
Rebounding in Tighter Times

The climb back to profitability: a conversation with two product leaders

A CONVERSATION WITH TWO PRODUCT LEADERS

ECONOMIC RECOVERY from the 2008 debacle is becoming a reality for many companies, but the rules for success have changed. A study conducted by Accept software and the Association of International Product marketing and management in 2010 surveyed more than 280 product executives in 17 different industry sectors to learn what key challenges they currently face and how they're responding to them. In this conversation, first presented as a webinar in November 2010, Accept software senior director of Product marketing Hari Candadai spoke with Cadence design systems Vice President of Operations Pete Connor and deutsche Telecom North America's Vice President of Innovation Andres Jordan about some of the study's major findings and their companies' responses to those challenges.

Hari: First of all, Pete and Andres, thank you both for joining me today. Your companies are quite different, but you have both had to navigate the same economic climate and confront many of the same issues the respondents to our study identified. What I'd like to do today is to talk about how your own companies are dealing with each of the study's four major conclusions. In a nutshell, this is what the survey found: first, that there is a widespread failure to incorporate the voice of the customer in the product development process; second, that companies have failed to align their execution efforts with corporate strategy; third, that there has been a failure to use automation tools in managing the innovation process; and fourth, that there has been a failure to mitigate the risks associated with planning and execution.

So let me start with you, Pete. Aligning strategy with execution continues to be a huge challenge for most companies. As you saw, more than half of them believe their teams are working on the wrong products and features. Why is this so hard? Where does this break down in your opinion?

Pete: It's a very hard problem. As companies get bigger, they add more customers and have lots of people to coordinate. It's a very dynamic environment and there are lots of moving pieces. Senior managers are bombarded with information, about a lot of issues, every day. A friend of mine had an analogy I thought was appropriate: it's that a CEO is like someone in the last row on a crowded bus yelling directions to the driver on where to go. When I sit in meetings with our senior executives, it's a huge challenge to figure out how to capture the voice of the customer and translate it into a simple message that can get 5,000 or more people aligned around that strategy. It involves sifting through a humongous amount of information, and getting a clear view of what really has to be done.

Any large company has a lot of customers who want different things, but in many cases, and certainly in the semiconductor market, they have very challenging issues. They're trying to innovate within their own product lines, but they don't always understand what they need, so capturing what they want, translating that into a strategy, and then communicating it to everybody, is really difficult.

Hari: Andres, what's going on in deutsche Telecom North America? What has worked for you, what has not? Give us a feel for the strategy and execution alignment that you're facing today.

Andres: For telcos, things are slightly different in that we're getting vectors of competition from everywhere, every day. One day it could be a handset manufacturer, the next day it could be an ISP, or it could be Google. It's quite a challenge. So we've decided to adopt the relationship management theory with the imperative of time to market. In the process of doing that, we realized it was more art than science, so we're starting by putting on our venture capitalist hats and saying 'we're going to try ideas and, as much as we can, we're going to fast-fail the ones that don't work.'

In the process of doing that, there's a reluctance to adopt a whole new set of tools. so we're starting very small, with just some blunt tools. As they move along in this innovation process, companies are going to realize there's an ROI from web-based tools that can actually build value for their ideas. And if you start adopting some of these management tools, even back-end billing tools, you build an ecosystem of innovation that everyone taps into, right from the beginning. bring people in from the start and get them involved in the process. These tools help drive the ecosystem that people start feeling a part of. If people are using disparate tools instead of collaborative tools, the alignment about what the strategy actually is, will get lost.

Hari: How do I make sure I'm going to build what I set out to build in the first place? Any recommendations? Let's start with you, Pete.

Pete: I think the most important thing is not to try and boil the ocean, because this is such a big problem. You need to stay focused on where you want to start. At Cadence, we started with requirements management because we were merging two groups and they had to work together on an integrated offering using a common methodology. A lot of companies have groups that aren't used to working together. so we put an infrastructure in place to enable that. but you have to build out from there because you want to get to the point where you can capture ideas, make mistakes, make them quickly, learn from them, and move on. To get the success rate you want, you have to move quickly. so you want to start in a focused area and build out from there.

Hari: One of the study's findings is that companies are just not collaborating enough, either with their internal or external stakeholders, to arrive at the most viable ideas for products and features. Why are companies not able to collaborate more? Is it the culture? Is it lack of the technology? What do you think, Andres?

Anders: What we're doing to crack the innovation algorithm is fascinating; eventually we'll be able to figure it out. Right now the problem is that you sometimes lose the forest for the trees. so we've shifted gears, at least in our group. First we said, what are the value parameters that deutsche Telecom has? We have subscribers, we have trust – there are other things that we have with our customer base.

Then we said: where are the market opportunities we can intersect with? Once we found the market opportunity, we'd say: where is the best partner – an agile young company we could partner with, share in doing deals, and go after the market together? After we do that, we get a better impression of the market and how successful or unsuccessful we are. If we really want to go full force in this market, we ask what do we need to do in terms of requirements, in terms of future product sets, and a roadmap? That's been the way we drive our stakeholders to rally with us.

Hari: Pete, what are your folks doing to foster innovation at Cadence?

Pete: For us, the problem is not a lack of good ideas to work on; it's finding that we have too many of them because we have a large sales force talking to lots of different customers. A lot of times it's not just about a new product or technology but a methodology change, so we have to demonstrate to the market that it's worth the risk of changing the way our customers do things. You need to be able to capture what the customer actually wants in different ways. And it has to be documented and it has to be in a form that can be used down the line; otherwise you'll lose contact and end up building something that's 80 percent of what the customer wants, but still doesn't meet their threshold of adoption. It's difficult, but it's really important to keep focused on what the customer wants.

