

This week's lead article *Companies Recognize Importance of Rigorous Product Selection Decisions* is from Bradford L. Goldense, President and CEO, Goldense Group, Inc. (GGI) and Anne Schwartz, Director of Publications, Goldense Group, Inc.

* Companies Recognize Importance of Rigorous Product Selection Decisions *

In the January 17, 2005 issue of 2PLM, we highlighted recent research on product development, intellectual property, and top corporate metrics by Goldense Group, Inc. In this issue we present the second in a series of six articles, which focuses on results in the area of "Product Selection Process." Next month, we'll look at results on "Product Selection Tools."

Key front-end decisions about which products to develop and market have enormous implications throughout the product lifecycle. According to our recently released research, 47 percent of companies are using the most rigorous product selection process that includes 3 screening steps. For the first time since GGI began surveying in 1998, use of this best practice 2.5-Step (or 3-Step) process exceeded use of a 2-Step process. Better up-front decisions result in better products chosen for development, better capacity management, less wasted resources and faster time to market.

The product selection process is the management process used to evaluate and decide on the selection of new product ideas that will continue on into full development. Over the past 20 years the product selection process has evolved from a single management decision meeting involving a small number of people to the current best-practice process that involves at least two screening steps with a cross-functional management group. Replies to GGI's 2004 Product Development Metrics Survey were received from 202 companies in a range of industries including industrial and medical products, aerospace, defense, electronics, and chemicals. Respondents were asked to report the number of steps, level of formality and structure of their product selection process.

Results indicate that nearly half of companies, 47 percent, are now using the most rigorous 2.5-Step (also called 3-Step) product selection process. The 2.5-Step process includes three decision points: capturing the initial product concept, a review for the purpose of approving a concept for further product definition, and an approval to officially begin product design and development. A cross-functional management group participates in each of these meetings. Three evaluation points give management the best chance to select only the most promising ideas for full development and to manage the capacity loading of product development.

For companies using a 2.5-Step or 2-Step product selection process, 91 percent held a formal review at the final approval to development step, versus an informal review. Results over GGI's past surveys show a trend toward more formality in product selection decisions in addition to an increase in the number of decision steps. Companies believe they get better results with more rigor.

The most widely used decision-making group for product selection was a "single council or steering committee," used by 39 percent of respondents. This approach is favored over decision making by individual or single organization structures, as it incorporates multi-functional involvement in the information preparation and decision-making process. In most cases this results in better product selection decisions, better definition of product requirements and specifications, and ultimately better cross-functional support later in the product lifecycle.

In summary, the 2004 Survey revealed encouraging trends toward more review steps, more formality at each step, and more cross-functional involvement at each step in the product selection process. All results indicate companies believe a more rigorous process with better up-front involvement leads to higher quality decisions and a better management process.

For more information about GGI's 2004 Product Development Metrics Survey, the research and the available reports, go to GGI's web site, <http://www.goldensegroupinc.com>. To purchase reports with text and graphical analysis of the results, go to http://www.goldensegroupinc.com/cgi/catalog.cgi?display_p355.