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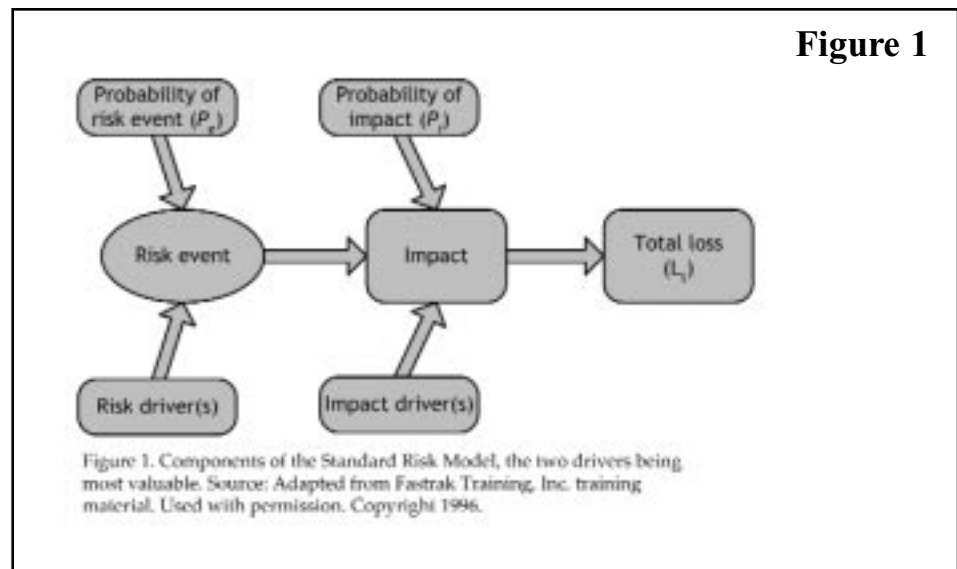
## Using A Risk Model To Build Development Team Consensus

By Guy Merritt and Preston G. Smith

A major reason why product development teams fail to deal well with their project's risks is that they have not established consensus about these risks: how significant they are, what causes them, and how they might be overcome. Without such consensus, the team is unlikely to take the proactive stance against its risks needed to resolve them.

A model of a project risk is an exceedingly useful framework for the team in communicating about the risks facing them, thus building understanding and commitment to action. Figure 1 illustrates what we call the Standard Risk Model. Its starting place is the *risk event*, which is a statement describing the happening that potentially triggers a loss. The *impact* describes the loss that might result if the risk event occurs. For example, a risk event could be that the first batch of printed circuit board assemblies might not function. The corresponding impact could be that the project might be delayed (due to the time needed to identify and correct the flaw and build another batch). The *total loss* is the magnitude of the impact, say, ten work-days in this case. Some people call this the consequence of the risk.

*Continued on page 2*



## Risk Model *continued*

The two components at the top of Figure 1 are simply the *probabilities* of the risk event and the impact. This leaves the two boxes at the bottom, the *risk drivers* and the *impact drivers*, which are actually the most valuable parts of the model. A driver is something existing in the project environment that leads the team to believe that a particular risk event or impact, respectively, could occur. As suggested by *Standard Risk Model*, both simpler and more complex models are in use. For instance, Wideman tacitly assumes what we call the Simple Risk Model, and the U.S. Department of Defense tacitly suggests a model we call an Ishikawa Risk Model. We believe that there is great value in stating your model explicitly and using it as a basis for discussing your project's risks.

The value of the model as a consensus builder resides in its driver components. The other components, such as the two probabilities and the total loss, as well as your action plans for handling the risk, stem from these facts about the risk. Here are some ways in which the drivers assist you in communicating about a risk:

**Is the risk real?** Have you ever been in a project brainstorming session in which the team identified perhaps a hundred risks, and then everyone became a little uneasy about the prospects for the project? It seemed doomed by so many risks. The drivers are your escape from this predicament. Just start asking, risk by risk, "What in the project environment leads you to believe that this might happen?" If there are no facts to back up the risk's existence, you don't have a risk. Dismiss it.

**How serious is the risk?** The risk's importance to the project depends on its total loss and the two probabilities at the top of the figure, a quantity we call the expected loss,  $L_e = P_e \times P_i \times L_t$  (some people call this quantity risk exposure). Each of these three factors is essential to establishing the risk's seriousness, but your team can argue endlessly over such things as probabilities. Your drivers help you to resolve these arguments by basing them on your project's facts, for example, just how often in the past has the initial batch of circuit boards failed to function? When they did malfunction, just how long did it take to fix the design and produce another batch? If the team argues about this, send them off to collect some historical data, which then become your drivers.

**What are we going to do about the risk?** This is where the drivers in your model are most valuable. Each driver--each individual fact underlying the risk--is a clue as to how you can manage the risk. Using the drivers to create action plans is much more powerful than looking at the risk event or impact boxes in the model directly. When you work from the drivers, you are working from root causes, not symptoms. The reason that we have separated the risk event and its impact is that these two drivers lead to different kinds of action plans. Risk drivers suggest prevention plans, things that you can do to keep the risk event from happening. In contrast, impact drivers lead to contingency plans, actions you can take to control the damage if the risk event does occur. In general, you should have both prevention plans and contingency plans for a risk, in case the risk occurs before the prevention plans are fully effective. However, prevention plans are clearly more proactive than contingency plans, so they are preferred.

A risk model is an addition to a risk management process, not a replacement for it. You still organize your project's risk management effort around certain steps. We use the five steps of risk identification, analysis, prioritization, response planning, and ongoing monitoring. The two references suggest somewhat different, but basically similar processes. However, in contrast with the two references, we recommend that you use the risk model explicitly as the basis of discussion of each risk throughout all five steps. The model builds as you proceed through the steps, and it becomes the basis for your ongoing monitoring plans and metrics until project completion.

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### References

*Risk Management Guide for DoD Acquisition*, Fourth Edition, Fort Belvoir, Virginia: Defense Acquisition University Press, 2001, pages 7-8.

Wideman, R. Max (editor), *Project & Program Risk Management: A Guide To Managing Project Risks & Opportunities*, Newtown Square, Pennsylvania: Project Management Institute, 1992, page III-6.

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Guy Merritt is a group program manager for a communications equipment manufacturer and a member of PMI. Preston Smith is a Certified Management Consultant and co-author of *Developing Products in Half the Time*. They are co-authors of *Proactive Risk Management: Controlling Uncertainty in Product Development*, a forthcoming book on product development project risk management to be published by Productivity Press this year. For more details: [www.NewProductDynamics.com](http://www.NewProductDynamics.com).

## Letter From The NPDSIG Chair

*By Kurian Jacob, PMP, NPDSIG Chair*

What a difference a year makes. The world is a different place and possibly forever changed. In our little NPDSIG world, much has changed as well. At the start of 2001, we declared “*Engaging the NPD membership is the theme for 2001.*” As I reflect on 2001, I believe that you, the constituents of the NPDSIG, are clearly engaged with the SIG. Some of you have actively participated in online discussions, have helped make the 2001 PMI Seminars & Symposium track a success, provided feedback and suggestions, contributed to the newsletter, and in general helped us through the year. Thank you.

Well, we don’t intend to stop. Although we will continue to engage our constituents in new and better ways, we intend to energize and enrich all of you. We want to pursue lively discussions to draw you, your ideas, and your concerns, for the benefit of all. We would like to have you present your thoughts, in the form of short (or long) newsletter articles, on issues and topics that you’re passionate about. We would like to create teams of you to develop NPD specific areas of interest and practices, develop repositories of knowledge, and education programs. Help our members at all levels of PM and NPD maturity by sharing experiences and connecting each other, either virtually or at the local level. We would like to identify and connect SIG members at the chapters to create and drive local networking. And, although many of you remain pleased with the newsletter and discussions on Yahoo!Group, we believe we need to do more.

The newsletter is our largest expense (publishing, printing, postage), and we are examining ways to cut costs and use the additional funds for other member services. In 2001, for the first time ever for the SIG, we financially sponsored two board member trips. One was to the PMI leadership meeting, and the other was to the 2001 PMI Seminars & Symposium in Nashville. Going forward, we would like to expand our sponsorship, either partial or full, to our constituents as well, in 2002 and beyond. Some of our options are to fund participation of members to annual PMI events and other regional events, provide scholarships, sponsor local SIG/chapter events, develop and fund NPD seminars. Let us know if you have any ideas, especially at the local level with chapters.