Hari: Our study found that more than 70 percent of the respondents said their innovation processes are still manual, including Word documents, Excel, etc. Cadence has made some amazing progress automating some of its innovation processes. How has automation helped you, and for someone just getting started in automation, what is the learning curve like?

Pete: We found ourselves in a position where we had to do something. There are a lot of great ideas out there, but you eventually get to the point where things are so complicated that you have to make a sea change. Our problem was that we wanted to move from point technologies into integrated solutions along with a methodology to back it up. To do that, we not only had to capture requirements, we also had to document them in ways that could flow through the whole development process. And there's no way we could have done that with paper-based specifications – that's what we were moving away from.

We also had a number of different product lines and we had grown a lot through acquisition, so there were different methodologies for developing different products. That was fine when they were stand-alone businesses. but when we brought everything together, things had to become more standardized. And what we found was that while learning a new tool is difficult, it's a two-week endeavor. What took the most time was that parts of the process were different between groups. There were subtle differences, and people had different roles in different groups, so it took a lot of time to get through that.

So ramping up on a new tool doesn't take long. but you have to work through the better part of a design cycle to get most of the problems out; after that, it becomes natural. However, processes are very ingrained and they're difficult to change. so if you pick the right one, it will become ingrained.

Hari: Andres, where are you in your journey to get deutsche Telecom's innovation processes automated? How does someone get started if they have not started already?

Andres: The challenge we have is that a lot of companies are using innovation as a reactive mechanism – not as a proactive mechanism. When companies are against the wall, they say “we have to do something, the market is killing us.” so they react and say “okay, let's do the innovation thing, but we're not going to give you any money.” so you go out and figure out how you're going to do some products quickly.

If somebody really wants to succeed at innovation, they need to see it as a proactive strategy, not as a reactive one, so they'll need some automation tools on day One. And the learning curve's going to be steep. If you think it's going to take you one to two years to get a product out, our experience is that it'll take you more like three. That's a test for the CEO and board to say whether they really want to commit to this. Companies are starting to realize that in order to succeed, they've got to put in an innovation ecosystem in place. And you've got to demand some tools right off the bat because a lot of times you're going to fail.

Hari: Let's talk about risk, both in terms of making sure we're investing in the right products and features in the first place, and then the execution risk – am I going to miss my deadlines, or fail to have a critical customer requirement that should have been there?

How do you manage risk? Let's start with you, Pete.

Pete: When you come out of a downturn like we're doing, you want to take some big risks to get things going. But you don't necessarily have the money. so we have a variety of processes in place for placing our bets. You have to first understand where the market's going and where your customers are really hurting. Our CEO has a great background in venture capital. So it's in his blood to set the right culture on how to take chances. One of the things he likes to say is: 'tell me all the crazy ideas that nobody likes because then I'll make the decisions about whether the company is willing to take the risk.' I'm spending most of my time worrying about the execution risk: are the teams moving fast enough? Are they communicating well enough together? Are they following Agile principles?

Hari: Andres, is risk on your agenda? And what are you doing?

Andres: The first thing I would do if I were starting anew, is to do an innovation coefficient of our company. Every company has to design its own based on their culture. One variable is risk tolerance. start with that. Then, depending on your value parameters, look and see whether you have the capability to do the things that matter most. And if not, how can you ameliorate that? You also need to understand the inherent risks in partnering, which are very different than if you control the whole workflow yourself. What happens if your partner gets bought by another company? What happens if that company merges or goes with another competitor? That's how I would start cracking the risk. Just communicate constantly about what you're doing and why you're doing it.

Hari: Let's go on to the final topic here – accelerating time to market, time to profit. What specific steps have you taken to accelerate your processes to make sure that you're not only getting products out the door faster but getting the right products out the door faster? Pete?

Pete: If you're in an environment where there's risk and you're going to make mistakes, you want to make them as soon as possible and learn from them as quickly as possible. That's a big part of the innovation process. We're a software company and we make very large, complex software packages. The thing we're doing is cutting the cycle time for getting releases out the door, which means

less functionality and more frequent releases. Instead of making one major release a year, we want to get something in front of a customer every six weeks. so that enables partnerships with customers: if you pick the right partners, you're going to learn exactly what the problem is you're trying to solve.

The second part is whether you have the right systems in

We made some improvements in that area. You want to have a system in place so you can see how you're progressing against your goals.

Hari: Andres, is there anything you may be doing to shorten the innovation life cycle time?

Andres: One of the things we learned is that we need to give much more focus on the human dynamic, on the project management side of things. so we put project management front and center. We've added staff in that area – practitioners, professionals – to keep track and keep pushing, to optimize the workflow processes internally.

Hari: A lot of companies are focused on execution, on getting products out the door faster. but I believe what's happening is that it's not just about getting any product out the door faster; it's about investing in the right products and features in the first place. Hence, there's a special emphasis on product portfolio management. Any thoughts on that?

Andres: The problem with products is that people get wedded to them and you have this whole set of interests associated with each product that sometimes compete. And in our case, some of the current products compete with some of the new ones. so the first thing is to look at the products you already have, kill the ones that don't work anymore, and just get over it.

Hari: Thank you both very much.

About Accept Software Inc.

Accept Software, Inc. delivers The Product Innovation Management solution that technology-driven companies use to decide which products to bring to market for the fastest time-to-profit. The Accept360 Suite is the only complete end-to-end software solution that tightly links company and product strategy through ideation, portfolio planning, roadmaps, requirements and execution. For more information, visit www.accept360.com

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