

Transparent ROI

An Operational Discussion for Managing Products

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Decision Management Evolves

- **Change Is Necessary for Business Growth**
 - Leadership is about managing change₁; taking risk
 - Management is about managing complexity₂; minimizing risk
- **Need to Manage Future Value / Wealth**
 - While including revenue and initial cost, analysis must key an eye on long term commitments, support implications, etc...
 - Mode of managing change, changes!
- **Information Processes Must be Adaptable**
 - Relevant information is key to making effective decisions
 - Good information will lead to good decisions, and poor information can be disastrous



Stakeholders Require Clear Info

- Need to Create a Unifying Language
 - Across all stakeholders' point of view, motivation and lexicon
 - To articulate revenue and investment tradeoff assumptions (*Return on Investment – ROI*)
 - Revolves around iterative return analysis across all stakeholder investments
- Transparency is Key to Unifying Stakeholders
 - To make decisions from all supporting information
 - Understanding the range of impacts and likely results
 - To make timely and more successful investment decisions



Transparent ROI

An adaptive operational framework for managing the information necessary for making timely and accurate product investment decisions.

Allows a more complete information pool to be incorporated into the decision process addressing moving targets that can have huge impacts.

A new way to track & dimensionalize information + put it back together into the decision management process.



Presentation Agenda

- Traditional Return on Investment (ROI) Analysis is Static & Limited
- Being Competitive is About Managing Change
- Incorporating Additional Scope, Frequency, and Granularity of Information is Essential
- Leveraging the Information Patterns in Product Processes is Key to Transparency
- Transparency in ROI is Key to Everyone 'Getting It' and Maximizing Investment Decisions



Traditional Return on Investment (ROI) Analysis

Simple Example

$$\text{ROI}\% = \frac{\text{total benefits} - \text{total costs}}{\text{total costs}} \times 100$$

Multi-Period Analysis

$$B = (\text{benefits year 1} + \text{benefits year 2} + \text{benefits year 3})/3$$

$$C = (\text{costs year 1} + \text{costs year 2} + \text{costs year 3})/3$$

$$\text{ROI}\% = \frac{B - C}{C} \times 100$$

Why measure ROI – bottom line measure of whether you've done a good job of directing resources well.

Not everyone gets it – depends on perspective- the analysis is typically based on static information.



People See Things Differently

- $N = N+1$
 - Is this a workflow addition, or nonsensical equation?
 - Example of interpretation
- Grey animal with whiskers and a tail
 - Are we talking about an elephant or mouse?
 - Example of context
- Country starting with 'D'
 - Must be Denmark, let's not forget about Djibouti
 - Example of awareness

What is the value of ROI to product investment, and based on who's perspective of what information?



