Dear Reader,

The last phase of our initial journey is complete!

For the past two years, the International Foodservice Manufacturers Association (IFMA) Members and Stage-Gate International have been working to create innovation standards in foodservice. The effort focused on new product development (or “ideas to launch”). A three phase roadmap was developed to understand and build these frameworks: Phase 1 (Foundational Understanding), Phase 2 (Benchmarks) and Phase 3 (Best Practices). This whitepaper is the output of Phase 3 and contained within are four ready-to-use tools that can be employed in your organization and used with your customers for better innovation efficiency.

These tools and the information contained throughout was developed and supported by the following innovative companies.

Along with them, the following operators also contributed to the work: Dunkin’ Brands, Starbucks, and Wendy’s. We thank all of these industry leaders for their work and dedication to innovation.
Though we are done with this body of work, The Center of Innovation Excellence will turn its focus to other areas of innovation, unraveling the nuances of foodservice for the betterment of our industry.

If you are interested in learning more about IFMA, the Center of Innovation Excellence or Stage-Gate International, please go to www.ifmaworld.com.

Sincerely,

Larry Oberkfell  
President & CEO  
IFMA
Dear Reader,

My company has been involved with Center of Innovation Excellence since 2012. Although PepsiCo Foodservice has an innovation process, we knew that this work would refine and expand our current process, serve as a guideline for the industry to increase collaboration amongst trading partners and provide much needed best practices. With IFMA Members’ guidance and Stage-Gate International's expertise, this work is sure to be an important component of any company’s process, regardless of their level of sophistication or amount of resources.

Sincerely,

Doug Allison
Vice President of Industry Relations, PepsiCo Foodservice
Chairman of the 2013 IFMA Center of Innovation Excellence Committee
Authors

Michelle Jones is an author, speaker and consultant to industry in the field of innovation management. She has 20 years experience commercializing and launching new business models, products and services, and has worked with numerous companies of all sizes and industries around the globe. She draws on an exceptional track record leading product innovation transformation programs including: idea generation and Stage-Gate® systems to strategic portfolio management and product innovation technology strategies, to success. She is the EVP and Chief R&D Officer at Stage-Gate International, where she directs the development of research, products and services for companies striving to achieve innovation excellence. Michelle has an MBA from the University of Western Ontario and is a certified New Product Development Professional (NPDP).

Garen Roukhkian is an Engagement Manager with Stage-Gate International’s Global Consulting Services. His expertise spans innovation strategy, projects portfolio management, idea-to-launch process design and optimization, and change management. Garen has spent 12 years in the food industry, leading cross-functional teams in bringing new products to market. Garen holds an MBA from the Rotman School of Management, a Master of Science degree from the University of Illinois.

Chris Partridge is a Senior Consultant with Stage-Gate International’s Global Consulting Services. Chris has over 15 years of experience with new product marketing in both the Business to Consumer and Business to Business Markets. He has participated in dozens of regional, national and global new product launches, and has helped companies implement and improve their idea-to-launch new product processes to manage risk and improve productivity. Chris has an MBA in Strategic Marketing from McMaster University and is a certified New Product Development Professional (NPDP).

Publication Team

Shanul Srivastava is a Research Manager at Stage-Gate International and served as the lead publication manager in the production of this white paper. Shanul holds an MBA in Strategic Marketing from McMaster University and a Bachelor of Electrical and Electronics Engineering degree from Birla Institute of Technology and Sciences, Pilani-Dubai, United Arab Emirates.

Devon Gerchar is Director, Member Value at IFMA. She has over 25 years of foodservice industry experience and has worked in market research, strategy, database consulting as well as in various marketing roles at brand giants Unilever Food Solutions and Reynolds Packaging Group prior to joining IFMA in 2010. Her role consists of supporting and promoting new IFMA programming (including the Center of Innovation Excellence) and managing current offerings that provide manufacturer members market insights and best practices for further education and increased success.

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Contributors

We would like to acknowledge the following manufacturers and operators in the foodservice industry, as well as IFMA’s leadership team for sharing their valuable insights through innovation roundtables and interviews that were instrumental in the development of this whitepaper.

IFMA Founding Members

**Aryzta**
  Judy Karner, VP, Marketing
  Veronica Cueva-Beach, VP of R&D/Innovation

**Barilla**
  Bryan Koster, National Accounts Manager

**Barrier Safe International**
  Derek Warneke, VP, RA / QA / R&D

**Basic American Foods**
  Gulbin Hoebrechts, VP, Innovation
  Dean Veurink, Sr. Manager, Innovation & Development
  Heather Miller, Insights Manager

**Bunge Limited**
  Bill McCullough, VP, Marketing

**C.H. Guenther & Son, Inc.**
  Jennifer Michaelis, Sr. R&D Manager

**Coca-Cola**
  Ben Shanley, VP, Distributor Development
  Chris Elsbury, Director, Knowledge & Insights

**ConAgra Foods Lamb Weston**
  Robert Owen, Marketing Director
  Tony Henson, R&D Director

**CSM Bakery Products**
  Alfredo Ortiz, VP, Sales
  Marla Cushing, Director Foodservice Marketing

**Dannon**
  Eric Jeannette, Manager NPD and Innovation

**General Mills**
  Amy Abouelenein, ITQ Director
  Jon Overlie, Manager, Global Consumer Insights

**Hobart (Illinois Tool Works)**
  Bill Sullivan, Group President
  Mark Bauer, Director, Business Development
  Kathy Downie, Director, Electronics

**Insight Beverages**
  Andrew Dun, VP, Business Development

**International Paper**
  Robert Rehm, Director, Business Development
  Terry Emehel, Director of Marketing & Strategy

**J.M. Smucker Company**
  Ken Miller, VP and General Manager, Foodservice
  Tim Knowlton, Director, R&D – Foodservices

**J.R Simplot**
  Mary Thaete, Director, Core Innovation

**Kellogg Food Away From Home**
  Ben Wexler, VP, Marketing & Commercial National Accounts
  Paul Darrow, Innovation Business Director

**Kerry Foodservice**
  Corrie Bryon, VP, Brand Group

**Kraft**
  Fred Paglia, President, NA Foodservice
  Nadia Grandus, Director of Foodservice CIS

**Land O’Lakes, Inc**
  John Schmitz, VP and GM Foodservice
  Patrick Aaberg, Marketing Manager

**Lyons Magnus**
  Kent Walrack, President and COO Dairy & Contract Divisions

**McCain Foods Limited**
  Joe Bybel, VP, Marketing & Innovation
  Maria Ellis, Sr. Director Marketing, North America
  Cindy Hradil, Group Manager, Marketing Innovation
New Product Development: Best Practices in Foodservice

**Nestle Professional**
Kimberly Lehouiller, Director, Branded Culinary Business Development
Tim Coughlin, Director Culinary Development

**PepsiCo Foodservice**
Doug Allison, VP, Industry Relations and Communications

**Procter and Gamble Professional**
Norb Mayrhofer, VP, Global Professional

**Rich Products Corporation**
Dinsh Guzdar, VP of FS Marketing
Michelle Bulan, Director, Operational Process - Innovate/Renovate

**Sara Lee Foodservice**
Don Davis, SVP & General Manager
Kristin Bird, VP of Field Sales and Customer Marketing
Alicia Staker, Senior Manager, Innovation - Foodservice Bakery