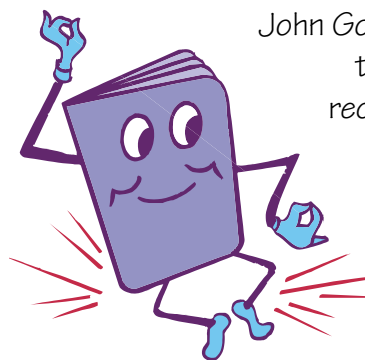
I’d like to take this opportunity to thank the 2001 board members and welcome the new 2002 board members. Curt Raschke and I were Co-Chairs of the SIG in 2001. Curt takes on the role of immediate past chair and will continue to be fully engaged with the SIG. In addition to being active with the NPDSIG, Curt has also been active with the Assembly of SIG Chairs (ASC) as Vice-Chair Professional Development. His

involvement has been beneficial to us, as he keeps the NPDSIG connected with PMI headquarters. Thank you, Curt.

Greg Stine was instrumental in working magic with the PMI DEP (Data Exchange Program, a database of member information) in his role as Vice-Chair for membership. Marsha Kessler, also supported as Co-Vice-Chair. Greg, however, has been elected to be the Chair-Elect of the ASC in 2002. We are glad to see Greg in this new role as he’ll also provide the connectivity we need, but we will miss him as a board member of the SIG (ASC co-chairs are disallowed from holding office in any particular SIG). Thanks, Greg. Mukesh Patel takes over as vice-chair of membership for 2002, and we welcome him.

*“Energize and Enrich the NPD membership, while continuing to Engage you,” is the theme for 2002.* Help us achieve this by getting involved, sharing, connecting, and helping. Happy New Year!

### Book Published: *Managing Projects For Value*



John Goodpasture, PMP, and frequent presenter to New Product Development forums, has recently had published *Managing Projects for Value*, book based upon his experience developing value-based charters and scope for new projects. Aimed at the experienced project manager, the book develops the theme “projects are an instrument of business strategy, and derive their value from their support for business goals.”

## NPD Membership Speaks Out On SIG Value

*By Greg Stine, PMP, Vice Chair of Membership*

One of the issues that boards of membership organizations struggle with is whether the group is providing value to its members. If so, is the value sufficient given the level of annual dues? If the organization is not providing services that are valued by its membership, what services should, or could, be provided to increase the overall value? While 'value' is a subjective measure, there should be an overwhelming consensus among members that they are 'better off' for belonging than they would be if they were not members.

Recently, in an effort to determine whether we were meeting the expectations and needs of our membership, the NPDSIG Board of Directors posted the following questions to the online NPDSIG Yahoo!Group:

1. What do you expect to receive from the SIG in exchange for your membership dues?

2. What suggestions do you have to improve the value of the NPDSIG?  
3. What do you envision as the role or value of SIGs within PMI, overall?

We received a fairly decent number of responses to the first two questions, which I will try to summarize here.

On the first question, several respondents stated that, due to the geographically dispersed nature of the organization, the newsletter is all they expect to receive for their dues; others mentioned that the Yahoo!Group is just as valuable, as they find the discussions interesting and useful in their professional lives and it helps to keep them plugged into the PMI, NPD, and PM communities. Many gave the SIG high marks for utilizing the web as a cost and time efficient tool for communicating with the membership, and providing a means for the membership to communicate amongst itself.

The responses to the second question varied widely, but were thought provoking, too. Many mentioned providing a vehicle for sharing lessons learned among the membership, which ties nicely with an ongoing

project of the board to document NPD best practices. Several noted that they would like to hear less about PMP® certification, and more about the fundamentals of project management. Other suggestions from the members included the publication of an electronically distributed magazine containing articles submitted by the membership, NPD-focused book reviews, a discussion on PM tools, and the development of a PM methodology for NPD projects.

In general, the responses were good news for the board, and they have given us some great ideas for further enhancing the services we provide. I would like to thank all of you who provided comments. If you have not had a chance to give us your feedback, positive or negative, we would still like to hear from you! Join this, and other lively discussions, on the NPDSIG Yahoo!Group at: [http://groups.yahoo.com/group/PMI\\_NPD\\_Sig/](http://groups.yahoo.com/group/PMI_NPD_Sig/).

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## Conference: Controlling The Risks Of New Product Development

Preston Smith will be keynote speaker at the Management Roundtable's upcoming conference "Controlling the Risks of New Product Development" to be held April 15-17, 2002 in Cambridge, Massachusetts. In addition to discussing the latest risk management techniques, he and Guy Merritt will offer a hands-on implementation session on using the risk model. The conference also features PMI member Greg Githens (on risk management for agility), Yale professor Peter Boer (on Real Options Analysis for R&D), and executives from Becton Dickinson, Ford, MDS Sciex, Dade Behring, Ashland Chemical and others. To learn more about the conference call 800.338.2223 or visit <http://www.ManagementRoundtable.com>.



## Meet Your NPDSIG Leaders And VIPs

*By Kurian Jacob, PMP,  
NPDSIG Chair*

The NPDSIG is filled with many knowledgeable and interesting people. Send us a short bio on yourself. You don't need to be a SIG officer to be a VIP! Here is an introduction to a few people who have made a commitment to the NPDSIG:

**Kurian Jacob, PMP, NPDSIG Chair 2002**, Chicago Metro, Illinois. Kurian is a project manager with Motorola and has been active with PMI since 1995 and the NPDSIG since 1997. He has worked at Motorola and other high technology companies in integrated circuit design and development, cellular systems, two way radio systems, and Internet application development. His interests are focused on the development of potential new products and he's engaged in projects even before the fuzzy front end. He has experience in developing and managing projects for the development of new products from the electronics to remotely read water meters in homes, to the applications to transmit news, e-mail, and buy products using your mobile phone. (Yes, Jacob is his last name, and Kurian is his first!)

**Curt Raschke, PMP, Immediate Past-Chair**, Dallas, Texas. Curt has been employed by Texas Instruments in various project management roles for the past fifteen years. He has recently returned to 'hands on' project management after successfully completing a four year assignment to implement a Project Management Center of Competency within the Mixed Signal Product Groups of TI. In addition to working for the NPDSIG, he has recently completed a term as Vice-Chair for Professional Development for the PMI Assembly

of SIG Chairs. Curt is always the first person to ask about parties and social activities.

**Alex Walton, PMP, Vice Chair of Technical.**

Alex is the founder and president of 3PM Inc. Alex is a well-known practitioner, teacher, facilitator and consultant focusing on effective program/project management for new product development, process improvements, re-engineering, strategic planning and other activities. He teaches in the University of Berkeley International Programs and elsewhere. You would never guess it, but Alex graduated from the Citadel.

**Greg Githens, PMP, Board Member**, Findlay Ohio. Greg is Managing Partner with Catalyst Management Consulting and has over 20 years of experience in project management. Greg's professional interests include building NPD process, agile organizations, rapid development, and linkages of projects to innovation strategies. He is past editor of this newsletter, and has contributed six articles to *PMnetwork* and 14 articles to *PDMA Visions*, as well as speaking at PMI Chapters, Symposia, and World Seminars. He is author of chapters in *Managing Multiple Projects*, and the *PDMA Toolbook of New Product Development*. Greg is the co-founder of the NPDSIG and past Chair. For fun, he likes to play the blues guitar.

**Jan Wells, PMP, PMI 2002 Track Co-Chair**, Fort Lauderdale, Florida. Jan is Director of Program Management for GMP Companies, Inc. a global healthcare company that develops and commercializes novel medical technologies. Jan has more than 20 years of experience in managing new product development projects in the medical industry, and has been instrumental in the development and launch of several products and product lines from both global market development

and program management positions. She served as Marketing Manager for the PMI '97 Symposium in Chicago, and on the Board of the Midwest Chapter from 1998 through 2000. Jan was awarded the PMI Outstanding Chapter President of the Year award in 2000. In addition to project management, Jan's other passions are her husband of 17 years and her Harley (2000 Springer Softail). It all came together last fall in Nashville when her husband trailered their motorcycles up from Florida for some glorious pre-conference riding in the Tennessee countryside.