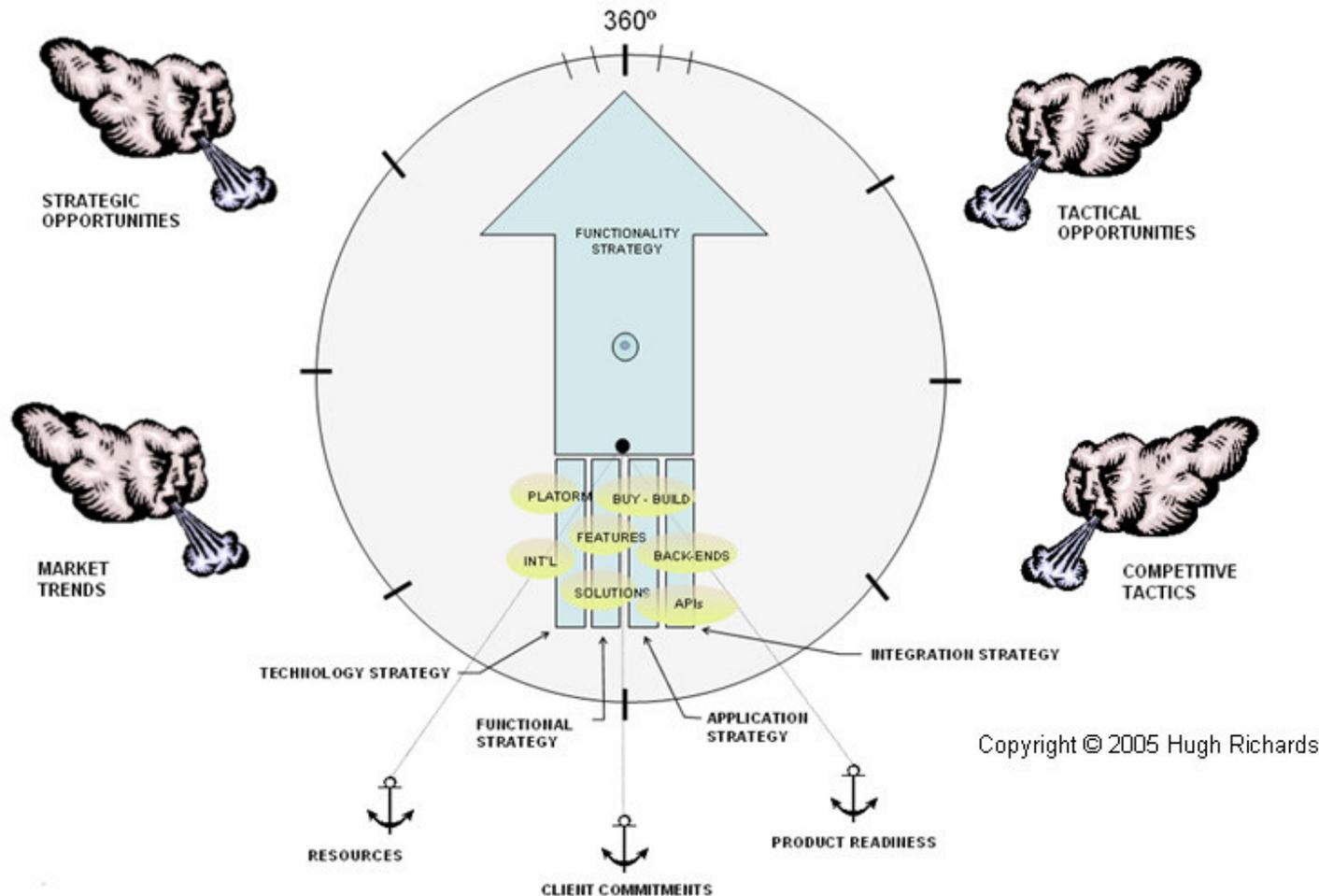
Issues of Traditional Product ROI

- **Opportunity Sale Analysis**
 - What are the real gaps vs. forward contract commitments?
 - How to deal with account phases closing early/late?
 - Is there any economy of this deal with the rest of the deals?
- **Product Release Analysis**
 - Releases are ultimately delivered in portions
 - Tracking benefit to stakeholders is difficult
 - What is the cost of new functionality in addition to development?
- **New Solution Investment Analysis**
 - When testing new market strategies/solutions what other accounts benefit or suffer by the investment choices
 - What is the long term cost of success, or only partial success—what is the roll-in cost of market launch?

Must increase the frequency, scope and granularity of the information being used to improve the investment decision process.



