

## Client Snapshot: 5 Practices for Successful Co-Development

BY NOEL SOBELMAN

Moving away from DIY (“do it yourself”) innovation and collaborating with development partners outside an organization’s four walls is nothing new. Today’s companies are proactively teaming up with customers, suppliers, and universities to develop new products and solutions, and this trend is continuing to grow. However, too many companies are approaching this “co-development” with an ad hoc or opportunistic approach, and as a result, are only achieving pockets of success.

A well-executed co-development strategy can work to an organization’s advantage, delivering significant productivity and R&D efficiency gains, improving asset utilization, and increasing end-customer satisfaction. This Kalypso client snapshot demonstrates the power and success that a strategic approach to co-development can have in transforming an organization when the right strategies are put in place to guide R&D partnering decisions.

### Overview

A large, global health care company - a market leader in the development and commercialization of consumer heart rate monitoring devices - had recently experienced some setbacks on a project that involved a complex R&D collaboration. Two years earlier, the company had licensed a promising new wireless technology that could, in concept, transform its consumer heart monitoring product line by altering how athletes monitor heart rate and breathing while working out. The concept, a wearable device the size of a watchband, provides functionality equivalent to a product currently on the market but is one-tenth the size, uses a fraction of the power, and costs significantly less to operate.

Despite all of the promise, the company struggled to get the concept into development due to a lack of in-house technical expertise and realized it would need to collaborate externally. Historically lagging behind its competitors in R&D productivity, the company had some experience working with external partners but quickly realized it needed to think more strategically about its approach to collaborative development as an organization.

Over the course of eight months, the company worked with Kalypso to design and implement strategic and operational process disciplines that are fundamental to collaborative development success. Core elements of this process include the five practices featured below.

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# VIEWPOINT

## 1. Set Cooperative Development Goals & Partner Criteria

Through a series of strategic planning workshops, the senior management team articulated a set of desired outcomes and spelled out how the company intended to use partners to achieve its innovation objectives. Once established, these goals and objectives would serve to guide partnering decisions, which previously were made on an ad hoc basis by project teams seeking to solve specific project challenges with little regard for overall business strategy. Going forward, partner selection would be based on such factors as core development competency, technical risk, resource capability, IP leverage, operational leverage, market access, and alignment with product line objectives.


## 2. Analyze the Value Chain to Determine Partner Fit

Once cooperative development goals were set and the company understood which elements of product delivery it excelled in, the role of the development partners became very clear. The company broke its product line down into logical subsystems and analyzed the value chain for each component to determine whether it should be developed internally or externally. Components that were core to the company's competitive advantage, were important to the customer, or had high strategic value were kept in-house, while parts that required high-volume, precision manufacturing were outsourced. This way, the company did not have to invest in the capital, resources, and time needed to develop a manufacturing capability someone else had already perfected.

However, the company, realizing the strategic importance of the new product platform to the current product line's value proposition, did maintain a close involvement with the manufacturing partner and even included a representative on the platform's core development team.

## 3. Structure Teams to Ensure Support

Once the company chose which subsystems to outsource, it developed a partner management structure, internal teams, and infrastructure that were required to support each relationship. The level of support depended on several factors, including how critical the subsystem was to the platform, the number of platform derivative projects impacted, the anticipated partnership duration, and the level of technology integration. More critical relationships required more support infrastructure and senior management attention. A dedicated supply chain lead was assigned to manage the platform's manufacturing partner. This person was responsible for both business and execution elements of the project and served as the primary conduit for information flow to and from the partner.



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## 4. Determine What Role to Play in Quality Management

Partner quality management was another key factor for the organization. The company considered the following three approaches: 1) requiring the partner to adopt its existing quality management systems, 2) allowing the partner to operate under its own set of procedures, or 3) taking a hybrid approach. After a review of the proposed manufacturing partner's quality management practices, the company chose to maintain an oversight role and operate under the partner's quality procedures to ensure clear, unambiguous responsibility for manufacturing quality assurance throughout the platform's lifecycle.

## 5. Articulate Co-Development Strategy from the Top Down

When communicating the newly formed collaborative development strategy and platform decisions to the wider organization, senior management made clear: 1) the primary purpose for going outside (or keeping inside), 2) the types and number of partnerships it would seek, and 3) the anticipated management structure necessary to govern each relationship. Clear articulation of the co-development strategy helped ease concerns and guide project decisions and activities, as the rationale and benefits of partnering were now clear to the business development, product development, partner management, and supply chain teams that needed to execute.

## Outcome

Experience has shown us that an effective co-development strategy and approach can:

1. Increase new product throughput while lowering the R&D cost structure.
2. Allow resource managers to make better staffing decisions and manage project timelines when clear outsourcing objectives are in place.
3. Free up resources to be reallocated to higher value projects.
4. Help manage key partners more effectively because there is clear ownership and accountability for success.
5. Align product roadmaps with company strategy that highlight and exploit collaboration opportunities.
6. Improve the odds of success when dealing with development partners (i.e., more productivity and fewer outsourcing missteps).

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