**Greg Stine, PMP, Co-Chair, Assembly of SIG Chairs, Past NPD SIG Board Member**, Alexandria, Virginia. Greg is a Program Manager for Acton Burnell, an IT consulting firm. He has experience in the telecom, aerospace, and federal contracting industries. Greg's interests include enterprise project management tool implementation, enterprise portfolio management, and PM process development. When not at work, he enjoys playing the guitar (fingerstyle), completing home improvement efforts, and working on his latest 'project:' restoration of a 1950 Studebaker Champion. (Yes, late and over budget!)

## Surviving Version 1.0 Success

By Bill Gilbert

There is a pivotal stage in the version 1.0 product development lifecycle when the core team can finally see their efforts coming to fruition and success is close at hand. But it is also a dangerous stage. The entire development effort is going to explode into in a series of simultaneous projects. As project managers this situation needs to be controlled and its negative consequences mitigated.

Version 1.0 product development efforts are unique because new teams usually have skill set gaps, little or no infrastructure, and are under staffed. This is particularly true for a start-up. Highlighted in the diagram at right is the 'Sweet Spot' where all this comes to a head. On the horizontal axis is the release road map from version 1.0 to 3.0. On the left is the technology introduction lifecycle (TIL)--the marketing bible for hi-tech product introduction. The TIL model says that successful new products, in particular disruptive technologies, go through a series of predictable stages.

First, technical innovators will review 1.0 beta product and put it through its paces. If the review is positive the next challenge is to integrate the feedback from the beta trial into the 1.0 release and actually sell it to them.

The validation of the 1.0 product vision enables the company to approach the early adopters with a more 'stable' version such as 1.1. Early adopters are more business oriented than innovators, but risk takers all the same. The early majority sit between early adopters and the more conservative late majority. They are interested in the later, but still innovative releases, such as 2.0. The late majority and laggard groups are not usually the primary market for new product from hi-tech companies.

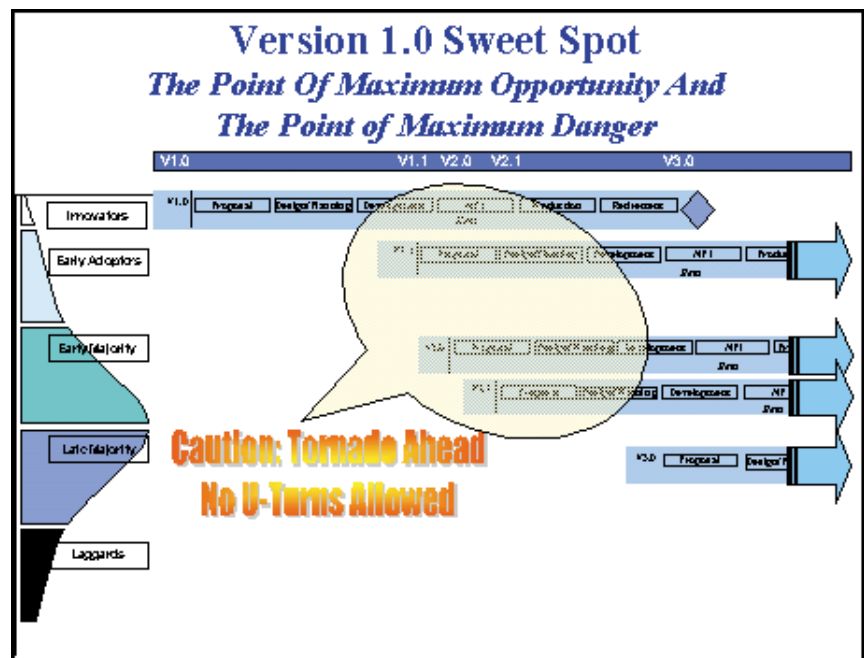
If the momentum gained at each step is not effectively capitalized upon and the product evolved to suit the unique needs of customers in each stage of the TIL, then it falls into the 'chasm,' as Geoffrey Moore explains in his book *Crossing The Chasm*. The world is littered with the failures of these otherwise good ideas.

For example, the strategy of now defunct high speed Internet service providers such as Northpoint, Exodus, and PSInet, was to gain market share at a loss to attract the innovators and early adopters. Later, the idea was that they would be able to provide profitable enhanced services to the high volume early and late majority. Later never came and when unquestioning venture capital dried up they quickly went to chapter 11 and oblivion. The TIL doesn't guarantee success if there are fundamental flaws in the business model.

Meanwhile, the version 1.0 team starts as a small, core group, consisting of developers, the product leader or visionary, product management, architecture, and hopefully, but not necessarily, project management. It's primary focus is on getting the development efforts off the ground. The big picture down the road seems insignificant. Mindshare is already being diverted into building the business unit's infrastructure; facilities, labs, development environments, QA/verification setup, staff, and so on.

A start-up has even more infrastructure to build; new facilities, payroll, accounts payable, human resources and more. No one has any cycles left and stop-gap measures proliferate.

About mid-point in the version 1.0 project is when the 'Sweet Spot' happens. The development stage is nearing the end and beta product is ready.



The product vision, therefore, from the very first needs to extend over multiple versions addressing a unique set of customer needs for each stage of the TIL. This translates into a multi-year program. It is up to us as project managers to navigate the team through it all.

Everyone's concentration is on getting to market, validating the product vision, and creating a revenue flow no matter how small. What will really happen, though, is that and much much more, as described next.

## The Sweet Spot Challenge

1. NPI And The Extended Team
2. Version 2.0
3. Version 1.1
4. Version 1.5
5. Version 3.0
6. Legacy Product Support

### 1. NPI And The Extended Team

The small, closely knit group, needs to be augmented with all the functional groups needed to execute 'New Product Introduction' (NPI), a phase which is not always included or properly planned for under the discipline of product development.

The extended team can consist of people from: marketing, sales, sales support, order processing, post sales problem management, advertising, manufacturing, documentation, training, legal, regulatory, fulfillment, customer implementation, shipping, and packaging. The type and composition of the groups vary with product and industry.

### 2. Version 2.0

Now that most of the effort to develop product is complete, the core development team can focus on the next major version of the product. Version 2.0 always ends up being what the original vision for version 1.0 was. Many of the initial features and functions of version 1.0 had to be stripped out and put into 2.0 to get to market in a reasonable time.

### 3. Version 1.1

Version 1.1 contains important, but non-critical bug fixes, that were known at the time version 1.0 was released or crop up with the first customer installations. These are things that 'function as designed,' but irritate the customer to no end. It also has a very small amount of features that were delayed to 2.0, but turn out to be so important after customer feedback that their introduction is accelerated by putting them back into the 1.1

stream. In hi-tech, planning for at least one maintenance release per version is mandatory.

### 4. Version 1.5

There is always concern about waiting too long between releases and being in jeopardy of having the competition beat you to market with new features and functions. On the other hand, releasing too many versions too quickly can impact sales with the current release because customers may delay purchases until later.

Regardless, there is almost always effort put in by the core team in considering these factors under the title of something like 'version 1.5.'

### 5. Version 3.0

Just like version 2.0 was originally seeded with all the features that were originally slated for 1.0, version 3.0 becomes the parking lot for 2.0. This is an endless cycle in hi-tech product development. While the resources assigned here are not as large as the main 1.1 and 2.0 team(s), in a large company like Microsoft or Cisco Systems it can still be significant.

### 6. Legacy Product Support

As each release is sold and installed, starting with version 1.0 beta and followed by version 1.0 itself, a whole range of support issues arise that will never go away. This is good, but has to be considered in the big picture because it will place demands on almost every group in the company.

All these things are exacerbated in a start-up company which doesn't have the deep resources and depth of experience to understand and react as they would like. Think of all the 'dot coms' which have fallen on hard times recently.

Covad Communications Group is a good example. It incorporated in 1996 and became one of the largest providers of high speed communications in

the United States with 40 million subscribers. In March of 2001, shortly before delisting on Nasdaq because its share price was so low, and shortly before declaring chapter 11 bankruptcy, it was forced by its auditors to declare the risks impacting its ability remain a viable business. Selected ones are from the report are listed here.

Risk items impacting the future viability of Covad Communications  
(extracted from Covad's Annual Report, SEC 10K Form, March 2001)

- the ability to order or deploy our services on a timely basis to adequately satisfy end-user demand;
- our ability to successfully operate our network;
- our ability to address control weaknesses identified during the year end audit;
- the ability to develop and commercialize new services by us or our competitors.

