

New Product Excellence

A Newsletter from J. H. Welsch Consulting, L.L.C.

You Can't Lead by Following!



If you want to be in first place, you'd better figure out where to go and how to get there.

When my kids were young, sailboat races were held every Memorial Day on the lake where we have our summer cottage. One of the races was for kids and, when my oldest son was eleven, he decided that he wanted to have a go at it.

The first problem was that, while he could sail pretty well, he had zero knowledge of or experience in racing so he had to ask for my help. Our next problem was that he announced his intentions only an hour or so before the race was to begin. Our most significant problem, however, was that sailboat racing is all about strategy and, while I've been sailing all my life and had read a lot about racing, I, too, had zero personal experience; I've never raced. Of course, to a kid Dad knows everything so I was on the hook to do what I could to get him prepared to at least avoid embarrassment.

After explaining the basics of how to cross the starting line (Yes, sailors, I know that's a major issue in itself but what could I do?) I gave him the only advice I could, "Watch for someone who establishes a lead. Then follow as closely as you can in his path, tacking (turning) where he does." Well, it worked! Don was soon in second place and he maintained it for quite a while. Then disaster struck; he sailed past the guy in the lead! Suddenly, there was no one to follow; my son found himself in the lead with no knowledge of where to go or what to do next!

Well, the crisis was short-lived. The former leader took advantage of the situation and retook the lead. Don wisely fell in behind him and finished

in a very respectable second place.

Second place is an excellent showing for an eleven year old boy in his first sailboat race and we were justly proud. Is second place where you want to be as a company? Remember the spoils go to the victors, not to the also-rans. The power of being first is directly linked to sales, profits, and shareholder value.



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The Art of Appropriate Risk Management



There are two aspects of this idea of balance. The first is risk vs. reward. If you've ever been in a casino, you know how it works; the bigger the payoff you're going for, the bigger the risk you have to take. Let's look at roulette. If you bet on red, for example, you'll win almost half of the time but you will only double your money. On the other hand, you can win 35 times your money if you bet on a single number but you'll win, on average, only once in 37 spins.

We all know that in business, as in all things, higher return is almost always accompanied by greater risk. The casino analogy falls short in the fact that you can't change the odds at the casino; the house will always win.

Continued...

Appropriate Risk Management (cont.)

You can, however, improve the odds of business success if you appropriately manage your risk.

That brings us to the second aspect of balance, degree of risk vs. level of risk management. The degree to which the risk must be managed must be proportionate to the inherent risk. When the risk is high, a venture must be managed much more closely than when the risk is low.

New Product Development is an activity that is inherently risky. Happily, the risk is often justified by the potential for big payoffs in the form of sales, profits, and

shareholder value but it must be managed with appropriate rigor. Provide too little rigor and your project will run out of control, creating losses in countless ways. On the other hand, too much rigor (also known as red tape) will slow the process unnecessarily. The result will expose you to perhaps the biggest risk of all; getting to the market after business conditions have changed or after your competitor has launched his own product, putting you in second place.

Because the risk varies from company to company and from project to project, the process you use for

managing your new product development activities must be simultaneously rigid and flexible. It must be rigid in that core principles must be sacrosanct. For example, the new product must be one that fits the strategy of the corporation and returns a profit at or above the company's threshold. At the same time, however, the process must be flexible in that the degree of rigor applied at each stage of the process must be only what is appropriate for the risk involved.

To do otherwise would either create unacceptable exposure on high-risk projects or unnecessarily delay low-risk ones.

Our Offering

Assessment - "Prescription without diagnosis is malpractice." We will work with you to assess your strategy, culture, people and process and to create a plan to build on your strengths and mitigate your weaknesses.

Process Development - Based on core methodologies and an assessment of your realities, we will work with you to create a process that gives you an appropriate level of control while minimizing unproductive and dispiriting red tape. We also offer customizable templates and tools that greatly facilitate the process by reducing workload and improving communication.

Education and Training - Once a process has been developed, we can provide both education and training; the former to develop understanding of the principals and the latter to develop understanding of how the game is to be played. If needed, we can also do training in team dynamics to assure that your teams are working collaboratively .

Discovering Customer Needs - Asking customers what they want is necessary, of course, but it only scratches the surface. Understanding of customer needs involves intimacy between key developers and customers at all levels in the distribution chain. We can help you discover a methodology to delight your customers by solving problems of which they were not even aware.

Oversight - It is only in the heat of a real project that you will discover what works and what does not. We can work with you through a project, meeting periodically with members of both executive and project teams, to refine the process to your satisfaction.

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