Growth • Innovation • Leadership Council

FROST & SULLIVAN

Executive Brief
Improving Strategic Product Development

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Introduction

Members of the Growth Innovation Leadership Council began the year by convening for a Virtual Executive Assembly (VEA) on Improving Strategic Product Development. The presentation and discussion was co-led by Mark Simoncelli, Global Vice President, Growth Implementation Solutions, Frost & Sullivan, and Tom Mohr, Chief Executive Officer, CEO Quest. The event began with an informal benchmarking question assessing where the members' organizations fell on the product innovation maturity model. As polled on a scale of 1 to 5, most members reported that their companies fell in the middle of the spectrum, with 3 being a recurring reply. One Member stated that his company's product innovation efforts needed serious improvement, while a few others distinguished between traditional (evolutionary) product development and more innovative, or revolutionary product development, adding that their organizations were doing well with innovation efforts.

Mark Simoncelli opened the VEA by explaining that the presentation would take a systems view of strategic product development, stating that he would be examining innovation in the

enterprise through a systems lens, including the revenue engine system, the product management system and marketing, sales and customer support systems. As he summed it up, "Your enterprise is a system that must survive in a dynamic ecosystem."

He stated that today, innovation must be led by small, nimble organizational teams that are empowered to operate with a high level of purpose and flexibility, and reminded everyone that rigid product development processes and long, fixed timelines no longer work in today's customer-centric, data and technology-driven environment.

Becoming a Generative Enterprise

Although most members and readers are no doubt familiar with the concept of adapting to fast-changing technologies and leveraging advancements like IoT, AI, and data analytics, Simoncelli emphasized that it's no longer enough to be adaptive…to survive, and hopefully thrive, organizations must move towards a *generative* business model. This means creating and capturing new value, to the point of being revolutionary with product and service innovations. This model is driven by the digitization of products and services and the power of real time data, among other market forces.

To be a truly generative enterprise, the product development system must be re-ignited and viewed in a whole new way, one that embraces value breakthroughs as well as a more uncertain discovery and innovation process. Notably, the enterprise will probably need to be augmented by strategic acquisitions in the corporate development venture system.

Start-ups are a good example of what it means to be a generative organization, as they are not focused on existing products but are creating new products and services. They are also often smaller and have a more cross-functional structure. Becoming a generative enterprise requires a "product discovery" mindset as well as adherence to these key insights:

➢ The Generative Imperative must always be the first priority—the Adaptive Imperative is second

➢ The Generative Imperative is achieved via four company systems: Product Discovery, Product Management, Revenue Engine and Corporate Development

> ➢ Product Discovery is different than Product Management
>
> ➢ Principles apply at every stage of company building

Simoncelli also examined the relationship between company strategy and generative as well as adaptive imperatives. He began by polling the participants about the percentages of generative versus adaptive strategy focus at their organizations. Most participants indicated that the strategic focus within their orgs was currently about 50% generative and 50% adaptive.

The Four Generative Systems

Tom Mohr, Chief Executive Officer, CEO Quest, dove deeper and discussed the four generative systems needed to achieve a true "generative imperative." These include:

1. **Product discovery** - identifying or innovating the new product or service, ideally with visionary testers and behavioral data

2. **Product management** - improved by rapid prototypes and customer feedback

3. **The revenue engine** - partnerships, funding

4. **Corporate development** - C-Suite buy in, strategic vision, etc.

The participants were also polled about organizational focus on product discovery versus product management. Half indicated that there was 25% product development and 75% product management at their companies and the other half indicated that it was closer to 50% product management and 50% product discovery.

Two Innovation Success Stories

The VEA concluded with brief snapshots of two companies and their different paths to innovation. The first featured the Emerson Electric Company, an American multinational corporation. This Fortune 500 Company manufactures products and provides engineering services for various industrial, commercial, and consumer markets. Emerson worked with Frost & Sullivan and forward-thinking customers to shape a new value proposition and create new revenue streams. Emerson examined their existing business model and improved on it with new products and services that leveraged new digital capabilities, and brought these new products to market faster than many of their competitors.

The other example came from a rapidly growing company called Deputy. As Mohr explained, Deputy began as a project inside the company Aerocare. When Aerocare's CEO, Steve Shelley, found himself overburdened by staffing issues and other employment related tasks, he hired a developer-- Ashik Ahmed-- to create a workplace management solution to help. The solution designed was so effective that Ahmed and Shelley eventually decided to spin it off into a separate company called Deputy. Under Ahmed's leadership, Deputy has scaled so rapidly that it recently closed an $80M funding round, the most in Australian startup history. Deputy's workplace management product has gone viral in the Australian marketplace. Deputy leadership is currently mobilizing to expand globally, as its solution is applicable to 60% of the current global workforce.

As Mohr indicated, the story of Deputy underscores the importance of having visionary customers as active members of the product discovery system. Visionary customers co-create your product with you. Then, once you launch it more broadly, you're more likely to have a product that meets real market needs-- because you've proven them with at least one forward-thinking customer already. In the case of Deputy, this approach has proven incredibly powerful. As stated, "It's a true breakthrough company with the opportunity to scale across the world."

Conclusion

What is the ratio of product management versus product development at your company?
 Is your organizational focus and strategy mainly adaptive...or is it generative, too? Is there a long-term growth plan, with all the exploratory systems, ongoing learning and cross-functional teamwork discussed here being implemented? The answers to these and similar questions may be a predictor of your company's longevity… or approaching obsolescence.

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