This is a pitiful list for a company that had been in business for five years. Now that we've examined the 'Sweet Spot' and taken a look at the dynamics of what is going on, we can examine what might happen next. There are a number of scenarios, as listed below, that could take place.

## Sweet Spot Scenarios

1. Denial And/Or Ignorance
2. Stop Gap Measures
3. Massive Reengineering
4. Aware But Over Compensates
5. Aware But Nothing Was Done

### 1. Denial And/Or Ignorance

This scenario is characteristic of a team without much depth of experience and is typical, but not limited to, new teams in new companies. It is probably the worst case scenario because of where it leads to.

*Continued on page 8*

## Version 1 *continued*

AOL, for example, got a huge amount of bad press during its first year or so of operation for the inability to properly deliver what it promised. Late deliveries and spotty service was typical. The bottom line is, their products were not developed with the proper fulfillment capabilities in place. In a telco I used to work for, a service development project couldn't be completed until a real customer order was put through and all post-sales functional groups signed off that it was a long term sustainable service.

In mature companies the same situation could come about because of churn caused by layoffs and budget cutbacks. At Nortel in 2001, I went from having three project managers and two project administrators to zero, except for myself. It became difficult to fully comply to Nortel's product development standards.

### **2. Stop Gap Reactions**

'Denial And/Or Ignorance' leads to the 'Stop Gap Reactions' scenario. This is the time when individuals, good intentions notwithstanding, start reacting in an ad hoc and uncoordinated fashion. Turf wars breakout. Conflict is rising. One project manager is hired when three are needed, but product delays and low quality persist so some people conclude project management is not a productive answer.

### **3. Massive Re-engineering**

If a company survives long enough without properly addressing these issues they will eventually get to the 'Massive Re-engineering' scenario, the 'shoot the innocent and reward the guilty stage.' While this is probably good, it is very disruptive. This is the point when the company hires external consultants, searches for a product development model, and experiences staff turnover. Amazon, for example, may be at this stage right now. There has been extensive executive defec-

tions and rationalization of their product lines over 2001.

### **4. Aware But Over Compensates**

This scenario can be found in large corporations that have onerous product development processes. If taken to the extreme, the creativity needed to bring new and innovative products to market in a timely fashion is stifled. That could describe car manufactures during the 1980's when the Japanese small car invasion took place. They arrived with new, better, and cheaper product and were able to consistently bring out new models faster than anyone else.

### **5. Aware But Nothing Was Done**

Oddly enough, I feel the best plan for a new group or company is the 'Aware But Nothing Was Done' state, at least at the very beginning. This is because a new group with an embryonic product is simply not interested in or has the extra cycles to properly address process development. Nor is it their specialty.

Instead, everyone is busy focusing all their efforts on getting the company and their initial product development efforts off the ground. The team has to be delicately nudged and nurtured to arrive at the best course of action. Sometimes the only way to get good cooperation is to let them go down a road long enough for them to see for themselves what the inherent problems is.

The long term effects of not handling the version 1.0 program should now be more apparent. The question arises of how can a project manager help the team navigate through the turbulence? There are a million things to do at this stage. That, in itself, is a danger sign. The team needs proper product development and project management methodologies such as: a stage-gate process, change management and risk analysis standards, performance management standards, and many

other things too numerous to mention. Rather than putting all the effort in the above, I feel it is more effective at first to empower people and give them the tools and knowledge to help them to help themselves. Process, systems, and tools will then gracefully follow.

These types of things are discussed next under the title of 'Priority People Items.'

## **Priority 'People' Items**

### **1. Controlling Change**

### **2. Corporate Communications**

### **3. Executive Buy-In**

### **4. Skill Set Evolution**

### **5. Workload Management**

### **6. The KISS Method**

### **7. Everything Else!**

#### **1. Controlling Change**

If there is one thing that is needed at the 'Sweet Spot' it's to manage change. Productivity suffers and innovation decreases when people don't know what's going on and unexplained changes are taking place. It is a precursor to stress and burnout. Organizationally, the addition of the extended team will be the first major change people will see. Then there will be reorganizations, responsibilities will become more focused and specialized, people will be promoted, job descriptions will evolve, entire new functional groups will emerge, and interactions between all groups will be in flux, not always in ways desired or wanted. There will be some people who are just not suited to this environment.

Training and education to help people to understand where their group is and what will unfold over the next year or two would alleviate the worst impact of the changes taking place. Topics to consider are; their product roadmap, the corporate vision, human resources principles, the TIL, and project management principles.

Once sufficient knowledge is obtained, people will be more capable of taking control of their own destiny, which has been acknowledged as a significant step to reducing a stressful environment.

## **2. Corporate Communications**

The executive has the responsibility of formulating strategy, communicating it downstream, and monitoring progress. It is amazing how few executives feel that communicating to employees frequently and with substance is part of their job.

A situation I came across recently is a good example. The product managers presented their vision for version 2.0 to the executive steering committee. It was approved and an all-staff memo went out describing the success. The thing is, even one month later no one had shared the presentations with the team and everyone was left wondering what the product vision actually was. When it was eventually circulated you can imagine the shock when it became apparent that the project was already a month behind schedule.

## **3. Executive Buy-In**

Unless executive sponsorship is attained there is little effective change that can be implemented. Much has been written about this so I won't rehash all the old arguments here.

## **4. Skill Set Evolution**

The skill sets and tactical methods of every member of the team has to change as the company matures the product roadmap through the stages of the TIL. The way Innovators are handled, for example, will be very different than the expectations and requirements of the version 2.0 Early Majority. Version 1.0 beta customers will expect and get direct assistance from R&D. By version 2.0 there will be pre-sales support, post-sales support, marketing, hotline support, a trouble ticketing system, and escalation procedures to handle customers. Innovators want to hear about being

first to market and beating the competition. Visualize Federal Express. They were the first to adopt mobile work force technology to track their parcels. Their competitors, who would fall into the Early Adopters and Early Majority, likely wanted to hear about incremental cost savings, system stability, training requirements, and cost of ownership.

In some cases people will just push-back. Why change a winning product? With the right training and education they will hopefully see for themselves that everybody and everything has to be in constant evolution in this business. QLT, a rare profitable biotech company, is an exception. The founder and CEO stepped down in favor of a professional manager so she could pursue her original and primary interest in scientific research. Same thing at Microsoft. Bill Gates stepped down from CEO to spend his time in strategic product development.

## **5. Workload Management**

The constant pressure to bring product to market, grab a window of opportunity, and satisfy customer demand is relentless and will always push the envelope. Unfortunately, many companies force the development teams to impossible schedules until the negative impact is so serious that the 'Massive Reengineering' scenario comes about.

Realistic schedules result in a manageable workload. It is granted that in hi-tech the last month before release of a product is hectic and extra hours are obligatory. That pace can't be sustained though. The example mentioned previously when the product managers submitted their product vision and rollout schedule without meaningful dialogue is a case in point. The project was a month behind schedule before it even started. Executive support along with the training and education recommendations discussed here should result in

a more positive and realistic planning process.

## **6. The KISS Method**

The KISS method, otherwise known as Keep It Simple Stupid, is a topic which I have already talked about in the 'Aware But Over Compensates' scenario. R&D people are notorious in shunning bureaucracy, meetings, and process related systems. In a new group or a small company many people are there specifically just to get away from these things. Some pretty big projects have been managed with an Excel spreadsheet.

On the other hand, if a company has deep pockets and is willing to staff up, then my attitude changes dramatically. But how often do systems get implemented without additional staff allocated to even assist implementation let alone resources given to the care and feeding of them?

## **7. Everything Else!**

By 'Everything Else' I hope to get the point across that the items discussed under the topic of 'Priority People Items' are only a fraction of those that need to be addressed overall.

The version 1.0 Sweet Spot is a time of massive change for a version 1.0 team. The effects of how well it is handled will be felt for a long time into the future. As project managers we can influence these events to help assure a positive outcome and steer around the obstacles.

These challenges are even more difficult for a start-up or a small company with few resources or experience to draw on. But large companies are not immune either.

*Continued on page 10*

## Version 1 *continued*

Responses to the situation can range, in one extreme, from denial and ignorance to overcompensation by implementing onerous and counter-productive systems and processes. The middle ground of implementing straightforward solutions that are only as sophisticated as needed tend to get embraced more readily. Pragmatism is called for. However, little progress can be made unless the stakeholders and executive can see for themselves the dangers the company faces. Disciplines like project management and product development need to be embraced.

