

## Communications & High Tech

# Managing new-product development and innovation in challenging times

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The communications industry faces stiff challenges today, not all of them related solely to the current economic volatility. Margins for traditional communications services have been declining for years, and a range of new products is not yet making up the difference.

Consequently, the investment community has not been kind in its assessment of the future value of the communications industry. According to recent Accenture analysis, the industry has suffered a \$200 billion loss in future value just over the past couple of years.

At its heart, such a loss points to serious issues with the innovative capability of the industry. Add an economic downturn to the mix, and it spells trouble. How can communications and high-tech companies continue to support essential product development activities at a time when budgets are being cut, headcounts are being reduced, and financial and operating pressures are being felt across a company's entire value chain?

### A more effective collaborative environment is essential

Accenture believes that a big part of the answer to these challenges is a more effective collaborative environment and a development platform appropriate to the Web 2.0 era. Such a platform, based on open standards, can enable faster and more cost-effective collaboration among multiple parties, both internal and external to an organization.

This point of view is supported by new research from Accenture—a global survey of 277 communications, media and high-tech executives conducted in late 2008.

The findings confirm the presumption that times are hard when it comes to new-product development. Half the companies in our survey experience budget

overruns in new-product development. Forty-two percent of the companies report an overly slow pace as they move a product from idea to prototype to launch. Across our survey sample, the average time to launch a new product was six months. For their most important new services, companies are looking to shorten that development time considerably.

As a result of these challenges, 70 percent of the companies surveyed stopped development of at least some services last year. The average company discontinued 15 new products, and 10 percent of companies discontinued more than 50 services.

Many companies also report a talent shortage—too few employees with the experience and knowledge required to generate innovations or effectively manage the new-product development process. Some survey respondents point to a breakdown in the management of the end-to-end innovation process, which contributes to delays and often means that insufficient or inappropriate incentives are in place to focus top talent on driving product development.

### The result: Innovation timidity

Added up, these new-product development challenges have additional compounded consequences on the business value delivered by service innovation and new-product development. If risks appear to be too great, companies may become constrained in their vision and overly timid in their investments.

Indeed, we see evidence that such timidity is occurring. For example, most of the companies we surveyed are focused primarily on developing new services for areas in which they have traditionally generated most of their revenues, such as voice services and messaging. Relatively few companies reported planning new offerings in areas such as

social network video streaming, user-generated content and location-based services.

The fact that cost pressures and inefficient management of the innovation process are hindering new-product development is a cause for concern. A critical capability is at risk for many companies: the development of new services that keep them competitive and advancing toward high performance.

## What the innovation masters know

The news is not all grim, however. Our research finds a correlation between companies that meet or exceed their new-product launch plans—a group we term *innovation masters*—and those that leverage third parties and specialized providers in an open development environment.

Many of the innovation masters are currently in Europe, where companies report development times significantly faster than their US and UK peers. For example, whereas average new-product launch times across our global sample was six months, companies in France and Germany were significantly more likely to have launch times under three months.

Europeans were more likely to say their product development process has accelerated over the past year. More of them exceeded their launch expectations in the last year, and these companies are more optimistic about the number of new services they will develop in the coming year, regardless of the economic climate.

These companies are also less timid in the types of offerings they are working to release. They are more likely to be branching out into new areas such as personal information management, fixed-mobile convergence and services based on social networking applications.

What's behind the success of the innovation masters? One key finding is that these companies are embracing principles of open, collaborative development and open innovation. More of them also report that they intend to improve overall development by working with specialized developers, using better planning processes and expanding their base of product innovation partners.

There is a catch, however. These same European companies are also more likely to report that they experience cost overruns in new-product development. So clearly, although an open and collaborative development increases the opportunities for innovation, it also introduces higher risk and, potentially, additional costs

unless the development environment can be made more efficient and effective.

## Driving high performance through more effective new-product development

Based on the findings from this research initiative into new-product development and innovation, companies that want to improve their ability to innovate and to generate new, profitable services should look to the following keys to success.

### 1. Commit to greater customer centricity in new-product planning

Focusing on services with more likelihood of meeting significant customer needs is key to profitable new-product development. In large measure, developing better, more customer-centric innovations requires the application of analytic technologies that provide a unified view of the customer. This results in a deeper understanding of the unique interests and desires of customer segments, enabling companies to target profitable customers more effectively.

### 2. Develop more effective program management capabilities that break down internal silos

Poor interdepartmental cooperation in new-product development was cited by about a third of survey respondents as a significant impediment to effective service innovation. Similar numbers cited deficiencies in project management. One-fourth of the executives reported a lack of pre-launch testing.

These findings point to several deficiencies that can only be addressed by developing the processes and the talent required to manage the innovation process with more rigor and predictability.

### 3. Tap into a larger idea pool

When it comes to innovations, many companies suffer from an inability to harvest the good ideas that reside throughout the workforce or among business partners. New social networking technologies provide the potential to locate ideas and to encourage the kinds of dialogue and knowledge sharing from which good ideas naturally emerge.

### 4. Leverage a new generation of open service delivery platforms

If companies are to leverage the power of a more open development environment and meet the twofold challenge of speeding new-product development at lower cost, then new processes, tools and platforms are essential. In particular, the traditional service delivery platform must evolve to enable more developers and the

delivery of customer-centric services in a Web 2.0 environment. The new platform, one that Accenture calls *Service Delivery Platform 2.0*, is one based on an open infrastructure—a scalable, distributed, efficient and open architecture capable of supporting more third-party collaborators and a greater number of service activations. The platform provides a set of components that can be used to create simplified interfaces to new services. By supporting more third-party developers and content providers, an open SDP helps developers create new, value-added services faster, more consistently and with less expense.

The open infrastructure also means that the SDP can integrate and interact more easily with internal operations support systems and business support systems.

## It's still time to innovate

Challenging economic times should not be seen as a constraint on innovation. As this Accenture research study shows, rigorous processes and a more effective platform for managing an open development environment can reduce the costs of new-product development and increase the chances of delivering breakthrough products. A more effective delivery platform can meet today's need to reduce costs while also positioning a company for market dominance and high performance in the longer term.

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