Being Competitive & Managing Change

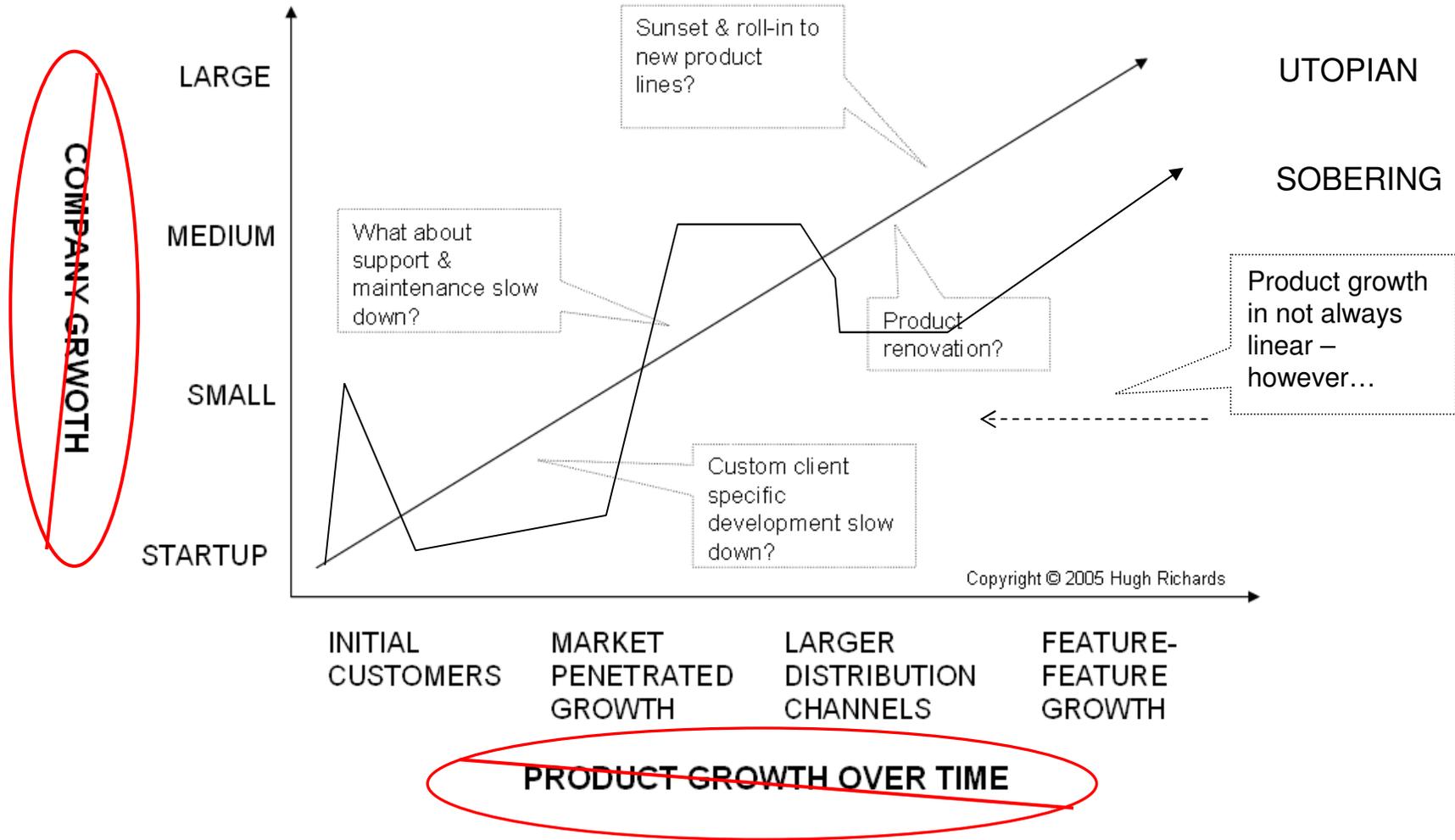


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*What and who's priority are driving operations in the product roadmap?
Each has a different language. Sales, Marketing or Technology are all part
of change.*