For that reason, I have found it to be more productive to first focus on people things such as controlling change, promoting corporate communication, getting executive buy-in, evolving people's skill sets, managing workload properly, and keeping it simple. All the other tools at our disposal can follow to the extent and sophistication that circumstances dictate. This approach will empower people with the knowledge to help themselves resulting in maximum leverage with the minimum amount of effort and expense.

Bill Gilbert has 25 years in the hi-tech industry and until recently was Program Manager responsible for leading a number of version 1.0 R&D teams at Nortel Networks. He has held similar positions at Newbridge Networks, Telus Advanced Communications, and Wang Laboratories.

### Top 10 Project Management Problems

Artemis Software says  
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## Call For Articles And Technical/Editorial Advisors

*By Kim Johnson, Vice Chair Communications,  
PM Innovations Editor*

The PM fields in general, and NPD application area in particular, are each rich with information. *Project Management Innovations* is soliciting well-written articles. Articles should be from 300 to 1000 words, be written for the practitioner, and be free of commercial content. Our readership is over 1,300 copies, so this is an excellent chance for exposure. This is your space to network, share information, brag, complain, or whatever. Please contribute! "How to" and practitioner articles are always appreciated.

### **Here are suggested topics of interest to PM in NPD practitioners:**

- Letters to the Editor
- Risk in NPD projects
- How PM fits into the NPD process
- Creativity tips
- Managing technical people
- NPD project management
- Metrics
- Benchmarking strategies and data
- The "fuzzy front end of projects"
- Tips for estimating
- Comics and humor
- Software tools
- How the project manager creates and copes with disruptive technology

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We are still seeking volunteers to join the *Project Management Innovations* team as editors, reviewers, advisors, gadflies, and columnists. Here is a low-time-commitment way to support the profession (and earn PDUs).

## Leadership Ruminations

### A Review Of The Art And Science Of Competency Models

Anntoinette D. Lucia and Richard Lepsinger, published by Jossey-Bass/Pfeiffer, San Francisco, 1999  
ISBN 0-7879-4602-8

**Rating: 9** (*The Official Ayers Rating Scale goes from 1-10. Anything lower than 6 is thrown out. This produces a net five-point scale from 6-10.*)

*Reviewed by Michael Ayers*

Just for the sake of this exercise, let's pretend you are part of an organization which is dealing with a lot of change: changes in technologies, changes in the workforce, changes in the very nature of the work the organization does. Let's further pretend that you would really like to get some sort of handle on what differentiates the *best* performers in your *current* situation from your average performers. And, let's really stretch here, you'd also like to get some sort of handle on what you think you'll need in the *future*. All hypothetical, of course.

One approach addresses these issues by exploring competencies. Now, competence and competency are words that have enjoyed quite a bit of popularity in the last couple of years. Unfortunately, people seem to use them to mean different things. (For instance, Prahalad and Hamel used competence in the phrase 'core competence,' to indicate something at the organizational level). In *this* context, we want to talk about competencies at the individual level.

Lucia and Lepsinger offer this definition of a competency, "A cluster of related knowledge, skills, and attitudes that affects a major part of one's job (a role or responsibility), that correlates

with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development."

So, a competency is bigger than a skill, includes knowledge, connects to performance, and can be improved. That's *one* competency when treated in isolation. We get even more power from a competency *model*: the integrated set of competencies required for excellent performance.

When we shift from a single competency to a competency model, we have several ways to go. We can look *generically* at the competency model for a role, such as Project Manager. We can look *specifically* at the competency model for a real position, and we'll frequently find a combination including part of one role and part of another. For instance, the project manager for the XYZ project might take all the usual stuff, but because of the visibility you might need to toss in a large dollop of composure and a little more political savvy than usual.

There's a third way to use competency models. You can focus on a person: just what competencies are this person's strengths? And, given the position the person currently plays or wants to assume, what are the potentially show-stopping weaknesses?

The fact that competency models focus on behavior, allows the organization to bring the conversation around to what people *do* that adds value. That permits the dreaded 'development planning' conversation to take on a more subjective tone, according to the authors. In fact, the authors believe that you can use the competency models to tie together all the pieces of 'workforce management.'

They write, "The best succession planning system in the world cannot succeed unless the selection, training and development, and appraisal systems all work effectively too. These systems must be designed to ensure that people who have the required capability, or potential, are hired, their ability is enhanced, and their potential is nurtured through learning experiences, coaching, and feedback. We strongly believe that the use of competency models across all human resource management systems will provide the necessary consistency and continuity." That is, if you know what separates the best from the average, you can use that in recruiting and selection, in performance appraisal, in development planning, and in succession planning. A good model provides a common framework and allows these pieces of workforce management to be integrated into a coherent system. Of course, the ability to recruit and select effectively for the future depends first on having a solid idea of where the organization is going, and hence what roles and competencies will be important in the future. Recruiting in the present, but for the past is generally thought to be a bad idea.

In their book, the authors assume that you are essentially starting with a blank slate and monitoring your best performers to determine what makes them best. "Starting from scratch is appropriate for developing a competency model for any job, function, or role in the organization. It is time-consuming, but yields results that are role- and company-specific. The primary difference [in the alternative approach] is the use of a validated model as the starting point instead of extensive interviews and observations of incumbents on the job.

*Continued on page 16*

# The One “Right” Way To Gather The Voice Of The Customer

By Gerald M. Katz, Executive Vice President, Applied Marketing Science, Inc., [gkatz@ams-inc.com](mailto:gkatz@ams-inc.com)

*There are so many ways to gather Voice of the Customer data that making the initial decisions can be confusing and controversial. Gerry Katz walks readers through many of the options. He reviews all the basics-- whom to interview, where to interview them, and who should conduct the interview, new product development professionals or market research experts.*

At the tender age of 16, I attended Sunday school classes that included a course on comparative religion. Having been raised in a Reform Jewish household, I found my beliefs and traditions being compared with those of Christianity--both Catholicism and Protestantism--and Islam. To my surprise, I learned that, while there were enormous differences in the various beliefs and traditions, the underlying morals and ethics in all these religions were largely the same. And at that very young age, I drew the conclusion--now lifelong--that there is no “one true religion.” All religions have similar objectives, and they have a lot more in common than that which separates them.

## Exhibit 1: Comparative Religion: One Right Way?



Much the same can be said about Voice of the Customer (VOC) data collection methods. Over the past few years, there have been nearly a dozen conferences at which Voice of the Customer has been a major topic. And even though I’d bet that all of the speakers and participants would claim to adhere to the same underlying beliefs and objectives, there always seem to be some very strong and polarized opinions on how best to go about gathering Voice of the Customer data. Interestingly, I’d note that many of the commentators cannot be completely unbiased, myself included, as many of us have a proprietary interest in one particular methodology or another. However, as someone who has tried almost every method available and seen both good and bad results from all of them, I am convinced there are some clear pluses and minuses to each method.

I’ll enumerate these from my own experience in as balanced a way as possible.

## Defining “Voice of the Customer”

It is important to remember that the term Voice of the Customer grew out of the Quality Movement in the mid-1980s. Originally, it was used primarily as a device to improve Product Development and Process or Service Design. While some people today use the term to refer to almost any type of market research with customers, this is a bit of a stretch. Thinking about it in the context of the Quality Function Deployment (QFD) model, a good VOC is needed in order to create the left- and right-hand sides of a House of Quality matrix. Specifically, the Voice of the Customer is defined as (**Exhibit 2 defines VOC as**):

### “The Voice of the Customer”

- A complete set of customer wants and needs
- Expressed in their language
- Affinitized, i.e. organized into a hierarchy
- Prioritized by importance and current performance/satisfaction

An important oversight in many discussions on this topic is that the Voice of the Customer is both qualitative *and* quantitative in nature; the necessary data refer to both words *and* numbers, and too many people tend to ignore the latter.

## How to get started

When a product development team sets out to collect Voice of the Customer data, the first impulse is usually to blurt out, “Let’s go talk to some customers!” Of course, this begs the question, “Who should we talk to?” Invariably, the next step is a phone call to the sales manager to ask for some names. Unfortunately, this leads to one of the most common traps in gathering the Voice.

