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“Step 1 has been done to you, by the economy.”

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## Step 2

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“But... Wait a minute. What happened to Step 1?” you might ask.

Not to worry. If you're in a technology sector, then you've already done Step 1. Or, rather, Step 1 has been done to you, by the economy. The recent economic downturn in the telecom industry and the electronics industry has shifted the constraint on profitability. Now, profitability is no longer limited by the ability of your company to produce finished goods. It is limited by the inability of the marketplace to purchase your finished goods. As your bottom line is telling you, this is a serious shift; it is one that will not be ignored.

So, what should you do? Should you downsize your organization? Perhaps! In fact, by now you're probably done with your downsizing. Still profitability may elude you. Should you downsize further? Probably not! After all, there is only so much room for cutting. Cut too much, and you might as well turn off the lights and close the doors to the place. Remember, no company ever downsized its way to prosperity.

Still, you can't just sit there and wait for circumstances to bring profits to your door. There must be more that you can do, and there is. You can do Step 2! Now that you know that the constraint is in your market and that it is likely to remain in your market for some time, you can figure out how to get as much as possible out of your market, now and in the future. As a first order of business, review your business. If you've been serving the North America

market exclusively, then direct your sales people to other markets. Just remind them that there are other customers out there, even if those customers are a bit farther away and slightly more difficult to reach than your existing customers. The added effort to reach those more distant customers will make the contributions to profitability that much sweeter.

As a second order of business, review and redesign your entire portfolio of projects. If you take a close look at your existing portfolio, you're quite likely to find some projects that are aimed at reducing your production costs for products that no one is buying any longer. Kill those projects immediately, and redirect the corresponding resources to more fruitful objectives.

Your scrutiny of the existing portfolio may also reveal projects aimed at achieving what one might call evolutionary improvements in the existing product line. Such mild changes to your products are not likely to entice customers to buy more of them. They certainly won't win you new customers. Kill these projects as well. These and the cost reduction projects should die swiftly and without mercy. They are tying up some badly needed development capacity.

While you identify the projects that should die a swift death, have your marketing people focus on replacing them with development projects for **revolutionarily** new products. But, don't stop there, or your revolutionary new products will reach the market in the next century. Yes, I know that this is the year 2001.

Identifying the truly new products with which to stimulate your customers to new purchases is only Step 2. If you omit Step 3, then Step 2 will yield little or no effect. For you, Step 3 means prioritizing your new product development projects, or, more correctly, sequencing them, 1 through n. This step alone is very likely to double the speed of your product development operations. But, only you can achieve it. Only you have the authority required to make this sequencing happen and to make it stick. To be sure, you can delegate the process by which a sequence is defined. But you must insist that the members of your team arrive at a sequence and that they stick to it.

What happens, if such a sequence isn't defined and communicated throughout your organization? Chaos happens. Imagine that you are not you but one of your resource managers. There you are, with three or four development projects in your in-box all at once. They're all important. They all need to be completed. Should you distribute your available capacity across all of them? Or should you focus your resources on the most urgent project first, finishing your work on that one before you move your resources to the next in the sequence?

Well, if you're a resource manager in a typical development organization, there is no defined sequence of projects. Consequently, to you every project

appears to be every bit as urgent as every other project. Therefore, you have no choice but to demonstrate progress on all of them simultaneously.

Now, put your CEO hat back on and consider this. If a resource manager does with, say, one resource that which could have been accomplished with three resources, it may seem like that manager is saving you money. But in fact that manager is killing your profitability, inadvertently. By diluting his/her capacity across three projects simultaneously, the manager is completing the work on each project over an interval that is at least three times as long as it might have been. Imagine what happens to every one of your projects, with all your resource managers diluting their available capacity in this manner.

Yes, it's that ugly! All your projects are taking two to three times longer than they really need to take. The cash flows that you expect your development projects to generate are being DELAYED, big time, because your managers have no way of prioritizing their own work and, consequently, are unable to focus their capacity on the most urgent work first.

So, if you want cash sooner rather than later, be sure that your development projects are prioritized and sequenced. In addition, make sure that everyone in your organization (particularly every executive and marketer on your team) knows that you expect the cross-project conflicts for resources to be resolved in a manner that is entirely consistent with your prioritized portfolio sequence. Achieve this, and you'll see new cash much sooner than you would see it otherwise.

Can you do more? Of course you can. But for now you have more than enough on your plate. Do Step 2 and Step 3, and your profitability will improve significantly and swiftly. Downstream, you can put in place a control system with which to achieve even greater speed and profitability, indefinitely.

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