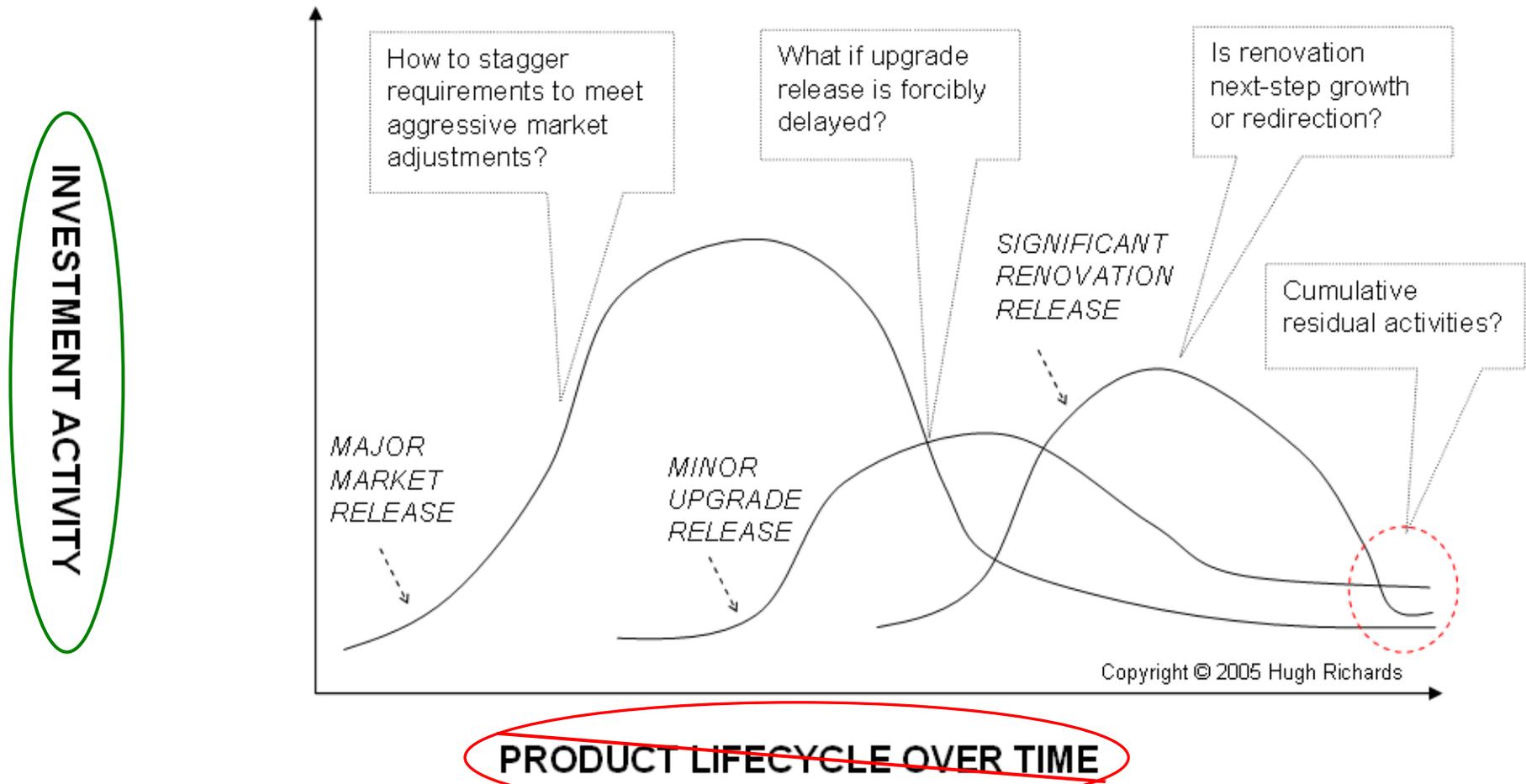
Information Stakeholders Will Change



Traditional growth perspectives will lead to bad data, changing, all over the place.



Information Granularity Will Change



High level features, portions thereof, and bug fixes; are released in differing sets of granularity & priority.



Fundamental Questions

- Questions:
 - What is available in the product + what is being worked on/forecasted & why?
 - With an additional investment – what figurative or actual deals are to be had?
 - Is this a good deal for the company? What ratio of the solution is one-off versus reused – what is the true cost of sale?
 - Why can't I have this simple feature?!
 - What information are you basing this on?!

The product roadmap has represent all stakeholders, and needs to be transparent as to how it responds; to ensure that right investments are made with the right information.



Tracking The Necessary Information

- Ensure Right Perspective is Being Captured
 - Context is required to synthesize external information into internal activity
 - Conceptual (marketing pitch) and physical (delivery) aspects must be interpreted correctly
 - External program activity requires a broad awareness of timing
- Build Information Tracking Pools That Span Operational Modes
 - Information is tracked and bucketed by stakeholder group
 - Operational criteria will determine blend & contribution

Manage the volume, complexity & volatility of information well – ensure the right perspective, and keep track of it!