**Sargento**
Rod Hogan, VP of Innovation
Sue Bietsch, New Business Development Director

**SCA Tissue North America**
John Riley, Global Product Director – Foodservice
Carli Abraam, Segment Development Manager

**Schwan’s Foodservice**
Jim Clough, President
Carol Willenbring, Sr Marketing Director - Innovation & Insights

**Surlean Foods**
Mike Cannon, VP Foodservice Sales & Marketing
Jeff Osburn, Director, Product Management

**Sweet Street Deserts**
Rick Kirkpatrick, VP, Sales & Marketing
Holly Markovitz, New Product Manager

**The Bama Companies**
Joe McDilda, Director, R & D

**The Original Cakerie**
Doris Bitz, VP, Sales & Marketing
Sue Ross, VP, Product Development and Innovation

**Unilever Food Solutions**
Simon Marshal, President
Deenya Rabius, Director of Marketing

Toby Campbell, Senior Global Category Marketing Manager

**Ventura Foods**
Terry Splane, VP, Marketing
Marci Needham, Manager, Insights

**Operators**

**Buffalo Wild Wings Grill and Bar**
Sylvia Matzke-Hill, Director, Research and Development

**Brinker International**
Darryl Mickler, Senior Director, Culinary Innovation

**Culver’s Franchising System**
Jim Doak, Director, Research and Menu Development

**Del Taco LLC**
Mike Salem, Senior Director, Research and Development

**Dunkin’ Brands**
Stan Frankenthaler, VP, Global Product Innovation & Executive Chef

**Perkins & Marie Callender’s Inc**
Bobbie Mellard, VP, Purchasing and Distribution

**Red Lobster**
Michael LaDuke, Senior Director, Culinary Development

**Starbucks Coffee Company**
Mary Wagner, SVP, R&D/Q&R

**The Wendy’s Company**
Shelly Thobe, Director, Menu Innovation

**IFMA Leadership**
Larry Oberkfell, President and Chief Executive Officer
Jim Green, Vice President, Strategy and Member Value
Devon Gerchar, Director, Member Value
New Product Development: Best Practices in Foodservice

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Executive Summary

In recent years, foodservice executives have increasingly turned to product innovation to grow their businesses. However, the quest for new product performance has been met with mixed results. While some companies seem to effortlessly produce one new product success after the next, others struggle with failure and disappointment.

During the Phase I and II, New Product Development (NPD) performance benchmarking initiatives, we validated that a group of companies is indeed profiting from their new product efforts. In fact, they are achieving 22% more sales and 20% more profits from their new products than their average performing counterparts. They are also 7 times more likely to launch commercial successes and 3 times more likely to meet their market share and distribution objectives.

We also discovered that when it comes to product innovation, this group of best performing businesses behaves in a similar way. That is, they all perform certain practices with a particularly strict discipline, regardless of the product or business strategy they elect – developing branded products for broad markets or developing custom products for their customers.

During this phase, Phase III, in particular, we were intrigued to discover how foodservice organizations approach 4 key practices:

- Evaluating and Select NPD Projects
- Defining NPD Strategy
- Collaborating to Develop New Products
- Learning from NPD Successes and Failures

In summary, this is what we learned:

1. **Effective project selection means timely decisions and requires discipline.** The foodservice industry is competitive and moves fast. To capitalize on new product opportunities, top performers don’t just rely on the business acumen of their business leaders to make good project selection decisions. They instill an organizational discipline around accountability, transparency and due diligence, and leverage a few key practices and tools to achieve this.

2. **A clear product innovation strategy enables speed to market.** The foodservice industry is abound with opportunity, especially when you have innovative ideas and products to offer. To win in this vast marketplace, top performers make strategic choices. They engage their
business leaders to determine the purpose and role new products will play to enable the successful execution of the businesses’ strategy. This clarity produces speedy decisions and a more focused effort.

3. **New product collaboration can unlock significant value, but we must choose wisely.** The foodservice industry’s highly integrated network and multi-player value chain presents unique opportunities for new product collaboration. To realize the rewards, top performers screen for product innovation projects and partners that match their business goals, and are well suited to their innovation capabilities.

4. **Break the cycle of repeating the same mistakes; learn from your successes and failures.** To stay one step ahead of customers (and competitors), top performers capture key learning from each new product project. Their NPD process design reflects the memory of all of its NPD successes and failures, and serves to navigate leaders and teams alike through an otherwise chaotic process.

We encourage you to please read further and use the numerous ready-to-implement tools introduced in this whitepaper, so that you too can discover how to develop winning new products!
Selecting the Best New Product Projects

The Value of Decisions

How foodservice manufacturers approach decision making regarding new product development (NPD) projects can have a profound effect on the success of their overall innovation program. Specifically, the ability of decision makers to deliver timely decisions is critical to success in this fast-paced industry, regardless of the innovation strategy pursued (branded products, custom products or both).

Yet, NPD is one of the riskiest and most complex activities a business can undertake, which makes timely decision making a daunting task. Often, significant investments are at stake with many uncertainties at play, especially early in the life of a project, when there is little or inaccurate information on which to base a decision. These risks are amplified in the foodservice industry, due to the high degree of integration and a large number of stakeholders with diverse needs that exist within the value chain. See IFMA’s depiction of the Foodservice Value Chain, exhibit 1.1.

Exhibit 1.1: Foodservice Industry Value Chain

Delivering the Consumer Value Proposition in Foodservice™

Consumers

Operators

Retailers

Manufacturers

Source: International Foodservice Manufacturers Association
“A critical requirement of any innovation program is maintaining an effective ‘decision factory’. You want sound decisions made by those most knowledgeable on business needs and work involved, so that your best projects are resourced.”

- Mary Wagner, SVP, R&D/Q&R
  Starbucks Coffee Company

As customers (operators) become more proficient at developing products, they see their cycle-times decrease, putting even more time pressure on manufacturers to both, respond to project requests (Yes/No), and to execute product development. For example, most operators usually complete at least two stages of their NPD process before inviting manufacturers to participate. At this point, the operator is entering its most costly and time sensitive stage (development), whereas the manufacturer is entering its first stages (exploration & business feasibility). For the manufacturer, this means that acting on even a modest request for a ‘sample’ can translate into a project moving through all stages of their new product development process, with the operator still in its development stage. The significant time pressure on manufacturers to respond to customer requests makes timely decision making critical.

Foodservice executives cite key challenges to making timely decisions as: 1) Lack of relevant high quality information presented in a concise, useful format, 2) Lack of visibility to all projects competing for the same resources (for comparison) and, 3) Challenges inherent in soliciting the point of view of all the key stakeholders, in a timely fashion. Lastly, absence of a quality NPD process to navigate leaders through these challenges typically results in suboptimal project selection.

Failure to deliver timely decisions that surface your best projects can lead to at least three disappointing results:

1. Impact on Customer: The longer it takes to respond to your customer, the greater the chance of missing the opportunity to do business with them. Alternatively, hasty decisions to develop unattractive products could result in potential market failure, which not only diminishes the manufacturer’s reputation, but also that of its customer.
2. Impact on Business Strategy: A higher likelihood that the manufacturer will undertake more of the smaller ‘urgent’ projects rather than the less urgent but very important projects that can advance the business strategy.
3. Impact on Speed to Market: A greater probability that the organization’s NPD resources are over extended and deployed across too many active projects, resulting in resource gridlock.

“The risk of making a bad decision is more visible than not making a decision at all”

- Tony Henson, Director R&D,
  Conagra Foods Lamb Weston
Learnings from Benchmarking

In July 2012, IFMA and SGI collaborated on a groundbreaking, first of its kind benchmarking study on NPD practices in the foodservice industry. This study concluded that top performing foodservice businesses surface and resource their best projects through a disciplined approach to decision making, sometimes referred to as ‘Gates with Teeth’ or Governance (see exhibit 1.2).

The correlation between performance and the presence of an effective decision making framework is not unique to the foodservice industry. In another recent cross-industry benchmarking study conducted jointly by SGI and American Productivity & Quality Center (APQC), presence of an effective decision framework was also correlated to innovation performance.

In summary, top performing businesses make timely project selection decisions that enable them to prioritize their projects and allocate scarce resources to the most deserving or promising projects.

A Framework for NPD Project Selection

One of the most important ways foodservice business leaders can support a successful product innovation agenda is to deliver timely Go/Kill decisions. To make it easier for business leaders to engage effectively, your new product development process should include a framework for NPD project selection that addresses the following:

- Visibility to other projects (not just the specific project being evaluated) for comparison purposes (as these other projects are competing for the same scarce resources).
- Project prioritization to facilitate Hold and Kill decisions when resources are at capacity.
- Multiple decision points that afford decision makers the flexibility to discontinue a project, should its attractiveness deteriorate.
- A mechanism to ensure that decision makers are receiving specific information that is relevant for making decisions.

Over the next few pages we introduce a framework for NPD project selection and 4 highly effective tools:

1. NPD Project Evaluation Criteria
2. NPD Project Evaluation Scorecard
3. NPD Project Attractiveness Score

Companies can choose to implement all or parts of these tools to meet their unique needs (See ‘Special Note: Using Innovation Tools’ on page 41).

1. NPD Project Evaluation Criteria

The following criteria (exhibit 1.3) are used to successfully separate winners from losers, not only in top performing foodservice organizations, but in many other industries as well. Important to note is the holistic nature of the set of criteria and the move away from singular criterion such as “financial attractiveness”.