Salespeople are naturally--and understandably--nervous about letting non-salespeople, especially engineers and other technical people, talk to their customers. They only see the downside: “They’ll screw up the deal I’m about to close, they’ll open Pandora’s box, they’ll create new and unrealistic expectations, or, worst of all, they’ll find out what a lousy job I’m doing with this account!” rejected you for some reason or liked something better about the competition’s product.

This rarely happens, but the result is that salespeople usually send you to their happiest customers, or alternatively, those who will express the needs that the salespeople themselves want you to hear. This is a trap because, in my experience, you will learn the most from unhappy customers: non-customers, competitor's customers, and especially ex-customers.

In his book *Customer Visits* (Sage Publications, 1998), Edward McQuarrie addresses this same problem:

A particularly subtle trap comes about through concentrating one's visits on so-called national accounts, A-list customers, or very large customers. The rationale, of course, is that these people account for a very substantial fraction of your sales. But why is this so? . . . Is it because your product has become tailored over the years to the needs of a subgroup among large users? . . . If so, the most rapid expansion of sales might come from visiting and learning from customers who aren't buying very much from you today.

Likewise, in their famous Harvard Business Review article (Jan-Feb, 1995), *Disruptive Technologies*, a piece that was probably responsible for coining the term, Joseph Bower and Clayton Christensen also allude to this trap. They point out that mature companies in a marketplace often evaluate a new "disruptive" technology, but then dismiss it for very rational reasons. When they ask their best customers about it, they find them not to be interested because they are already well served on their current needs by the mainstream companies and products.

But the disruptive technology, which is usually inferior for meeting those existing needs, addresses some other need that is important only to a niche market. If this niche market is big enough to sustain the new player and allow it to generate enough revenue to stay in business and gain a foothold, over time they tend to improve performance on the older dimensions as well, and soon emerge as a major player. By this time, it is often too late for the mature companies to respond. The antidote, of course, is to keep talking to your non-customers as well as your best customers.

The lesson here should be apparent: choose carefully the customers you wish to interview. Your first question should not be whom to interview, but what types of customers to interview. To answer this question, you need first to define the scope of the project, what it will and won't encompass. You should think about all the various roles and job titles that have something to say about the product or service under consideration.

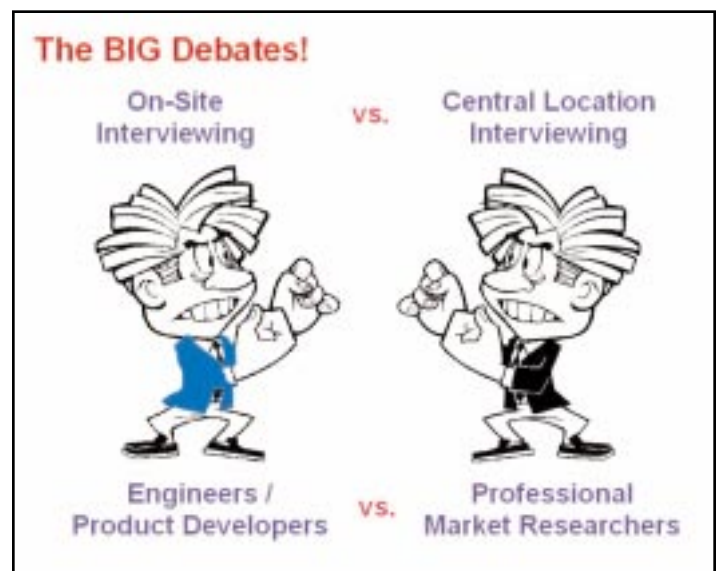
This might include end users, people from various parts of the distribution chain, and key buying influencers, as well as the final financial decision makers. You should certainly also consider different types of companies, different current product usage, and different geographical areas (including international).

Now, we consider the really *big* questions, the two that always seem to generate the most heat.

### Question 1: Where should the interviews take place?

Is it better to interview customers on-site--at their place of work or where the product is actually used--or in a central location, such as a market research facility or a conference room?

### Exhibit 3



#### *The pluses of on-site interviewing*

- On-site interviewing allows you to see the product or service "in action." It allows for what the people at Digital Equipment used to call "contextual inquiry," the ability to observe the product in use as well as to ask questions as they arise.
- It also allows for a valuable "customer touch" opportunity. Most customers are quite flattered that their vendors care about their opinions. Just the act of visiting and asking them their opinions often makes them look more favorably on you.

*Continued on page 14*

## Voice Of The Customer *Continued*

### *The minuses of on-site interviewing*

- Almost by definition, on-site interviewing means that you must reveal which company is sponsoring the research, and this might cause customers to be less than fully candid. For instance, respondents may hold back about telling you something your competitor is doing that they particularly like. Or they may worry that any critical comments could get someone they like in trouble, such as a salesperson with whom they have had a long-term relationship.
- As discussed earlier, it is often difficult or uncomfortable to get cooperation from non-customers or ex-customers. Yet, as stated earlier, you usually learn more from your competitors' customers or your ex-customers, people who have rejected you for some reason or liked something better about the competition's product.
- While the whole point of conducting interviews on site is to allow for contextual inquiry, it turns out that many on-site interviews are not actually contextual. Sometimes privacy issues, or the need to avoid interrupting things, prevents you from conducting the interview at the place where the product is being used, reverting instead to an office or a conference room. In-office interviews are often subject to many interruptions, and if you're just going to sit in a conference room, it might as well be anywhere. If contextual inquiry is necessary, make sure that the respondent understands this beforehand and is willing to accommodate you.
- Furthermore, not all products really lend themselves very well to contextual inquiry. If usability issues are important, then contextual inquiry is probably a must. It can also be extremely helpful in better understanding the environment in which your customers work. But if your product is something like a building sprinkler system or a risk insurance policy that is used only on rare and unpredictable occasions, then it may be impossible to be there at the time of use.
- Many people have found it harder to record interviews, particularly with videotaping, at the customer's workplace, since some people and companies are sensitive to the notion of bringing in recording equipment.
- Customers can sometimes misinterpret the objective of the interview, thinking of it as an opportunity to extract promises from the developers to fix something or to create a customized solution in response to their individual preferences. The solution to this problem, of course, is clear communication about the purpose of the meeting prior to your arrival.
- The implementation of on-site interviewing can be very expensive and time consuming. It often means flying

team members around the country--or even the world--and in most cases, visiting only one or two companies in a day. Also, the developer will have to abide by customers' time constraints and availability, which can delay things by days or weeks.

### *The pluses of central location interviewing*

- Central location interviewing allows for a very efficient use of time. Offering significant incentives (cash or otherwise) for respondents' participation usually makes them willing to come to you and meet the needs of your time schedule. One-on-one interviews can thus be scheduled at regular intervals, and a single interviewer can usually complete five or six in a day. Likewise, focus groups can usually include six to ten customers at a time, and you can often conduct two to four such groups in a day.
- A central location can usually accommodate lots of observers (ten or more) for any or all of the interviews. An observation room with a one-way mirror or closed-circuit TV makes it possible for an entire development team to observe the interviews. It is customary for additional questions to be sent in periodically via notes.
- It's easy to tape everything, both audio and video. Because respondents are on your turf and being paid for their time, they almost never object to being recorded. This allows for full transcription and a return to the original source material if questions of interpretation arise, rather than having to rely on memory or note-taking.

### *The minuses of central location interviewing*

- Because the interview is not "contextual," you must rely on the respondents' ability to recall things that they liked and didn't like about the product or service. While most people are usually able to do this, there will not be any opportunity for observation of the product or the setting in which it is used. Of course, context can be created to some extent. Many companies have a formal Usability Lab to study how people use their products.

Taking all of these pluses and minuses into consideration, it should be clear that there is no one "right" answer, no "one true religion" for every product or service. In some cases, on-site interviewing is essential, while in others it is either impossible or highly inefficient and uneconomical. In many cases, a logical compromise might be to use a combination of the two. However, if you do, it is recommended that you do your "contextual inquiry" interviews first, as they will improve your understanding of the context and environment and help you better visualize what the customer is describing in the central location interviews that follow.

## **Question 2: Who should conduct the interviews?**

Is it better for the interviews to be conducted or moderated by the engineers and product developers themselves, or by a professional market researcher?