Determining Operational Criteria

Key Monikers

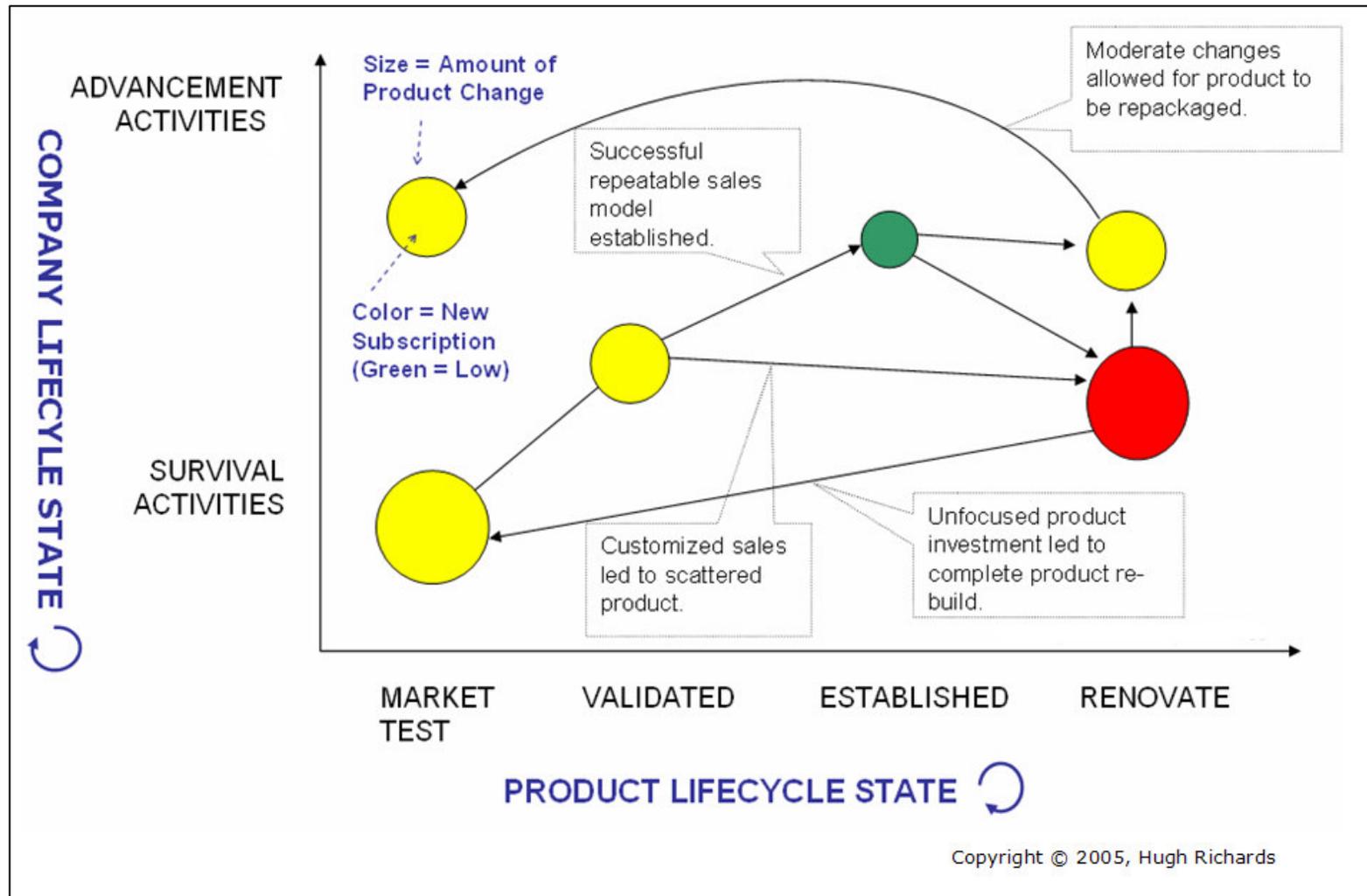
- ▶ Company lifecycle state: advancement, survival³
- ▶ Product lifecycle state: market test, validated, established, renovate
- ▶ Product investment/change: high, medium, low
- ▶ New product subscription: high medium, low

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*Complete information, ordered by operational criteria is key to ROI.
Priorities are always changing - when info changes, criteria change.*



Operational Criteria Are Dynamic



Understanding operational criteria is key to building a roadmap that ties back to effective ROI analysis.



Acknowledge Change

The Moving Target Syndrome™

Part of The Paradox of Strategic Planning™.

- "By the time a decision is made, the information upon which it was based, has changed"
- "By the time a plan is made, it is outdated"
- "By the time a management team agrees on something, the foundations for the agreement will have shifted"

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Investment decisions need to be made with more dynamic and relevant data.