**Exhibit 1.3 – Popular NPD Project Evaluation Criteria**

<table>
<thead>
<tr>
<th>Criteria for NPD Project Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Fit</td>
</tr>
<tr>
<td>Product and Competitive Advantage</td>
</tr>
<tr>
<td>Market, Channel, and/or Customer Attractiveness</td>
</tr>
<tr>
<td>Competency Requirements</td>
</tr>
<tr>
<td>Technical Feasibility</td>
</tr>
<tr>
<td>Financial Reward vs. Risk</td>
</tr>
</tbody>
</table>

Also, using transparent and standardized success criteria lends objectivity to your project selection decisions, and when used consistently, can improve participation and alignment of a broad set of stakeholders.

2. NPD Project Evaluation Scorecard

While many foodservice organizations report that using criteria helps them to focus project evaluations, and improve decision success; criteria alone is insufficient for organizations managing large number of projects. These organizations have evolved their criteria into a scorecard format to achieve two additional improvements:

- Quantify the merits of each project
- Capture the wisdom and guidance (via their scores and vote) of each decision maker.

The NPD ‘Project Evaluation Scorecard’ (exhibit 1.4) is a functional tool designed to capture the rationale of an individual decision maker (i.e. why the decision maker scores the way s/he does). Ideally, each decision maker completes a scorecard for each project at each decision point (gate).

This occurs after they receive a package of information (i.e. project deliverables or gate presentation), but before a final decision is rendered. Doing so, encourages fact-based and objective evaluations.

Alternatively, and/or additionally, project teams can complete the scorecard to communicate their Go/Kill recommendation to decision makers. Scorecards provide objectivity (even though decision makers complete private evaluations), with anchor descriptions that normalize each rating on the scoring scale. Lastly, the introduction and use of scorecards specifically when individual decision makers are completing and/or submitting scorecards clarifies and implements accountability.

“Prioritizing projects becomes particularly critical when you have more projects than resources to complete them”

- Sue Ross, Vice President, Product Development and Innovation, The Original Cakerie
How innovation tools such as NPD Evaluation Scorecards are used will vary from one organization to another. It is not only permissible to tailor the use of innovation tools but is encouraged, so as to meet the unique needs of your business.

**Option 1:** Request each decision maker to complete one scorecard per project per decision point (gate). Decision makers can compare score similarities and differences across scorecards.

**Option 2:** Request each project team to complete and submit one scorecard per decision point (gate). Decision makers ‘react’ to the degree with which the scores align with theirs.
3. NPD Project Attractiveness Score

Seasoned innovation professionals and business leaders alike confirm that the real value in using scorecards is the rich discussion that they generated, especially when several individual scorecards are summarized into one Project Attractiveness Score. Exhibit 1.5 illustrates a tool designed to focus discussion, reach alignment and accelerate project selection decisions. It displays the scores of each decision maker, across each criterion.

Low scores (5 or lower) and high standard deviations (2.0 or higher) are indicative of potential problem areas and/or risks that deserve a discussion. Ultimately the total score represents the project’s agreed-upon project attractiveness score and can be used to force rank and prioritize the project among other projects competing for the same resources. The Project Attractiveness Score tool also provides excellent learning opportunities and establishes quality expectations as it informs project leaders and teams of valuable insights.

Exhibit 1.5: Project Attractiveness Score

<table>
<thead>
<tr>
<th>Decision Makers</th>
<th>Strategic Fit</th>
<th>Product &amp; Competitive Advantage</th>
<th>Market, Channel and/or Customer Attractiveness</th>
<th>Competency Requirements</th>
<th>Technical Feasibility</th>
<th>Financial Reward vs. Risk</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluator 1</td>
<td>7</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>Evaluator 2</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>Evaluator 3</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>42</td>
</tr>
<tr>
<td>Evaluator 4</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Attractiveness Score (Average)</th>
<th>6.25</th>
<th>7</th>
<th>8.5</th>
<th>7</th>
<th>4.75</th>
<th>7</th>
<th>40.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviation</td>
<td>1.50</td>
<td>2.45</td>
<td>1.73</td>
<td>2.45</td>
<td>1.50</td>
<td>2.45</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Visual Overview of Project Score
Project leaders and teams can learn from the completed score to better understand the key elements that define project attractiveness, strengths and weaknesses, and prepare effective go forward plans, accordingly. For example, the project scores illustrated in exhibit 1.5 indicate concern with technical feasibility. This informs the team to focus their efforts in resolving the degree of technical risk, during the next stage of work.

There are many ways foodservice organizations can evolve the use of Project Evaluation Scorecards.

For example, exhibit 1.6 illustrates a customized Project Attractiveness Score/Matrix used by Illinois Tool Works (ITW) to visually depict the opportunity potential of a new product projects.

“*The value of the matrix is that it allows decision makers to ask more pointed questions on the project’s key issues as well as guide the project teams to ask themselves, ‘Do we have adequate data?’*”

- Mark Bauer, Manager, Business Development, Illinois Tool Works (ITW)
New Product Development: Best Practices in Foodservice

4. Align with the Information Needs of Decision Makers

Perhaps the most frustrating gap in expectations between decision makers and NPD project teams rests with the information that is provided (or not) at each decision point. While, decision makers tend to focus on business value, teams focus on the project’s technical completeness. This mis-match of expectations at decision points can result in decision delays as projects are ‘recycled’ for the missing information.

An effective way to align project teams to deliver the type of information most relevant to decision makers is the Project Evaluation Scorecard (recall exhibit 1.4). Instruct teams to synthesize project data completed to date, into a concise executive summary (e.g. within a range of 2-6 pages maximum) organized by each criterion. This can help decision makers to expedite their evaluation and subsequently their Go/Kill decisions. Additionally, it helps teams to appreciate the key questions every decision maker is trying to address, as illustrated in exhibit 1.7.

Exhibit 1.7: High Level Information Needs of Decision Makers

Selecting which projects to invest in will inevitably result in some “Kill” decisions and this is not only acceptable, but necessary. NPD project ideas and customer requests may start-off attractive but not all of them will remain so as they unfold. As you take a closer look at strategic fit, product advantage, technical and operational feasibility, attractiveness of market(s), required competencies, risks and profitability, it is inevitable that some will deteriorate. Stop these projects, as soon as they deteriorate, and allocate the resources to the winning projects.

Many foodservice executives report that it’s not the one big investment decision you need to worry about, as those projects are usually scrutinized quite carefully. It’s all of the small projects and customer requests that get approved without scrutiny because they are small or lower risk. This is the real issue, because you might be surprised that when added together these projects can represent upwards of 60-70% of your total NPD spend, and offer little financial return or strategic advantage.

Note: Killing NPD Projects

Cultivate the discipline to stop projects earlier in their development stages rather than later:
- Tools like criteria & scorecards enable decisions & make it easier to communicate them
- Clarify hurdles & expectations upfront
- Nominate the right person to deliver the decision message in person
- Be transparent and share specific information with key stakeholders including internal teams, customers and/or suppliers
- Do offer customers other viable options
- Do confirm the importance of a correct ‘Kill’ decision & the benefits to the organization
Clarifying Your Product Innovation Strategy

A Clear Innovation Strategy Enables Speed to Market

The sum total (e.g. FTEs) & the mix of a businesses’ total NPD spend (i.e. all projects) is the most accurate way to describe the product innovation strategy being implemented by the company. After all, each decision we take is an action to move forward in the direction we want to take our business. Sadly, many foodservice organizations unnecessarily miss the opportunity to truly leverage their product innovation capabilities to advance competitive business strategies. Without an innovation strategy to guide new product and technology effort and project selection decisions, companies risk sub optimal performance, which typically manifests itself in the form of the following symptoms:

- Lack of alignment on project Go/Kill decisions
- Disappointing performance results
- Difficulty making timely decisions
- Few confident ‘Kill’ decisions
- Poor quality NPD project ideas

Many business leaders cite ‘a lack of focus’, ‘a reactionary culture’ or ‘first come first served’ when describing the challenge of project selection, when an innovation strategy is missing or poorly defined.

“Having the organizational discipline to proactively define our innovation strategy – the products, technologies, markets and capabilities to develop and the customers and suppliers to partner with – focuses our efforts. The alternative – having the same conversation over and over again each time we discuss a project – is painful.”