### *The pluses of using engineers or product developers*

- You achieve the highest possible level of involvement of your development team. They are forced to sit in the hot seat and experience the customers' problems and opinions first-hand, rather than just as observers.
- You save money by not having to engage outside consultants for as much time, since they will only be needed for training, not doing. That said, you probably should take into account the cost of your employees' time.

### *The minuses of using engineers or product developers*

- Even with the best training, many engineers and product developers just aren't very comfortable or good at interviewing. They sometimes talk too much, sometimes too little, and usually miss a lot of really good probing opportunities, often because they know too much; they have a tendency to skip over things they already think they understand. Furthermore, sometimes they feel a need to justify past design decisions in a way that may seem defensive to the customer. This can even happen in spite of excellent training. I once heard a tape of an interview in which a well-trained engineer, who had gone through the same training course as everyone else, did almost 90 percent of the talking. Every customer complaint was answered with a long-winded explanation of why the product was designed the way it was.
- Respondents may be reluctant to criticize the people in your organization if it is the service and processes that are problematic rather than the physical product. For instance, they may not want to tell you that your telephone service center representative is inept, or that your salesperson is too slick and high-pressure, or that your competitor's development team is smarter and more responsive than yours.

### *The pluses of using professional market researchers*

- Experienced market researchers are trained to put respondents at ease and get them to express their opinions clearly and openly. The best ones are particularly skilled at knowing when and how to probe for the underlying thought, what is often referred to as the "latent" or "unspoken" need.
- An outsider is sometimes able to ask questions that a company insider would find a bit awkward. One of the interviewing techniques that we teach is to "play a little dumb"--to be able to ask the more elementary, but still important, questions. Someone who is expected to be completely knowledgeable might have difficulty doing this.

- Because an outsider can conduct the interview without having to reveal which company is sponsoring the research, any possible bias is removed.
- Likewise, because the sponsor remains unidentified, it is easier to attract non-customers--both ex-customers and competitors' customers--to participate in the research.

### *The minuses of using professional market researchers*

- If the product is a complex one, you will have to find someone who already knows the technology or is smart enough to learn it quickly. For instance, a researcher who is terrific and experienced at banking or telecommunications products might be out of his or her league when it comes to medical devices.
- It costs more, at least in terms of out-of-pocket expenses. Unfortunately, good market researchers do not come cheaply. And some companies have an almost cultural aversion to spending money on this type of skill, even though it may be a drop in the bucket compared to the millions of dollars that go into most product development initiatives. If your company simply can't or won't provide budget for an outside professional market research effort, you may not have any other option than to do it yourself. If this is the case, however, make sure you are realistic in estimating what it will take in terms of people time and out-of-pocket expenses for travel, training, and consultation.

### **It won't be "like falling off a log"**

The bottom line, for me at least, is that there is no one-size-fits-all best way to collect Voice of the Customer information--no "one true religion." I've seen VOC data collection done successfully and unsuccessfully in all the ways outlined above. Your choice should be governed by the nature of your product, the circumstances of your marketplace, and your financial and human resource availability.

For instance, if yours is a computer product that is used every day, on-site interviewing might be crucial, since it gives you the ability to observe the product in use. If the product is a medical device used only in emergency situations that occur once every other month, on-site interviewing may be completely impractical. But if your product has only a small number of very large customers who are scattered all over the country or the world, on-site interviewing may be the only practical choice. You might also want to consider a combination of all the above to take advantage of all the pluses and get around all the minuses.

*Continued on page 16*

## Voice Of The Customer *Continued*

In many ways, it comes down to a classic “make or buy” decision, with all the usual tradeoffs in time, expense, and quality. But either way, I would urge you not to deceive yourself into thinking that it’s going to be quick, cheap, or easy--“like falling off a log,” as one of my colleagues likes to say. No matter which interviewing method you choose, someone is going to have to process all those interviews and turn them into a coherent set of needs statements, which is always a time-consuming and deceptively difficult process. And in the second, quantitative phase of Voice of the Customer research, someone has to take the needs back to the customer for prioritization.

Most people start off thinking they will just visit five to ten customers over the course of two to four weeks and spend \$5,000 to \$10,000 on travel expenses. The reality is that most companies report it took them three to six months to do VOC research, and that they spent anywhere from \$25,000 to \$40,000 in out-of-pocket costs just to conduct their interviews. At one recent conference, in fact, a very candid and highly respected product development manager from a small, but leading-edge medical devices company reported that their process, which was clearly a success, took about six months to complete and cost them between \$100,000 and \$200,000 in out-of-pocket costs, consultants, and time put in by his own staff. As in many such cases, a “make or buy” decision can often be a pretty close call.

The good news is that most companies, no matter which method they’ve followed, feel it was worth the pain once they’ve done it. They believe they have developed better, smarter products and services from immersing themselves in the Voice of the Customer.

### **Pullout Quotes**

“There always seem to be some very strong and polarized opinions on how best to go about gathering Voice of the Customer data.”

“The bottom line...is that there is no one-size-fits-all best way to collect Voice of the Customer information.”

“Most companies... believe they have developed better, smarter products and services from immersing themselves in the Voice of the Customer.”

Reprinted from *Visions* XXV No 4, October 2001

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## Competency Models *Continued*

This method is best suited for leadership and management roles that cut across several functions and for positions that require limited technical skills and knowledge.”

In the blank slate approach, you monitor the best performers to see what makes them the best. “Tell me why did that happen just now.” Of course, to fully understand the *best*, you also need to monitor the *average* and find out what they are doing or not doing that renders them just average. That might get a bit dodgy if not handled carefully: “I’d like to follow you around for a bit and try to determine why you’re just average.”

Adopting the alternative approach allows you to shortcut this blank slate and ongoing re-invention. In the work of Lombardo and Eichinger ([www.lominger.com](http://www.lominger.com)), for

instance, you can find a library of competencies that have already been identified and amply documented. Then it’s a matter of picking and choosing, and perhaps even assigning priorities to competencies which are surprisingly common and surprisingly comprehensive.”

Whether you choose blank slate approach or pre-populated library approach, it seems that getting a firm grip on competencies will permit your organization to have richer conversations about the demands it is facing in a changing environment. But doing it effectively requires the courage to look at the current situation honestly and the courage to own the responsibility for creating the future that the organization wants.

## Leadership Ruminations

### A Review Of Spirited Leading And Learning

By Peter B. Vaill, published by  
Jossey-Bass, San Francisco, 1998  
ISBN 0-7879-4327-4

**Rating: 9** (*The Official Ayers Rating Scale goes from 1-10. Anything lower than 6 is thrown out. This produces a net five-point scale from 6-10.*)

*Reviewed by Michael Ayers*

Look at “the literature” on management and on leadership. You will find a host of definitions of those two disciplines. Vaill opens his book with this comment: “The proper name for what we are talking about is not management and not leadership, but ‘managerial leadership’.” For all practical purposes, when you assume a position that requires one, that position also requires the other. Note also that he chose managerial leadership, where managerial is the adjective modifying the noun leadership, rather than choosing something like leaderly management, where management would have been the noun. The focus falls naturally on leadership as modified by managerial.

Vaill goes on to explain that a managerial leader is concerned with both the current survival of the prevailing system and future endurance of the system. This requires attention to stability and to change. “Managerial leadership by its very nature is not an applied science. It is very down-to-earth and situational, and yet it has to be understood in terms of timeless themes of power and friendship and choice and responsibility and community. It is a new kind of liberal art and needs to be understood as such. We are talking about an activity that is an elusive blend of thought and action, of individual and group behavior, of

abstract and concrete focus, of problem solving and problem finding, of creativity and routine, of economics and humanities, of societal contribution and self-advancement.”

This variety of leadership varies by situation with no hard and fast rules; it requires blending elements where we might prefer to choose one side or the other.

This book collects a series of 11 essays Vaill wrote between the early 1980s and the late 1990s. He divides them into four clusters: *Process Wisdom, Leading, Learning, and Spirit*. Since he wrote the essays for differing purposes and audiences, they do not fall easily into rigid groups: one might easily swap an essay into another category. The reader will thus find some redundancy from essay to another but that redundancy usually serves to offer multiple views into one topic.