Build Processes That Adapt With Change

The 5-Point Product Process

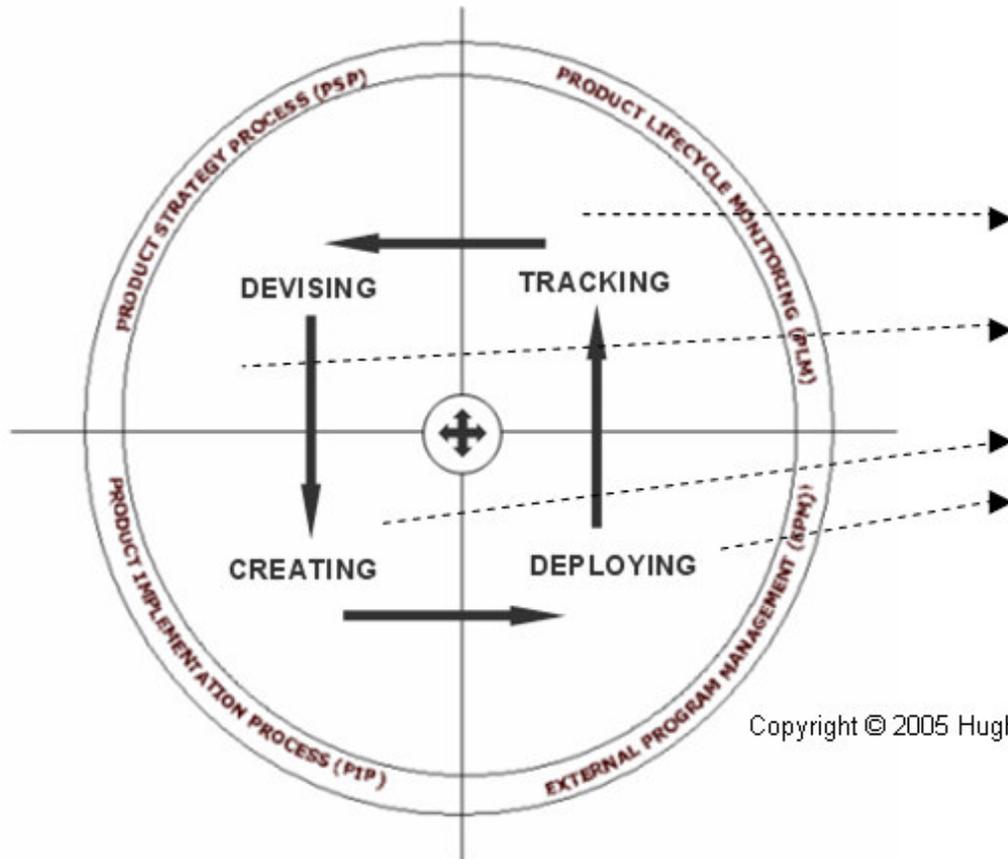
- Track Broader Information
 - Establish information buckets and feature analysis
 - Determine the subscription of program activity to features
- Establish Evolving Priorities within the Organization
 - Establish operational criteria
 - Information tracking remains the same - the blend changes
- Track Programs With Time
 - Manage programs and sub-programs with key date milestones
 - When program changes – so does feature subscription
- Estimate the Work
 - Feature by feature estimates are established
 - Spanning all departments with applicable premium costs
- Review, Iterate and Agree Execution Plan
 - Review roadmap and make adjustments that tie back to individual stakeholder programs

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ROI can be calculated with more dynamic and relevant data. 'Noise' can be retired quickly.