- Andrew Dun, VP, Business Development Insight Beverages

Product innovation strategy defines the objectives for an organization’s innovation program and provides direction for its innovation efforts. It is the weapon that leaders can and should use to accelerate decisions, focus resources, and nurture and develop capabilities for lasting new product success.

Communicating Innovation Strategy is as Important as Defining One

Defining your innovation strategy does not have to be complicated, and indeed many foodservice organizations already have the necessary ingredients to form a sound and clear innovation strategy. However, defining it is only half the battle. Even the best strategies fail if they are not understood by the people doing the work to contribute to and execute them. Effectively executing your innovation strategy boils down to communicating it to your organization, in easy to understand and actionable terms.
“We are realizing the benefits of clarifying and broadly communicating our Menu Innovations Strategy- everyone knows what our top priorities are and can move more quickly to advance implementation”
- Shelly Thobe, Director, Menu Innovation, The Wendy’s Company

You can judge the effectiveness of your innovation strategy, by observing whether your people are proactively contributing to ensure its execution and success.

In the next few pages, we introduce a framework that foodservice organizations can use to clarify and communicate their product innovation strategy.

Companies can choose to implement all or parts of these tools to meet their unique needs (See special Note: Using Innovation Tools on Page 41).

**Align NPD Efforts Using a Simple and Effective Innovation Strategy Framework**

Follow these 5 steps to clarify and communicate a product innovation strategy for your organization:

1. Define the Performance Objectives and Role of your NPD Program
2. Clarify the Strategic Arenas in which to Focus Innovation Efforts
3. Allocate Resources to Key Arenas
4. Confirm Core Capabilities Required to Execute the Plan
5. Clarify your NPD Collaboration Plan

The following sections describe each component of this innovation strategy framework.

1. Define the Performance Objectives and Role of your NPD Program

Clarity around the company’s performance expectations of the NPD Program is paramount, and establishes a sense of purpose and urgency. To be a meaningful measure of the innovation success, objectives should quantify and communicate the effort in specific and measurable metrics, such as “By the year 2016, 30% of our sales will come from new products”. As a starting point to defining objectives or metrics for your organization, consider the most popular performance objectives or metrics used in the foodservice industry (see exhibit 2.1). The specific objectives appropriate for your organization will largely depend on the role that innovation plays in your organization.

**Exhibit 2.1: Frequently Measured NPD Performance Metrics in the Foodservice Industry**

The Role that NPD plays to support the business is typically a qualitative statement, clarifying its primary focus. For example, some companies often describe whether their product innovation agenda will enable ‘first to market innovation’ or ‘fast follower innovation’, to react to and support customer requests or proactively generate top line revenue and so on. How you describe the Role your NPD Program plays need not be lengthy or fancy, but should be clear and meaningful.

An aspect particularly relevant to the role product innovation plays for foodservice manufacturers is clarification regarding the orientation on branded products versus custom products. Exhibit 2.2 illustrates how one organization, Dunkin’ Brands describes the role culinary R&D plays to advance the business strategy. In it, specific performance expectations are called out, including the importance of collaborating cross-functionally.

Exhibit 2.2: Dunkin’ Brands Mission Statement

**Dunkin’ Brands’ Global Innovation and Culinary Team Mission**

*To drive profitable, top-line sales through the creation of Brand differentiated new menu items, categories and platforms across Dunkin’ Donuts and Baskin-Robbins restaurants throughout the world with a focus on delighting our guests, delivering the Brand strategies, and to meet our operational structure. Secondarily, to lead cross-functionally, targeted R&D solutions across all menu categories.*

2. Clarify the Strategic Arenas in which to Focus Innovation Efforts.

Strategic arenas are the products, markets or technologies your organization chooses to spend its new product efforts on. In choosing specific arenas, you are communicating your highest priorities or the areas that present the most attractive and/or important opportunities. You are also defining a playing field to focus your idea generation efforts. Finally, strategic arenas provide guidance for allocation and serve as the basis for an organization’s long-term resource planning and acquisition. The reality for many foodservice organizations is that they will likely need to express strategic arenas using a few dimensions. Example dimensions can include, but are not limited to:

- Markets/Channels/Geographies
- Product Categories/Product Lines
- Technologies, Processes, Platforms
- Innovation Types (e.g. Breakthrough, New Products, Modifications, etc.)

The selection of these dimensions depends largely on the nature of your business. However, resist entering into analysis paralysis and keep your dimensions somewhat simple. Strive to prioritize your NPD efforts to 3-8 key arenas. The discipline of proactively choosing strategic arenas is to
enable your organization to focus. Generating a long list of arenas defeats this purpose. Exhibit 2.3 illustrates a generic example of how a company could potentially portray their strategic arenas. In this generic example, the company chose to illustrate their strategic arenas at the intersect of platforms and types of innovations.

Exhibit 2.3: Example of Strategic Arenas

<table>
<thead>
<tr>
<th>Primary Platforms</th>
<th>Types of Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamburger</td>
<td>Breakthrough</td>
</tr>
<tr>
<td></td>
<td>New Product</td>
</tr>
<tr>
<td>Chicken</td>
<td></td>
</tr>
<tr>
<td>Beverages</td>
<td></td>
</tr>
<tr>
<td>Salads</td>
<td></td>
</tr>
<tr>
<td>Breakfast</td>
<td></td>
</tr>
</tbody>
</table>

What this chart conveys to their organization and its key stakeholders is the following:

- We want ‘breakthrough’ innovation ideas for “hamburgers” as this is a high priority
- We want new products for three key platforms (opposed to minor improvement ideas)
- We need only incrementally improve “salads” (opposed to breakthrough thinking or new products)

Of special note, choosing strategic arenas is not synonymous with approving a list of projects. Rather, strategic arenas aim to provide ‘guard rails’ or enough direction to focus efforts, but not too much detail (i.e. a project list) that it restricts creative thinking or flexibility.

3. Allocate Resources to Key Arenas

The key objective of resource allocation is to proactively divide your full time equivalents (FTEs) and funds in a way that mirrors your strategic priorities (i.e. arenas). In this respect, some foodservice operators and manufacturers, to varying degrees, have already adopted this best practice, sometimes referred to as “strategic buckets”. The practice calls for proactive decision making by senior leaders to assign NPD spending levels to each strategic arena. Successfully implementing this concept may require the organization to “ring-fence” the required people and capital resources, to ensure that priority strategic arenas are indeed receiving the resources intended for them. Thus, not only are resource allocations defined, but they also correspond with the strategic arenas selected by the organization. Exhibit 2.4 illustrates how a company’s total NPD resources (100%) have been proactively allocated to ensure high priority initiatives are resourced properly.

Exhibit 2.4: Example of Resource Allocations
Similar to selecting strategic arenas, there are many ways to define resource allocations, and each company should choose the dimensions that are most relevant to their business context. It is common for organizations to design multi-dimensional views of resource allocation, so that decisions are made not only by project types, but also by product lines, markets, segments, and even customers.

The primary purpose is to enable your organization to quickly gauge the degree of alignment between innovation strategy and NPD resource deployments, and course-correct resource allocations if needed, to ensure your NPD projects align with your strategy.

4. Confirm Core Capabilities Required to Execute the Strategy

A company’s product innovation strategy is not complete without confirmation that all competencies and capabilities required to execute the strategy exist. Whether your company’s innovation strategy intends to leverage your existing competencies or ‘step out’ and requires you to develop or acquire new capabilities, you will want to carefully assess the following types of NPD capabilities:

- Company Core Competencies: Includes Intellectual Property (IP), technologies, and ‘know how’ that your company masters to differentiate from your competitors.
- Resources, Skills and Capabilities: Includes number and type of people resources (e.g. engineers, culinary experts, ethnographers, nutritionists etc.) and their skill levels.
- Innovation Management Processes: Includes product development processes used to execute the various types of projects. The more diverse your intended portfolio of projects is, the more flexible your NPD process will have to be to accommodate the wide range of project types (because one size process does not fit all). Alternatively, some organizations tailor each process to support a specific type of project (e.g. 5 stage for new products, 3 stage for improvements, etc.). Confirming the NPD processes critical to your success is an important step in defining your product innovation strategy. Exhibit 2.5 illustrates an excerpt from one company’s, Insight Beverages’, Product Innovation Program. It highlights core product and technology capabilities as well as R&D and product innovation management processes, critical to achieve their business strategy.
5. Clarify your NPD Collaboration Plan

Foodservice business leaders confirm that collaborating with customers & suppliers to develop new products can unlock significant value. The multiple perspectives offered by the diverse stakeholders on the needs of the end consumers, can provide valuable insight essential for creating a market friendly product. It also affords participating partners the opportunity to capitalize on each other’s skills, expertise and capacity.