Vaill introduces an intriguing concept in part two of the book, *purposing*, as another way to understand what he intends. “All the behavior we are talking about,” he writes, “needs a name. I propose the word *purposing* to refer to that continuous stream of actions by an organization’s formal leadership that has the effect of inducing clarity, consensus, and commitment regarding the organization’s basic purposes.” Ahhhh, and what a delight to find oneself in an organization characterized by clarity, consensus, and commitment. Such organizations, while rare, do exist in my experience. (And also in my experience, they fall from grace as entropy sets in before long.)

Vaill suggests that *purposing* (which I pronounce with the stress on the first syllable) includes:

- involving the expectations of the next larger system,
- forming the ground for strategic decisions,
- informing the metrics employed to

monitor progress,

- driving the decision not to do certain things, and
- expressing just what the leadership wants.

Purposing brings out the dimensions of the organization’s purpose, but does so as an ongoing activity. This stands in sharp contrast to simply hiring a consultant to lead a one-day session to create a mission statement which we then etch in stone.

In a subsequent essay, Vaill returns to this idea of “what the leadership wants.” He quotes David S. Brown, a professor at George Washington University, who said, “An executive ought to want something.” Vaill adds, “Brown’s remark is deceptively simple. Behind it are many years of observing executives in both the public and private sectors who don’t seem to want anything in particular. They are content, apparently, to preside over the system pretty much as they find it.” These executives do not engage in purposing, in continuing to examine and communicate why the organization exists at all. They act as though their primary goal were simply to avoid messing up what they’ve inherited. And that hardly serves as an inspirational demonstration of leadership.

Still later, in the last part of the book, Vaill returns again to this theme from another perspective. Why does purposing need to be an ongoing activity? Can’t we just do this once every few years, when something significant has changed? Vaill believes not. He explains, “As the stable systems on which we have counted for meaning fall into disarray, high-quality human attitudes and actions become more strategic than ever. Mediocre personal action only works when there is enough wisdom and momentum in the established system to fill in behind the ineffective actions of individuals.”

*Continued on page 18*

## Spirited Leading *continued*

When the organization, the established system, knew enough in the context of a stable environment, we could get by with lower quality individuals. But now in the environment of “permanent white-water” (another phrase Vaill introduced), we need attitudes and actions with demonstrably higher quality in order to survive.

Vaill brings all these ideas together in the last essay. He writes, “Millions of

training dollars are being spent annually to develop these skills I have named: intellect, experience, verbal charm, insight into others, and knowledge of strategic management processes, and they are unquestionably key qualities. But in my judgment, they’re not enough. What is still missing are the core values of the person who would do this thing I am calling purposing. What does the person care about? What matters to the person? What does the person have genuine, spontaneous, unrehearsed, un-modulated, and

unhomogenized energy for? What is at the core of the person’s being?”

Ultimately, managerial leadership does not concern itself just with brains and personality. Ultimately, managerial leadership concerns values and character, “what matters to the person?” Leading and learning, as in the book’s title must be ongoing, not on-went.

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## NPDSIG Contest Results - October Issue And New Photo From PMI Symposium!

*By Kim Johnson, Vice Chair Communications, PM Innovations Editor*

I’m glad to report that we do have a contest winner from the last issue of *PM Innovations*. Our winner (and there was only one respondent) is Jennifer Semanchik, a New Product Development Manager from Sarnoff Corporation. Jennifer



correctly identified the person in the photo as yours truly, Kimberly A. Johnson, who was, and continues to be, your NPDSIG Vice Chair of Communications and who continues to roll out this wonderful newsletter each quarter with much assistance from Paula Anderson, our NPDSIG Administrator. Jennifer did indeed say something nice about me, “that it appeared I was having a good time.” Actually, the photo was taken this past summer at the home of Pat McDonald, PMP, the outgoing Minnesota Chapter PMI President for 2001. Pat was gracious enough to not only open his home, but take the time to invite back both past, current, and future

Minnesota Chapter President leadership. Just a side note for you regarding my tenure as president ... I was the first, and only since that time, woman PMI-MN President. I’m happy to report that PMI-MN has elected Mary Brugger as President-Elect for 2002, making her the second woman president for the chapter in 2003. Congratulations Mary!

Now for this month’s contest. The picture at right is of two distinguished gentlemen engaging in NPDSIG activities. For this month’s contest, we would like you to identify at least one of them by name and title. Also, please describe what event they are chairing, as well as its geographic location. For those of who attended the PMI Symposium in November, I have given you lots of hints already! If a respondent to the contest identifies **both** individuals, you are eligible for **two** new product development prizes.

That’s all for now folks, got to run and pick up my hun! My new baby of course!



## Earn PDUs For Supporting The NPDSIG!

The following table lists the Professional Development Units (PDUs) you can earn for supporting the NPD SIG. PDUs are necessary for recertification as a Project Management Professional. See PMI's website if you have questions on the PMP or on PDUs.

ACTIVITY	PDU VALUE
Speaker on a project management topic at a conference, symposium, or workshop	10 PDUs per activity
Speaker on a project management topic at a Chapter or similar meeting	5 PDUs per activity
Member or moderator of a project management panel discussion at a conference, symposium, or workshop	5 PDUs per activity
Participant in unique project with employer involving implementation of new tools/technology for project management	See Self-Directed Learning Activities Guide on <a href="#">Activities Reporting Form</a>
Author or co-author of an article about or related to project management that is published in a refereed journal (e.g. Project Management Journal)	20 PDUs per article (author) 15 PDUs per article (co-author)
Author or co-author of an article about or related to project management that is published in a non-refereed journal (e.g. PM Network)	10 PDUs per article (author) 5 PDUs per article (co-author)
Author or co-author of a project management textbook	20 PDUs per textbook.
Participant in individual and planned self-directed learning program	See Self-Directed Learning Activities Guide on <a href="#">Activities Reporting Form</a>
PMI PM Network Journal Quarterly Quiz	2 PDUs per Quiz
Organized personal research activity	See Self-Directed Learning Activities Guide on <a href="#">Activities Reporting Form</a>
Developer of content for seminar or other structured learning program.	10 PDUs per new program
<b><i>NPDSIG Specific PDUs</i></b>	
<b>Serving as an elected officer</b>	<b>10 PDUs per term</b>
<b>Appointed Officer</b>	<b>5 PDUs per term (if not in any other capacity such as Track Chair, or Newsletter Editor)</b>
<b>Track chair</b>	<b>10 PDUs per term</b>
<b>Track support</b>	<b>5 PDUs per term</b>
<b>Board Meeting attendance</b>	<b>0.5 PDU per attendance</b>
<b>Newsletter Editor</b>	<b>10 PDU per term (if officer, 5 additional PDU to the 10 as officer)</b>
<b>Author or co-author of an article about or related to project management that is published in the NPDDIG PM Innovations</b>	<b>5 PDUs per article (author) 2.5 PDUs per article (co-author)</b>
<b>Volunteer to lead Discussion Group or Special Project for the SIG</b>	<b>2.5 PDU per discussion Group or Project</b>
<b>Promote NPDSIG at local chapters with a presentation of the SIG as part of the topic under consideration</b>	<b>2 PDU</b>
<b>NPDSIG member presentation on PM topic related to NPD</b>	<b>5 PDU</b>

## NPDSIG 2002 Board of Directors

Here are your NPDSIG officers for 2002 and their e-mail addresses. As your representatives, they need and welcome your insight. They are a great way to start networking in the NPDSIG.

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kurian.jacob@motorola.com
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Mukesh.Patel@sciex.com

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mfhynnek@mmm.com
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Appointed Director:  
Jan Wells  
jwells@gmcompanies.com
- 📧 NPDSIG Administrator:  
Paula Anderson  
paulaanderson@worldnet.att.net

### How are We Doing?

Send a note to the editor. Does this publication provide value to you? What do you like or dislike? How can we better serve your needs? Send e-mail to kajohnson1@mmm.com.

### Advertising Space Available

We plan to offer advertising in the next year to help cover the growing expenses of publishing *Project Management Innovations*, and to serve membership by letting them know of products and services available. If you are interested, please contact the editor.

#### 2002 Rate List (per issue):

*Business Card:* \$50  
*Quarter Page:* \$85  
*Half Page:* \$170  
*Full Page:* \$340

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PMI New Product Development  
Specific Interest Group

*Project Management Innovations* is published as a membership benefit, by and for the members of PMI's NPDSIG. The purpose of this publication is facilitate networking and information exchange.



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Paula Anderson  
NPDSIG Administrator  
4848 Tri Oak Circle  
Wyoming, MN 55092