Visualizing the Process



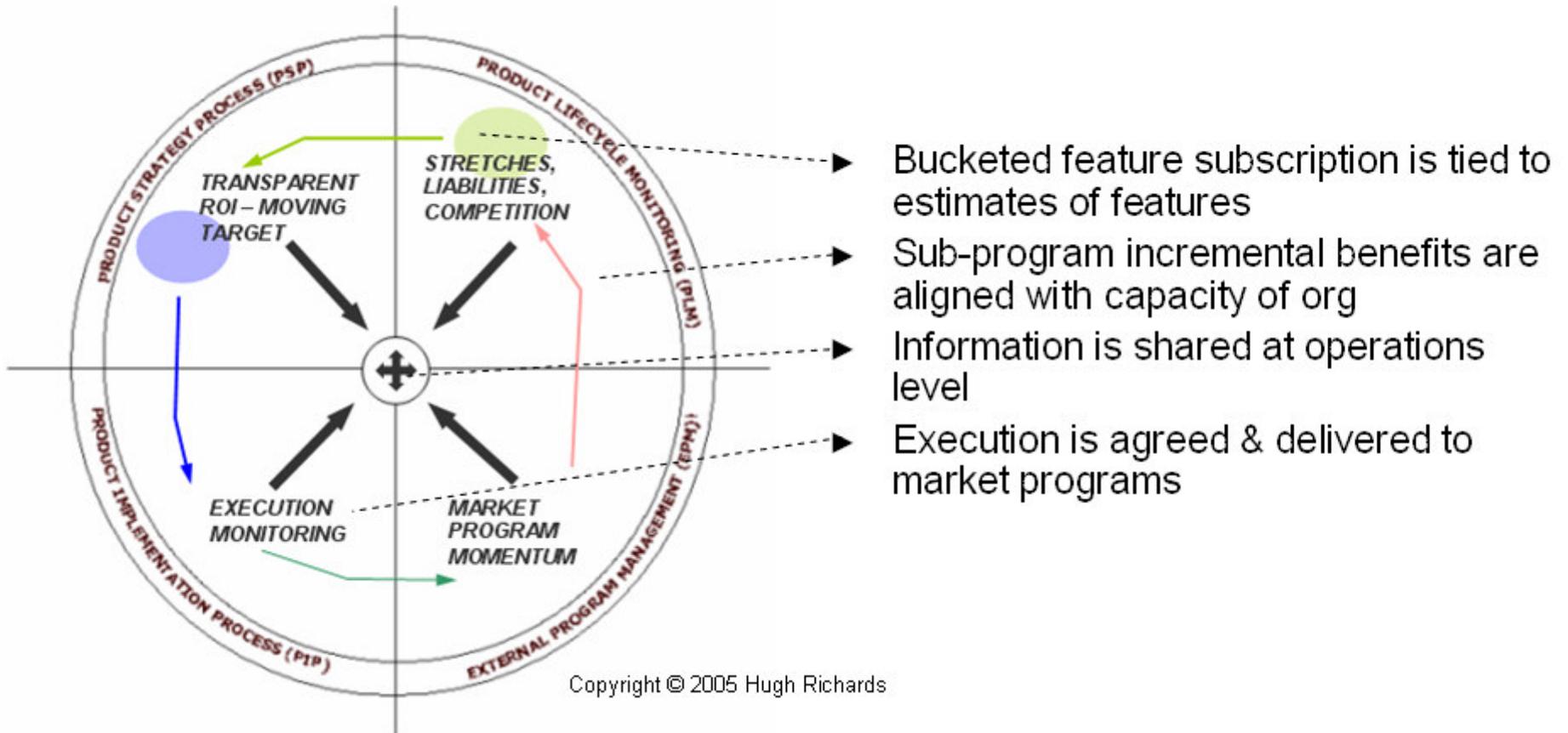
- Key feedback from external programs is queued in buckets
- Synthesized roadmap is based on prioritized company monikers
- Product updates are created
- External programs deploy the product

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Key lies in subscribing features to phases of programs with timing and revenue; allowing for dynamic information.