Successfully collaborating with customers or suppliers begins with clarity around the rationale to pursue partners. In the first place, operators and manufacturers are encouraged to proactively identify the specific customers and suppliers they believe would make good new product collaboration partners and why (e.g. selection criteria). Additionally, identify the types of innovation projects you seek partners for, and the types you do not wish to undertake with partners. Lastly, identify the people and skills needed to successfully undertake such projects and ensure they receive appropriate training. More on the benefits & types of new product collaborations in the next section, “Improving New Product Collaboration”.

“If we fall short in our innovation performance, one of the critical check points (for the Post-Launch Evaluation) should be upstream. We should double check the clarity of our innovation strategy and whether it has been successfully communicated.”

- Toby Campbell, Senior Global Category Marketing Manager, Unilever
Putting it all together

Regardless of the level of research or analysis you complete to develop and/or clarify your strategy, communicating it is what enables speed to market. Exhibit 2.6 offers a simple guide that illustrates the five elements together, complete with sample visuals and/or tool templates you can use to communicate your complete new product innovation agenda. Most top performers strive to communicate these essential elements of a product innovation strategy in a concise presentation format.

Exhibit 2.6: Example Table of Contents for Communicating Your Innovation Strategy

<table>
<thead>
<tr>
<th>Strategy Element</th>
<th>Description</th>
<th>Exhibit Example</th>
</tr>
</thead>
</table>
| **Objectives & Role of NPD**     | • Outlines specific quantifiable targets for your innovation efforts, supporting the overall business goals  
                                 | • Defines how innovation is used to achieve business goals                    | ![Increased Revenue Contributions from new products to 4% by 2015](chart.png)  
                                 |                                                                             | • See Dunkin’ Brands Mission Statement, exhibit 2.2                        |
| **Strategic Arenas**             | • Specifies area(s) of strategic priority where NPD development efforts are needed (e.g. channels, products, geographies, segments, etc.) | ![Strategic Arenas](chart.png)                                                   |
| **Resource Allocations**         | • Commits resources to strategic arenas, at a balance that is optimal for achieving NPD objectives | ![Current Allocation Target Allocation](chart.png)                               |
| **Innovation Capabilities**      | • Identifies critical capabilities (e.g. people, process and technology) that are necessary to achieve strategic objectives | ![Company Core Competencies](chart.png)                                         
                                 |                                                                             | • Resources, Staff Capabilities                                               |
| **NPD Collaboration Partners**   | • Defines the role of collaboration in supporting your new product development opportunities, and identifies strategic suppliers and customers desired to collaborate with | ![Customer Collaboration Partner Types](chart.png)                               |
                                 |                                                                             | • See New Product Development Partner Pyramid, exhibit 3.3                    |
Improving New Product Collaboration

Collaborating to Develop New Products

Foodservice business leaders cite 3 key reasons to collaborate with customers and supply partners when developing new products:

1. **Revenue.** Realize revenue that is not possible without collaborating.
2. **Capability.** Access to IP, technology or capability not currently present within the company.
3. **Speed.** Accelerate completion of a project by leveraging a partner’s resources and capacity.

Additionally, some leaders cite new product collaboration as a core element of their business model. For these businesses, collaboration is not viewed as a ‘means to an end’, rather, a way of life and an organizational competency critical to their success. Regardless of the collaboration strategy, business leaders in this industry share a common goal – a desire to improve new product collaboration performance and results. Yet, effective collaboration remains elusive for many organizations, especially for foodservice manufacturers, as evident from the numerous challenges they encounter on a regular basis. So, why do foodservice manufacturers experience so many challenges when collaborating to develop new products? As is the case for all business-to-business companies, products developed by foodservice manufacturers contribute to and/or become a component of their customers’ end product. This ‘multi-player’ value chain creates unique complexities for the business, when transactional product sales evolve to new product development investment decisions. As, in essence, we are combining two of the most difficult activities a business can undertake; and attempting to execute them simultaneously: Innovating new products, while aligning to and managing the business and cultural needs, however similar or different, of multiple partners, where one partner controls the vision. In a B2B market the manufacturer’s success is very much dependent upon its customers’ success at both innovating products & collaborating with partners. Hence it is vital that manufactures not only select the right NPD projects to invest in, but also choose the right customers to collaborate with.

**Note: Defining New Product Collaboration**

In the foodservice industry, collaboration refers to working cooperatively with customers, internal functions or with supply and trade partners. For the purpose of this paper, the term new product collaboration is more narrowly defined to describe when two or more businesses form a relationship with the intent to co-develop a product, where each business brings distinct value to the initiative to achieve something they each could not have achieved on their own.
For manufacturers, why do new product collaborations break down or fail? Some of the most common culprits include:

- Inability to kill the project, despite deterioration of the business merit/attractiveness of the end product. It is common to overestimate the new product capabilities and success rates of our customers.
- Lack of alignment among collaborating partners on performance goals, roles, priority, timing and degree of effort required (it is common to underestimate risk and effort involved).
- Poor resource assignment for key roles like project leader, culinary interface or customer liaison (it is common to focus on technical skills needed for the project at the expense of effective collaboration and relationship management skills).

One of the biggest fears reported by manufacturers entering into collaborative new product development is that their customers may cancel the order after the manufacturers’ new product development investment is delivered, but before break-even or any revenue is realized. This business risk, along with market and partner risks illustrated in exhibit 3.1, heightens the need for improved NPD project selection and new product collaboration partner selection.

**Exhibit 3.1: Types of Collaboration Risks**

<table>
<thead>
<tr>
<th>Market Risk</th>
<th>Partnership Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Threat of product (or sample) not selected by the customer</td>
<td>- No long-term partnership security</td>
</tr>
<tr>
<td>- Mismatch in volume expectations of customer and supplier</td>
<td>- Threat of operator moving along the value chain</td>
</tr>
<tr>
<td>- No guarantee that product will be a market success</td>
<td>- Potential dependence on other collaborators in delivering final offering to end consumers</td>
</tr>
</tbody>
</table>

**Learnings from Benchmarking**

The recent benchmarking study on foodservice NPD practices conducted jointly by IFMA and SGI concluded that top performers are more successful at collaborating with operators. Additionally NPD projects that had higher degrees of collaboration were more successful (see exhibit 3.2). This data suggests that there is some merit to pursuing new product collaboration initiatives and validates numerous business leaders’ desires to improve performance in this area.

**Exhibit 3.2: Impact of NPD Collaboration**

Improving Performance – A Framework for New Product Collaboration

Business leaders can improve new product collaboration performance by introducing clarity around the types of new product collaboration relationships the organization intends to pursue and, equally as important, not to pursue. The New Product Development Partner Pyramid, exhibit 3.3 below illustrates four of the most common types of customer-supplier relationships encountered by foodservice manufacturers. The partnership models presented in the pyramid vary on a multitude of dimensions such as; degree of risk & reward, product customization and/or development, partners’ value levers, complexity of relationship, ease with which to switch partners, typical resource commitment levels and likely degree of cross-functional collaboration throughout the project.

As demonstrated by the y axis, each relationship type drives an increasing commitment of time and effort, namely for the supplier, but for the customer as well. The two types at the top of the pyramid not only require cooperation and resources from the NPD/R&D organizations of both the customer and supplier, but also see the most risky types of innovation projects (e.g. new-to-the-market innovations and new products). The purpose of introducing this tool is to guide business leaders to more easily recognize the degree of both, product development and partner collaboration risk associated with each type of opportunity that presents, so as to enable timely project selection, and resource allocation and assignment decisions.

