positive.

Ultimately there are four possible outcomes to any NPD project in the pipeline:

- **Quick “Win” – EXCELLENT** – Ideal, characterized by early validation from customers or supply chain partners who are interested in a concept and understand the value being delivered. Though a “win” in this case isn’t a launch, customers signal they are ready to buy. In B2B environments, they may even collaborate to develop, drive out costs or bring the product to market.

- **Slow “Win” – OK** – Often simply the cost of doing business. The market may not be ready for an innovation, may be slow to adopt or may require a capital investment that needs to be timed and budgeted accordingly before committing. A Slow “Win” is not the best outcome, but it is still a win. If the scale or profit is big enough, the customer or the opportunity strategic, it can be tolerated.

- **Quick “Loss” – GOOD** – A loss can be good – as long as it is quick. Companies must embrace the notion that a Quick “Loss” is often the second most positive outcome. When financial and human resources are scarce, understanding early in development that a product cannot succeed due to inherent economics or value proposition allows reallocation of resources to opportunities with the most potential.

* Winning at New Products: Accelerating the Process from Idea to Launch, Robert G. Cooper
A Quick “Loss” should be considered beneficial, especially if valuable learnings, intellectual property and design components are captured for potential re-use.

The cumulative impact of engaging the market and shifting validation efforts up in the development process allows for the productive use of otherwise ‘wasted’ funds.

To enable NPD teams to embrace Quick “Losses”, three important tenets must be institutionalized within the organization:

1: Leadership Embracing a Quick-Loss Culture

NPD teams are conditioned by the actions and environment established within their organizations. In order to drive change, leadership must create a culture that views early project cancellations as a positive outcome, resulting in cost-effective insight that allows other opportunities to be funded with the savings.

Senior management must reinforce this by supporting managers who recommend stopping projects prior to committing expensive R&D or marketing efforts and translate the associated learnings into better opportunities. It may take time for a Quick “Loss” culture to permeate within an organization and may require altering performance measurements and reward structures, so long-term leadership support is critical.

2: Project Leader Acknowledgement and Commitment

While senior management sets the organizational tone, project managers are equally accountable in driving early determination of value – most importantly by admitting when it is not there. Project leaders must reaffirm the culture established by senior management and ensure their teams are committed to accepting a Quick “Loss”.

Recommending project termination with confidence, regardless of whether their next assignment is assured, is difficult. Project managers who help move the organization on to the next, better opportunity clearly recognize the greater good and display an understanding that personal status within the organization will not be compromised. High-performing managers will actually be rewarded for providing the information necessary to make the correct decision.
3: Enabling Techniques to Assess Value

Most NPD teams are ill-equipped to achieve Quick “Losses”, so organizations must support them, not only with the appropriate corporate mindset but also with the techniques and tools to gauge the potential of their projects earlier.

Validation of market potential with various members of the value chain early in the development process is the best way to avoid Slow “Losses” en route to commercialization. This can be done without prototypes, fully tested or even proven technology. Regardless of the development phase, NPD teams must engage customers to confirm key choice drivers, explore economic assumptions and glean insights. Injecting external perspective into the process focuses NPD teams and provides insight to ensure they are developing a compelling and differentiated value proposition. Embedding rigorous value management tools and techniques as part of the early stages of the phase-gate process is a great way to do this, and helps answer key questions: Is this a real opportunity? Can we win? Is it worth doing?

Analytical tools such as Value Maps, Value Waterfalls and Key Choice Driver charts offer teams the ability to quickly form an internal hypothesis of a project’s quantitative and qualitative value. These tools provide a simple but effective manner to validate concepts and assumptions “in-market” by engaging customers, suppliers, partners and key influencers before any substantial development takes place. The insights yielded will reveal any show-stoppers (positioning, branding, business model, capital investment, engineering) and steer the team along (or off) the development path.

When enterprise-wide development teams consistently accelerate early validation using value management techniques, organizations can minimize wasted development spending, fund new opportunities and accelerate winning projects with existing R&D and marketing budgets.

No one likes to fail. The goal of innovation is not to aspire to Quick “Losses”, but to acknowledge them as an acceptable and insightful part of the development process. Expensive and time-consuming projects (Slow “Losses”) drain resources at the expense of those with a higher chance of commercial success. The opportunity cost of having valuable resources work on projects that will ultimately fail in-market can set an organization back for years and hinder funding for future innovation. Embracing Quick “Losses” as a positive outcome in all levels of the organization, and deploying the tools and techniques required to assess value, will foster the right environment for teams to ultimately bring the best ideas to market.