



Who Should Steer Product Planning?

In today's global business environment tech companies that are not moving forward are falling behind. Everyone is driven to constantly improve. But who in your company is doing the driving? Are you an engineering or market driven company? Who should you be? The following are seven drivers of an engineering driven company; each contrasted against those of a market driven company.

1. The company is built to flip

There are companies whose business plan is to invent a new idea, bring it to market as fast as possible, and then quickly sell the company on the value of its proprietary IP. These companies are engineering driven in a race to satisfy a market need before the money runs out. Little time is spent building an internal business infrastructure until after there is a successful IPO or acquisition.

The most important asset of a market driven company is its brand reputation. Their focus is on delivering branded solutions to their market segment, with the underlying technology serving as the means not the end. A market driven company builds its brand reputation from its business infrastructure; the combination of people, processes, and tools that allow them to serve that market better than anyone else. In a market driven company the brand is constant as technologies come and go.

2. The value of work-in-progress is not known

An engineering driven company trusts their engineering knowledge; that by investing in their new ideas/products they will generate a positive return from those investments. It is taken on faith that *if you build it they will come*. Revenue is forecasted by multiplying the investment in research & development times a historical return factor. For example, a return factor of 7 implies that investing in \$1M in R&D today will result in \$7M of incremental revenue over the next three years.

A market driven company treats product ideas as they flow through the product lifecycle as work-in-progress (WIP) inventory that leads to future revenue. Like a sales pipeline, WIP is measured at each stage of the product lifecycle. A market driven company knows that if it wants to generate \$50M of revenue in three years, it must have identified \$300M worth of WIP ideas last year, currently have \$150M worth of WIP in product planning, have \$100M of WIP in engineering next year, and plan to release \$75M of WIP the following year. If the per year sales targets increase, then each WIP target also increases. WIP values are constantly evaluated in a market driven company, and action taken if WIP falls below any of the product lifecycle targets.

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3. Requirements are not voiced in the words of the customer

Read a requirements document from an engineering driven company. It describes the product in engineering terms. The target audience of the requirements document is engineering. This approach takes less time to establish requirements and less time to translate them into design. It also makes it easier to circle back and insure the as-built products satisfy the original requirements specifications.

A market driven company captures verbatim the words of its customers. Customer words become the rallying cry for every action taken. They are embraced by everyone in the company, not just those in marketing. Every employee is challenged to turn the words of the customer into reality. Any activity not contributing to the customer's words is questioned. It takes more effort to operate using the words of the customer, but it leads to consistently exceeding customer expectations.

4. Product planning is not a team sport

There are as many ways to perform product planning as there are companies. Product planning is one of the few activities that can cross all functional groups (sales, marketing, engineering, etc.). In an engineering driven company, product planning decisions are the responsibility of one functional group, with the results shared among the others. If product planning is not functionally owned by engineering, they still retain veto power.

A market driven company treats product planning as a company-wide activity requiring constant teamwork and consensus from all functional groups. In addition to team members from sales, marketing, engineering, etc., team members also represent the company's product lines or solution footprints. Team roles, responsibilities, and service level agreements are clearly established to govern the product planning team's interactions with the rest of the organization.

5. Make or buy decisions are always make

Make is really the only option for an engineering driven company. Since product enhancements are determined by what engineering decides to build next, it follows that they will build it. This way the company always gets exactly what it wants. Partnerships are not usually an option; they're too messy because engineering driven companies are generally too internally focused to understand a partner's needs.

A market driven company knows where they fit with the other players in their market. They evaluate each customer need in the context of all available alternatives. A market driven company considers both make and buy decisions equally strategic. They perform gap analyses to clearly evaluate make or buy opportunities based on strategic fit, differentiation, internal capabilities, cooperative/competitive offerings, time to market, and return on investment.

6. No one knows the top 3 features of the next release

In an engineering driven company new features are recommended by technical champions. Not coincidentally, most of the proposed features require the technical expertise of their champion. Features are evaluated based on the availability of specialists to do the work and the forcefulness of their champions. To avoid conflicts among technical staff, features are never ranked against each other. Instead engineering driven companies use a pass/fail system; a feature is simply in or out of a release.

A market driven company evaluates features from several aspects.

- Features have value: 1) customer is willing to directly will pay for it, 2) customer is willing to indirectly pay for it, 3) customer is not willing to pay for it.
- Features have scope: 1) makes people more productive, 2) makes the process more productive, 3) makes the tools more productive, 4) makes no one more productive.
- Features have risk: 1) low, 2) medium, 3) high.

Each aspect of a feature is prioritized based on customer gap analysis, both individually and in various feature combinations, to determine what produces the highest customer value with the lowest risk. Understanding the features' priorities and risks before development helps focus projects on the high risk areas first. And if a project does fall behind schedule, prioritization helps identify which features are candidates to drop.

7. Release dates and content are established by Engineering

There are unknowns in any research and development project. To address unforeseen increases in project scope it is often necessary to 1) change resource assignments, 2) slide schedules, 3) drop features from a release. In an engineering driven company, engineering owns the project resources and schedules, and therefore knows which features are easiest to drop. Engineering makes the decisions on when and how to change resources, schedules, or content of a release.

Market driven companies gain a customer perspective by signing up launch customers prior to finalizing a release. If unable to sign launch customers, then the value of the release is questioned. If later there is a problem with the release, launch customers are asked to help prioritize recovery options. Resources, schedules, and content are modified based on direct feedback from paying customers.

Engineering or Market Driven?

It's simple to determine if a company is engineering driven. It's also simple to contrast differences between engineering and market driven companies. It's more difficult to establish which approach is best for which circumstances.

An engineering driven company is like an arrow shot from a bow. The arrow flies effortless and true, but requires considerable skill to launch and consistently hit the target. A market driven company is like a guided missile. Although a missile is more complex, once built it can be launched with the push of a button, and if it begins to drift, it's easy to make in-flight corrections; and it doesn't half to hit the target to annihilate it.

Since both are capable of hitting their targets, the decision between selecting an arrow or a missile depends on the available money and skills, the size of intended target, the distance from target, and how fast the target is moving. However, if you can afford it, adopting a market driven missile will always increase the odds of your blowing away the competition.

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