

THE PERPETUAL ENTERPRISE MACHINE

Seven Keys to Corporate Renewal Through Successful Product & Process Development

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MAIN IDEA

The development of new products, new manufacturing processes and new services are the lifeblood of any dynamic and growing business. Only those companies which are continuously reinventing themselves by developing new products will survive and prosper in the years ahead.

With this in mind, the organisation and initiation of development projects, along with the effective management of these projects, should be of paramount importance to any company builders and managers. Development projects offer an opportunity not only for companies to progress and move ahead but also for staff within a company to move to the top.

SEVEN KEYS OF SUCCESSFUL DEVELOPMENT PROJECTS

1. CORE CAPABILITIES, CORE RIGIDITIES

Whenever a company starts planning a new product or service development project, an accurate assessment of existing core capabilities must be made. The project should build on existing core capabilities and develop new strengths for the company by adding to the company's core capabilities. Core capabilities become core rigidities whenever they prevent a company from undertaking a new development project which is outside the areas of the company's traditional strengths.

2. GUIDING VISIONS

Vision statements provide a link between specific product decisions and the overall business goals of the company. The successful completion of ongoing development projects requires three complimentary visions statements - the corporate vision, the line-of-business vision and the project vision statement.

3. PUSHING THE ENVELOPE

Development projects must be chosen which improve the company's performance in one or more of three critical areas of performance - the cost and benefits of the product offered to the market, the cost of manufacturing the product or the company's internal efficiencies.

4. PROJECT LEADERSHIP

Leadership is an essential element in any development project. Successful leaders have an ability to be innovative yet structured, blending an appropriate mix of technical skills with personnel and organizational procedures to achieve high performance results.

5. OWNERSHIP & COMMITMENT

In addition to providing effective leadership, successful development projects require a strong sense of ownership on the part of everyone involved. When team members think more like owners than employees, they then become highly motivated and committed to the successful completion of the project.

6. PROTOTYPING

Prototyping as a development tool is largely underutilized and tends to be viewed as the final hurdle to be crossed prior to the commencement of high volume manufacture. In practice, however, companies which successfully bring new products to market use prototypes early in the development process rather than later to reduce risks and increase the rate of learning associated with each project.

7. INTEGRATION

Integration is a key element in the achievement of excellence in new products. At a superficial level, it refers to the orderly application of the full resources of the company to the development process. At a more important level, the outcome of the development project can be strongly influenced when integration of the product is foremost in the minds of the developing team.

1. THE CRITICAL ISSUE

Main Idea

Development projects for new products, services and processes to be used by any company are at the cutting edge of the company's forward momentum.

Supporting Ideas

Inventors have long sought for a perpetual motion machine - that is, a device which, once put into action, continues its motion indefinitely. In just the same way, builders of successful companies have dreams of creating an organization which be profitable and successful over the long term.

The key to maintaining long-term profitability for most companies lies not in perpetuating the successful projects of the past but continuing to evolve and progress through the development of new products and services. Only in this way can a sustainable competitive advantage be developed.

The essential building blocks of ongoing renewal and change within any company are to undertake and successfully execute development projects. The company which can create and successfully bring to the market new products and services have effectively become perpetual enterprise companies - that is, companies which continue to meet customer requirements even as those requirements are moving and changing.

For any company to literally and profitably project itself into the future, it must build on current levels of acquired knowledge by developing the systems and organizational structure needed to successfully manage new product development projects.

This rejuvenation process takes place in a dynamic environment in which competitors are also trying to out perform the company. Therefore, successful companies need to learn more rapidly than competitors and to convert that learning into commercialized products, processes and services. Companies literally capitalize on existing knowledge through the successful application of development projects.

While development projects might be centred on the creation of a new product or service, they also serve to cultivate other assets for the company - unique principles or procedures, world-class capacities or methodologies, worker skills or organizational capabilities.

In essence, most development projects are also an indicator of the health of the company. A company which is undertaking and executing product development projects on an ongoing and consistent basis has a greater chance of long-term survival than another company which provides products or services which have changed little over a significant passage of time.

Sustainable competitive advantage for any company comes not from what an organization can buy but what it can do now and in the future. Development projects provide numerous benefits which can never be acquired by the direct purchase of assets.

Key Thoughts

"A vision of the future is an important aspect of the dream shared by many inventors and entrepreneurs who, in their quest for a better life, have long sought to create valuable products and processes. Successful inventors and innovators view the physical world quite differently from others. They use their creativity and resourcefulness to interpret the needs of people and markets and explore possibilities, utilizing available resources, for satisfying those needs. Inventors and innovators never seem content with their surroundings or environment; they always question the current state of affairs. Inventive and innovative processes are carried out both in their minds and in the physical world. But they are not just dreamers; they are dream actuators. Inventors and entrepreneurs have the imaginative powers not only to define a future state, but to conceive of pathways to bring themselves from the present to the future."

– H. Bowen, K. Clark, C. Holloway, S. Wheelwright

"The growing list of once successful, major corporations that are now struggling offers vivid testimony to the fact that past success does not guarantee future success - a company must continually renew itself through invention of new product and processes."

– Marshall Fisher, University of Pennsylvania

"A company is a group of learners. At least, that's what it should be. If your people learn, then you as an organization will learn. The challenge is to figure out how people can learn, how as a group you face the unknown, how you stretch yourselves. This is the way you build a successful business."

– Dave Fourie, Chaparral Steel

"If CEOs really want to know what their companies are all about, they should come down and look into the development projects. They will gain much better understanding than they'll get from their high perch. When I look at the different projects in the different divisions of Hewlett-Packard, I really begin to see what makes Hewlett-Packard tick. The power of this observation is that if there are aspects of the company that managers would like to change, the development project is the critical size element that they ought to start playing with. It has the right level of complexity, the right level of cross-functional interaction."

– H. Kent Bowen, Massachusetts Institute of Technology

"Most people in companies want to learn. However, senior managers end up putting a whole bunch of roadblocks in place so it doesn't happen. All too often, senior managers look down on a project only to declare whether it was successful or not. But what they don't do is analyze what their own role was. That role should be finding a way to put a learning process in place. Managers rarely look for this or even consider it. Meanwhile, they try to fix problems they don't really understand, and do it by delegating, and end up putting roadblocks in place so the learning doesn't flow."

– William Hanson, Digital Equipment Corp.

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