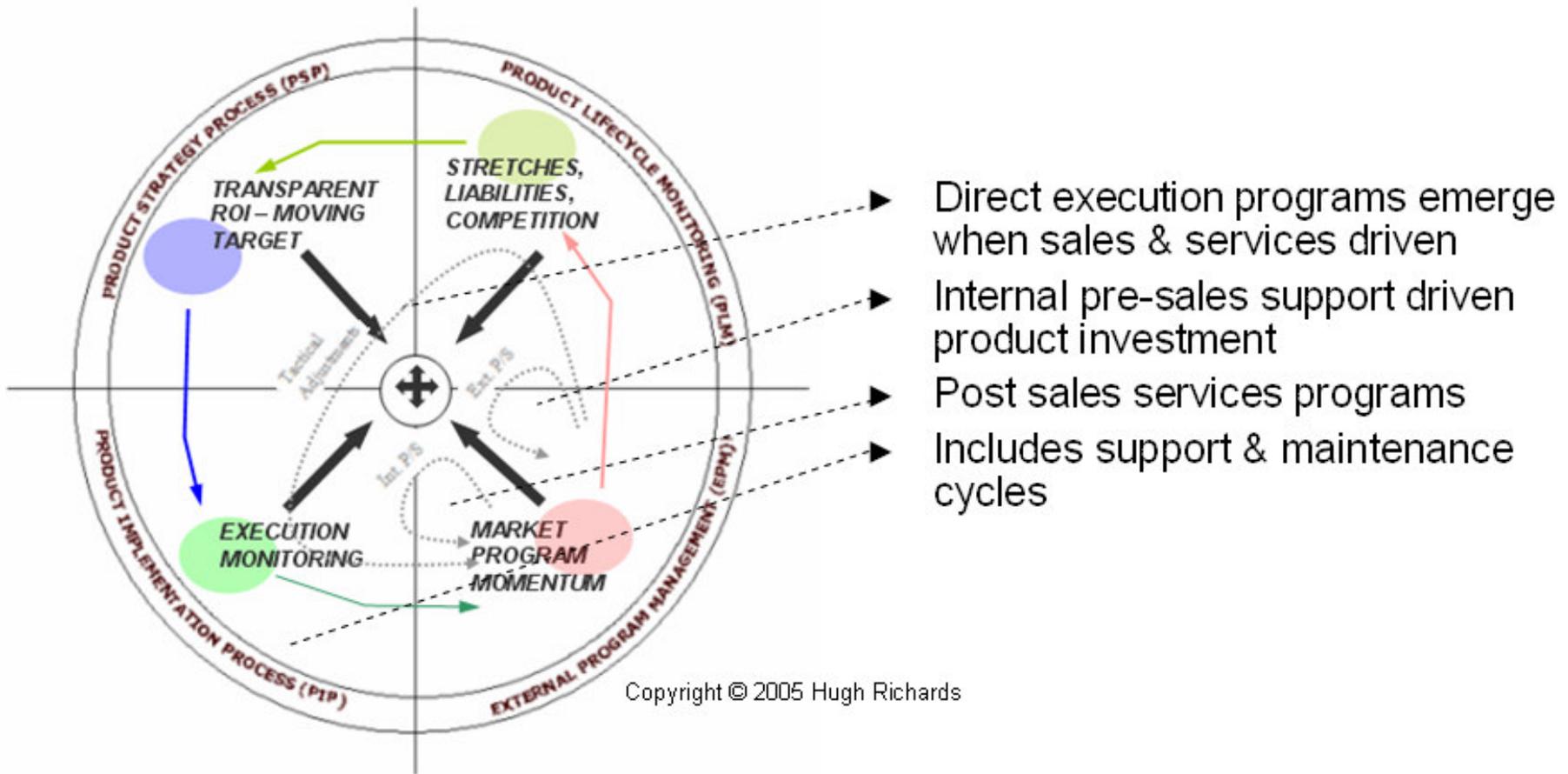
Creating Guiding ROI Analyses



Resulting roadmap is an operational dashboard based on synthesized features.



Adapting to Inner Operational Flows



Each organization deals with workflows in different ways – but information patterns are the same; how are your decisions being made?



Resulting in Transparent ROI Algorithm

- Differs From Basic ROI Equation
 - Key is tying to living programs, timings & revenue
 - Cost can be equated to the product roadmap in distinct time periods
 - Revenue can be estimated based on notional or actual program revenue
- Used as a Guide
 - Is used in scenario-based / what-if environment across all areas of analysis: sales, research, competition, market growth, technology trends, contract delivery, support, etc...
 - Provides the ability to lock down the plan and understand immediately impact across the stakeholder spectrum

Resulting roadmap is an operational dashboard based on input from all stakeholders.



Implementing Transparent ROI

- **Get Over Silo Info Sharing**
 - Usually perceived to be a momentum inhibitor
 - Need to make an incentive
- **Leverage Existing Established Systems**
 - Sales automation reporting, support ticket system
 - QA & maintenance systems
- **Improve Information Gathering/Cleansing Processes**
 - Not just strategy planning – part of everyone's execution responsibility
 - Use in operational what-if
- **Use Consolidated Program Activity as Operations Guide**
 - Ensure culture of operational criteria is understood and agreed
 - Debate the priority not the just the accuracy of the data

Leverage what you have, and build new processes to align.



Concluding Observations

- **ROI is an Easily Understood Concept**
 - However hard to put in a repeatable and predictable process
 - Must manage information in such a way that it is not lost or misunderstood in various operational modes
- **The Product RoadMap is a Very Effective Operational Dashboard**
 - Must be delivered as part of a transparent process
 - Must have interpretation, context, and awareness across several languages
 - Be based on key operational criteria
- **Managing Information is Essential to Making Informed Investment Decisions**

Making better investments leads to better results.



Credits & Additional Information

^{1,2} Kotter, J.P. (1999), John P. Kotter, 'on what leaders really do'.
Boston: Harvard Business School Press

³ Roos & Roos, Edvinsson, and Dragonetti (1998),
Advancement and survival activities are introduced in the
following book: Intellectual Capital. New York University Press

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Questions?

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