Exhibit 3.3: New Product Development Partner Pyramid
Not all NPD projects involving customers are the same, nor do they entail the same level of risk, or effort to execute. This seems intuitive to business leaders who frequently engage with their customers in such contractual discussion. However, if these subtleties are not well understood by the NPD organization or team(s) assigned to execute NPD collaboration projects, it is likely there will be a mismatch of expectations and they may not be met. This common language is intended to accelerate partners’ abilities to reach and manage to intended expectations and therefore serve many important uses for manufacturers, all of which are enablers of speed:

- Provides the customer facing Sales/Business Development organization with a tool to recognize and communicate the appropriate new product collaboration relationship needed to successfully manage customer expectations.
- Guides the Sales/Business Development organization to recognize and route customer new product requests into the businesses’ product development process, when appropriate, to benefit from the degree of rigor best suited for that particular project.
- Informs Supply Chain and/or Procurement about which customer requests prove efficient to execute themselves, and when it becomes critical to involve R&D or New Product Development resources (i.e. strategic new product partner & enabling supplier type projects) and work within the businesses’ product development process.
- Informs R&D or New Product Development on how best to staff and execute the various types of new product collaboration projects and how to structure plans to accommodate the degree of project risk and coordination.

**Types of New Product Collaboration**

On the one end of the spectrum, the pyramid describes ‘Supplier’ which is a type of relationship that is largely transactional by nature. Typically, a customer procures an ‘available’ product from the manufacturer. R&D and NPD resources are not involved.

On the other end of the spectrum, the pyramid describes ‘Strategic New Product Partner’ which is a type of relationship that is largely collaborative by nature. In these types of initiatives, the details of the actual end product are highly uncertain and collaborative development work is guided by vision and performance goals jointly established by the partners involved.

“True collaboration requires commitment of time, money and resources. It’s an investment, therefore, finding the right customer is critical”

— Terry Splane, VP, Marketing, Ventura Foods LLC
“The key to collaborating successfully on new product development projects is to achieve alignment with customers and suppliers as early as possible”

- Michelle Bulan, Director of Operational Process Innovate/Renovate, Rich Products Corporation

Naturally these types of initiatives call for upfront discussions to reach alignment on several dimensions including, but not limited to: shared reward, risk, and knowledge; partner value-add, roles and contributing team members; alignment on approach including NPD process structure, milestones, decisions, co-locations and use of capital. These types of collaborations, due to the size of investment and/or their importance to the business strategy, often involve the most senior people within the organization and tend to receive priority status. Exhibit 3.4 illustrates how one company, Insight Beverages, approaches this type of discussion with their customer(s) with some degree of structure specifically highlighting the value-add they can bring to the collaborative effort.

Exhibit 3.4: Insight Beverages’ Collaborative Idea Generation Model

The collaboration relationship types within the middle section of the pyramid, ‘Preferred Supplier’ and ‘Enabling Supplier’, require our closest attention as these types of projects can escape the scrutiny typically afforded to larger, riskier projects.

The ‘Enabling Supplier’ is a type of relationship that requires the supplier to collaborate with their customer typically because their product, IP or technology is at the core of the customer’s defined solution. Therefore, there is a certain degree of coordination required to ensure the product ‘fits’ within the customers’ solution (e.g. a unique ingredient that must ‘fit’ into a new menu offering). In these types of initiatives, the actual end product goal is fairly certain, however, the degree of development effort required to ensure the product ‘fits’ into the customers’ end solution, can be uncertain. The collaborative development work (effort and timeline) is guided by performance goals that are typically established by the customer and heavily influenced by the performance of other collaborating partners. These types of initiatives call for some upfront discussion/understanding to reach alignment on several dimensions including, but not limited to: defined reward and risk; knowledge and IP; expected value-add, roles and contributing team members (especially when involving multiple collaboration partners); customer expectations on approach including NPD process structure, milestones, decisions, co-locations and use of capital). With these types of requests, it is paramount that the manufacturer affords itself the best possible
forecast of efforts, so as to more accurately assess the probable return on investment.

Last but not least is the ‘Preferred Supplier’ relationship. In this type of relationship, the supplier is providing a customer with a product, which is considered to be the customer’s ideal choice. Given the success of the relationship, it is only natural for customers to first approach their preferred suppliers with new ideas that may involve what the customer perceives as a minor ‘tweak’ to an existing product. The product requirements are fairly certain to the customer (e.g. a specific change in size, weight, format, color etc., to help the customer differentiate). What is important to note is that while the customer may invite their preferred supplier to respond to such a product request, but they do not consider their request to be a new product collaboration effort with the supplier, as they do not intend to invest their own NPD resources into the development of this product. Rather, the customer is simply offering its preferred supplier an opportunity to supply a specific product which, in many cases can be procured from someone else. In such situations, the dilemma faced by the manufacturer is to either risk their preferred supplier status by choosing NOT to develop the modified product, or risk the NPD investment to modify the product if the customer does not proceed with the order. With these types of customer requests, it is paramount that the manufacturer affords itself an accurate forecast of the technical effort involved with these so called ‘tweaks’ as often their scope ‘creeps’ and erodes margin.

Not all samples convert to orders or profitable new product launches. In a recent benchmarking study conducted by IFMA and SGI in July 2012 on NPD practices in the foodservice industry, we discovered that almost half of the typical foodservice organizations’ NPD spend is allocated to lower risk (and smaller payoff) NPD projects (e.g. incremental improvements, line extensions etc.), but not necessarily by design. Business leaders are often surprised to learn that such a high percentage of their total NPD spend is being used this way. The culprit? Individual project decisions for smaller projects may seem unimportant and escape scrutiny, however, they can add up to a fairly large portion of an organization’s portfolio spend, if go unchecked.

Exhibit 3.5 illustrates how one manufacturer provided visibility to its new product request ‘win ratio’ with each of its customers over a period of one year. It revealed that some of their customers often requested ‘samples’ requiring some degree of product modification, and thereby NPD investment on behalf of the manufacturer, however, a very high percentage of these
requests did NOT materialize into the order initially promised. Worse yet, these were typically ‘rush’ projects that stole resources away from projects executing ‘sample’ requests made by customers with a very high percentage of materialized orders.

Needless to say, this insight led to a new practice around project selection, namely the sharing of ‘win ratio’ information on each customer.

Exhibit 3.5: Tracking Customer New Product Requests

<table>
<thead>
<tr>
<th>Samples Requested</th>
<th>Orders Placed</th>
<th>Orders Received</th>
<th>Profit Realized</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: Group Purchasing Organization (GPO)

According to a recent report released by IFMA and The Hale Group, ‘GPO’s in Foodservice: Landscape and Growth Opportunities’, February 2012, the use of GPO’s in the foodservice industry is on the rise. The impact of GPO’s on how both Operators and Manufacturers approach new product development is not yet fully understood. However, an NPD executive from one of North America’s largest QSR chains operating with a GPO for a number of years now, offers these insights:

For Operators:

The formality of working with a GPO offers a structure and discipline that is potentially beneficial to the quality and performance of its product innovation process as it:

- Demands a sharp product definition earlier in the process, in a well written and documented manner.
- Encourages proactive identification of ‘strategic development suppliers’ with capabilities deemed essential for product innovation and co-development success.

For Manufacturers:

Involvement of GPOs in sourcing supply partners for operators, impacts the product innovation process of Manufacturers, as it:

- Compresses the timeline for manufacturers to make a decision on pursuing customer request projects.
- Shortens timelines to develop samples and commercially scalable products
- Emphasizes the need for manufacturers to proactively communicate and market their differentiated core competencies in products, technologies and co-development.
Enhancing NPD Capabilities through Continuous Learning

Getting the most out of your Innovation Knowledge Capital

Continuously capturing and incorporating the lessons learned from past innovation projects, successes or failures, is the most reliable way to strengthen your organizations innovation competencies. The power of continuous learning can be seen in organizations that include it as part of their idea-to-launch process, a practice fondly referred to as Post Launch Reviews (PLR). Learning from the experience of taking NPD projects from idea to launch helps these organizations identify patterns of success and common errors, and apply them in future projects, thus enhancing their organization-wide NPD competency.

Despite the obvious benefits, many foodservice organizations do not have a NPD continuous learning system. Foodservice business leaders cite 3 key challenges to establishing a formal ‘learning loop’ practice in their organization:

1. The time and effort needed interferes with other competing revenue generating initiatives
2. The difficulty pin-pointing the real problem and/or real learning
3. Organizational resistance to add formality/process unless absolutely necessary.

