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The path to successful new products

Businesses with the best product-development track records stand apart from their less-successful peers in three crucial ways.

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Is your company finding it hard to develop new products? If so, you might try learning from the masters.

We found—after surveying more than 300 employees at 28 companies across North America and Europe—that the businesses with the best product-development track records do three things better than their less-successful peers: They create a clear sense of project goals early on, they nurture a strong project culture in their workplace, and they maintain close contact with customers throughout a project's duration.

The teams in our study that embraced these tactics were 17 times as likely as the laggards to have projects come in on time, five times as likely to be on budget, and twice as likely to meet their company's return-on-investment targets.

While we focused on companies in the automotive, high-tech, and medical-device industries, we believe that product makers of all stripes could benefit from our work.

Here is a closer look at what we found:

Keep it focused

Whenever project requirements were clearly defined and communicated to teams before kickoff, the project had a greater chance of success.

In our survey, 70 percent of the people working on high-performing projects—those that ranked in the top quarter of a performance index linking best practices to outcomes—said they had a clear view of the project's scope from the beginning, compared with just one-third of poor performers. We found that not thinking through a project's scope early on—say an appliance maker asks developers to design a new cooking range in the four-burner category but then later expands the project to include ranges with six burners—can create delays.

The teams with a clear understanding of project requirements appeared better able to make trade-offs between product performance and things like cost, time to market, and project risk. Only 19 percent of poor performers said they had the necessary information to make those decisions.

Top performers also focused more intensely than low performers on staffing projects with the right people: 47 percent of the former researched employees' skill sets before the project kicked off to ensure the project team was well rounded. None of the low performers did.

Nurture a project culture

The top-performing companies in our survey also nurtured a strong project culture by making product development a priority. They made more of an effort than the laggards—

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39 percent versus 12 percent—to minimize staffing disruptions due to external demands and to staff projects adequately. When people with critical skills become overburdened, they often decide on their own which of their many projects is the most important, a decision best made at the management level.

Two-thirds of top performers compared with 39 percent of poor performers said team members focused more on the success of the project than on satisfying the needs of their job function when those interests competed. They also were more likely than the laggards—44 percent versus 17 percent—to give team leaders responsibility for reviewing team members' job performances.

Three years ago, a North American medical-device maker in our study began an effort to stem market-share losses. Recognizing that one of the company's underlying problems was that project culture was weak, the device maker gave senior team leaders ownership of projects from beginning to end, as well as authority over staffing, personnel reviews and, in some cases, profit-and-loss responsibility. The new structure encouraged leaders to make better decisions, resolve conflicts quickly and reduce delays.

Talk to the customer

The successful innovators in our study kept in close contact with customers throughout the development process. More than 80 percent of the top performers said they periodically tested and validated customer preferences during the development process, compared with just 43 percent of bottom performers. They were also twice as likely as the laggards to research what, exactly, customers wanted. That made them better able to identify and fix design concerns early on, minimizing project delays.

The medical-device maker we mentioned created a matrix to identify and weigh the importance of various product features to different customer segments. It then tested trade-offs between product performance and things like price by bringing in surgeons and other medical specialists to use the product in simulated clinical settings. That allowed the team to fine-tune the product well before launch.

The result? Three years after starting its effort to shore up market share, employee satisfaction with product development increased, time to market improved for all projects—up to 40 percent in some cases— and overall gross margin rose six percentage points.

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