Some organizations attempt continuous learning, in an ad-hoc fashion within their NPD project teams, where the learning is mostly confined to small pockets in the organization. These learnings are sometimes reflected in the decision’s, guidance and mentorship by business leaders, but often fail to permanently influence the way the organization works, unless formally captured and built within the NPD process. This is particularly frustrating for business leaders in industries that experience high turnover, such as foodservice.

For some foodservice organizations, finding time to prepare for, hold and participate in project review meetings, is an inconvenient task, as teams move to the next revenue generating project. Project teams in these organizations do not reflect back to compare actual performance of the launched new product with their pre-launch
targets. This can be because the process of investing to learn from previous projects is looked upon more as a cost, than an investment that builds organizational capability and establish NPD accountability. Some simply shy away from formal reviews of launched new products, as they tend to view it as a difficult and sensitive topic, especially, if the project was over budget, fraught with problems, or delivered poor results. These types of meetings can quickly degenerate into messy finger pointing exercises and ‘blame games’.

Lastly, a common challenge for foodservice organizations is diagnosing the real problems that impact new product success. It can be tricky to distinguish between real, recurring issues and “one-off” exceptions or to recognize patterns or themes. Developing new products involves so many stakeholders moving through a variety of activities across several stages of development – many of which are producing several ‘moving parts’, making it extremely challenging to pinpoint ‘root cause’ problems.

However, in this competitive and fast paced industry, foodservice organization must take advantage of every opportunity to improve.

Capturing NPD project learnings need not be complicated, time consuming or expensive, however, it does require some discipline. Foodservice organizations benefitting by conducting post launch reviews today achieve this discipline by embedding expectations to conduct PLRs right into the design of their NPD process.

**A Framework for Continuous Learning**

Foodservice business leaders can support a successful innovation agenda by demanding their NPD project teams to pause long enough, after a project is completed, to share what they learned about developing new products - what works? What doesn’t? What would they do differently next time? These learnings can be quite unique to one specific project; however, other industries have discovered that there are generally 3 main categories of learnings:

1. How we select NPD projects
2. How we manage the project team
3. How we approach the process of developing new products.

Additionally, organizations that collaborate with customers and suppliers to develop new products, add this as a fourth category.

A formal approach to conduct a retrospective analysis (i.e. PLR) on the success or failure of a new product project can help foodservice organizations grow and build their innovation capabilities, as it enables the learning to permeate across all levels of the organization.

Another key benefit of having a formal PLR process in place is the enhanced accountability it instills in project leaders and project teams. Established project metrics and scheduled PLR meetings put the onus back on project teams and others in the organization to investigate, identify and
Tip: Staff members can feel awkward when involved in assessments or facilitating discussions regarding senior manager performance. Consider using an external facilitator or NPD expert to guide this type of Post Launch Review.

“Sometimes we can interfere with our own learning and development”

- Dean Veurink, Senior Manager, Innovation & Development, Basic American Foods

isolate the problems and make recommendations to resolve them.

Reactive continuous learning practices, such as PLRs, look at projects after they have been completed or launched. Relevant data and points of views are captured and examined after the pressures of developing and launching the new product are long gone. Proactive continuous learning practices occur while a project is progressing through the NPD process. Organizations can incorporate both, reactive and proactive approaches to continuous learning and improvement into their product development process.

Over the next few pages, we introduce a framework to facilitate relevant continuous learning throughout the organization and 4 tools:

1. PLR – Project Selection
2. PLR – Project Team Management
   a. Project Leadership
   b. Project Management
   c. Internal Team Collaboration
3. PLR – NPD Process Effectiveness
4. Red Flags.

Foodservice organizations can choose to implement all or parts of these tools to meet their unique needs (See ‘Special Note: Using Innovation Tools’ on page 41).

1. PLR – Project Selection

Delivering timely Go/Kill decisions and making effective project selection is critical to NPD success in the foodservice industry, and as with any other business process, performance improvements can be achieved if we know what to change. The most effective approach to reviewing decision making practices after a project is killed or launched is to engage the leadership team that is accountable for these decisions.

Exhibit 4.1 introduces a survey tool that guides business leaders to assess and capture learnings by reviewing and discussing key aspects of project evaluation and selection practices. Ideally, the survey is used to solicit input and feedback from each decision maker. Additionally, decision makers are encouraged to discuss their responses as a team as many of the resulting improvements will affect how they perform as a team. Key take-away from these discussions highlight areas of potential improvements within the decision making process. Over time, similarly collected data from a group of projects can be rolled up to give an aggregate perspective.
2. PLR – Project Team Management

Quality of NPD project execution is a base requirement of a successful product innovation agenda. Conducting regular reviews after a project is killed or completed is an essential tool for both learning and instilling a culture of accountability. Exhibit 4.2 illustrates a survey tool to retrospectively assess how well the project level NPD activities are executed by the project teams.

Specifically it measures:

- The quality of project leadership
- The quality of project management
- The effectiveness of internal team collaboration

Here, project leader and team members identify what worked well and what could be further improved by individually rating the effectiveness with which an NPD project was executed through the idea-to-launch process. Next, they discuss their reasoning at a Post Launch Review meeting to uncover strengths and improvement areas in an organization’s NPD capabilities. Insights generated from these discussions provide the necessary ingredients to continuously improve the quality of work produced by your NPD teams, reduce recycles, slippage, and cycle time. When one anticipates the PLR to be somewhat ‘heated’, assign a facilitator or external expert to lead the PLR meeting and communicate the findings.
### Project Leadership

<table>
<thead>
<tr>
<th>Dimension</th>
<th>User Rating (1-5)</th>
<th>Comments/Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>The appropriate New Product Development (NPD) process was selected for the project (i.e. Degree of process rigor for risk)</td>
<td>1</td>
<td>[Enter Comments/Examples Here]</td>
</tr>
<tr>
<td>The scope of the project was clear for each stage</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Resources requested (type &amp; amount) for each stage were appropriate</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>The project plan clearly communicated each stage of work</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>The project team understood the expectations and goals of the project</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>The timeline for the project plan was realistic, given the level of resources</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Project information and data submitted to make decisions was of high quality</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>The project team clearly understood the criteria for project selection throughout the process</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Total Score** 24.0

**Average** 3.00

### Project Management

<table>
<thead>
<tr>
<th>Dimension</th>
<th>User Rating (1-5)</th>
<th>Comments/Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project effectively achieved targets: sales &amp; profitability, completion date, quality &amp; budget</td>
<td>3</td>
<td>[Enter Comments/Examples Here]</td>
</tr>
<tr>
<td>The project team remained faithful to the process and managed by exception</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>The Project Plan was adhered to by all team members</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>The project team used resources effectively</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Resources committed to the project were available when required and/or escalation was achieved</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Project issues/change requests were identified, raised and managed effectively</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Total Score** 18.0

**Average** 3.00

### Internal Team Collaboration Effectiveness

<table>
<thead>
<tr>
<th>Dimension</th>
<th>User Rating (1-5)</th>
<th>Comments/Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>A core cross-functional team led the project to completion</td>
<td>2</td>
<td>[Enter Comments/Examples Here]</td>
</tr>
<tr>
<td>Internal roles and responsibilities were clear and understood by all project team members</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>The project team communicated effectively</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>The project team understood &amp; performed all cross-functional requirements needed to get the projects done</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>The project team was effective in reaching timely decisions</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>The project team members had visibility to their performance throughout the process</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>The project team effectively collaborated with various stakeholders, including customers throughout the project</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Overall the project team functioned well together to meet the objectives of the project</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Total Score** 27.0

**Average** 3.38

---

**Exhibit 4.2 – Example Project Team Management – PLR Tool**

New Product Development: Best Practices in Foodservice
“The first step to finding a solution is to understand the problem”

- Scott Edgett, World Authority in Product Innovation

Therefore, in this regard, it is important to solicit feedback from teams and decision makers regarding the processes’ usefulness in enabling the development of a successful product as quickly and efficiently as possible. See exhibit 4.3

3. PLR – NPD Process Effectiveness

An organization’s NPD process, if designed effectively, is the memory of all of its NPD successes and failures. As such, it serves to navigate leaders and teams alike, to avoid common pitfalls and embrace proven practices, breaking the cycle of repeated mistakes.

Both surveys highlighted in exhibit 4.2 and 4.3 should be completed shortly after the new product is launched into the marketplace, and before the team is disbanded and assigned to other projects. Again, conducting PLRs need not be complicated or time consuming. Even a brief team discussion is better than nothing at all.

Exhibit 4.3 - Example NPD Process Effectiveness – PLR Tool

PLR - NPD Process Effectiveness

<table>
<thead>
<tr>
<th>Project Title:</th>
<th>Project Leader:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>Team Member:</td>
</tr>
</tbody>
</table>

Instructions

This survey facilitates a retrospective analysis of the New Product Development (NPD) process used for a particular project (or batch of projects). Use it to solicit strengths and improvement opportunities by requesting the project leader, team members and decision makers to complete the survey and discuss results with the NPD Process Leader.

Idea-to-Launch Process Effectiveness

<table>
<thead>
<tr>
<th>Key Elements</th>
<th>Enabling</th>
<th>Limiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>What was enabling/limiting about breaking the project into distinct stages of work?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What was enabling/limiting about the worksheets/templates/deliverables?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What was enabling/limiting about the various software, tools used throughout?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What was enabling/limiting about the structure of gates (decision points)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What was enabling/limiting about the documentation, coaching and training available?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What was enabling/limiting about the type of process used (5 stage, 3 stage)? If applicable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Red Flags

Organizations that have been successful at reactively looking at areas of improvements to make their NPD process better, faster and more profitable via PLR, increasingly employ more proactive methods to identify and address NPD project problems in real time. Thus reducing project delays and making their project teams more effective.

One such method coined as ‘Red Flags’ by Stage-Gate® creators, Robert Cooper and Scott Edgett is a process improvement idea resulting from the analysis of hundreds of PLRs from a wide range of businesses. The PLRs revealed a pattern of common NPD project roadblocks. These roadblocks were known to cost project leaders and teams valuable time and money, and in some cases, project success. The concept of ‘Red Flags’ encourages organizations to acknowledge that NPD projects in particular are likely to encounter five types of problems, and therefore, should prepare and train teams to recognize such problems, and manage them to resolution as quickly as possible. Upon recognizing one of these problems, a ‘Red Flag’ is thrown by the project leader, as a mechanism to alert relevant decision makers in the organization to approve the team’s proposed resolution and to get involved by resolving roadblocks that may span across several functions.

Exhibit 4.4 describes the five most common Red Flags. The value of adopting this practice of ‘management by exception’ is two fold; 1) Quicker, just-in-time resolution of problems, and 2) A simple monitoring system that can be used to identify NPD process problems by their frequency & severity, and even by stage.

Exhibit 4.4 – Potential List of Red Flags to Track

Red flags are warning signals that indicate deviation from agreements made at previous gates or decision points on the following:

1. Specification – Revision to technical product requirements from the agreed upon product definition
2. Manufacturing/Operations - Significant change in the expected product cost from approved costs
3. Project Plan – Delay that push timelines significantly behind as a result of poor coordination/communication
4. Business Case /Financials– Significant change to the business case and financial outlook versus the financials accepted
5. Resource/ (Resource Availability)- Major functional department fails to meet its on-going resource commitments agreed to at the gate (decision point) in the project plan.

During research for this paper, approximately 45 foodservice companies were polled to uncover the problems most common to NPD in the foodservice industry by frequency and severity. Exhibit 4.5 (a) reveals that the most frequently occurring problem in foodservice manufacturer’s NPD projects is the continuous changes to the project plans, representing up to 72% of all Red Flags raised.
Exhibit 4.5 (a) – Top 5 “Red Flags” based on frequency

Exhibit 4.5(b) reveals that the most severe problem(s) occurring in foodservice manufacturer’s NPD projects are changes to the technical specifications and to the business case, representing up to 50% of all Red Flags raised. Although the practice of Red Flags is simple to understand, many organizations tend to complicate the implementation of such a tool.

Exhibit 4.5(b) – Top 5 Red Flags based on severity

Exhibit 4.6 (a) and 4.6 (b) illustrate an approach to enable project leaders to identify and address Red Flags as they occur, so as not to jeopardize the project’s speed to market.

The functional tool highlighted in exhibit 4.6 (a) is used to record the number of Red Flags, the Type, and the Stage within the NPD process, where Red Flags occurred. Although each Red Flag is being resolved in real time, it is important to track this information so the team can identify problematic patterns at the NPD process level and make recommendations.

Exhibit 4.6 (a) – Example Tool to Track “Red Flags”

Exhibit 4.6 (b) is a summary of all the data captured in exhibit 4.6 (a). For the sample project in consideration, the chart illustrates that most Red Flags were raised by the Project Team during Stage 3 of the NPD process. It also suggests that not only do changes to the project plan amount to the single biggest reason for raising Red Flags, they also progressively increase in number, as the project moves through various stages of the NPD process. Upon reviewing this pattern, this particular company introduced two improvements to their NPD process design:

1. Given the overall complexity of a project entering into Stage 3, a professionally trained project manager was assigned
2. Given the amount of change that occurs to a project plan, throughout the life of the project, teams were asked to develop and submit the plan for the next stage of work only.

From here, a deeper analysis into the problem areas was conducted to uncover and fix the pattern in which the problems arise at the process level.

**Guidelines for Continuous Learning**

In most cases it is appropriate to hold two PLR meetings, one within 30 days of the launch to capture the project and process learnings and another PLR meeting 12 to 24 months after launch to review the project’s financial performance, and learnings. If appropriate, improvements can be indentified and implemented immediately.

Alternatively, PLR can ‘batch’ review projects together in a one meeting to identify pattern and problems areas. Such an approach can help an organization to establish a regular cadence for PLRs and learnings.

Lastly, ensure that your continuous learning frameworks (both proactive and reactive) are enablers of success that make your process and people more effective. A few tips to encourage adherence to a continuous learning framework:

1. Keep it simple and stick to uncomplicated methods for data gathering, and project documentations.
2. Surgically improve those components of your NPD process that offer the maximum return on improvements.

By incorporating any or all of the PLR practices, tips and techniques discussed earlier, foodservice organizations can benefit by continuously improving their organizations NPD capability.
Special Note: Using Innovation Tools

Innovation tools (i.e. templates, checklists, scorecards, guides) can be valuable timesavers, quality improvers and risk reducers when designed and used properly. They can also destroy quality, stifle creativity and introduce non-value-add bureaucracy. Avoid common mistakes when introducing innovation tools into your business by following these useful tips:

1. **Form follows function:** Too often time is spent obsessing with the aesthetics of a tool at the expense of ensuring it is purpose-built to effectively influence an improvement in performance.

2. **Tailor the tool:** While ready-made tools give organizations a valuable head start, take time to tailor them so they meet the unique needs of your business (e.g. reflect your culture, business language, capabilities and performance targets/hurdles).

3. **Don’t park your brain:** Tools are not designed to replace good old fashioned thinking. As soon as users become ‘mechanical’ in nature in their use of a tool, it’s time for a change. Something as simple as replacing checkboxes with open ended questions can help to reverse this behavior.

See “NPD Best Practice Tools.xlsx” to access tools and Frameworks for NPD - Project Selection, Collaboration and Post Launch Review. The table below highlights the excel worksheets corresponding to the sample tools on the selected topics areas, illustrated throughout this whitepaper as exhibits.

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Corresponding Excel Worksheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1.4: Example Project Evaluation Scorecard</td>
<td>Project Evaluation Scorecard</td>
</tr>
<tr>
<td>Exhibit 1.5: Example Project Attractiveness Score</td>
<td>Project Attractiveness Score</td>
</tr>
<tr>
<td>Exhibit 3.3: New Product Development Partner Pyramid</td>
<td>NPD Partner Pyramid</td>
</tr>
<tr>
<td>Exhibit 4.1: Example Project Selection – PLR Tool</td>
<td>PLR - Project Selection</td>
</tr>
<tr>
<td>Exhibit 4.2: Example Project Team Management – PLR Tool</td>
<td>PLR - Project Team Management</td>
</tr>
<tr>
<td>Exhibit 4.3: Example NPD Process Effectiveness – PLR Tool</td>
<td>PLR - NPD Process Effectiveness</td>
</tr>
</tbody>
</table>
Methodology

In July 2012, IFMA and SGI released a groundbreaking report featuring New Product Idea-to-Launch Process Performance Benchmarking. The study revealed that several new product practices correlated with top performance in the foodservice industry. Founding Members (listed earlier in the paper) of IFMA’s Center of Innovation Excellence (CIE), selected the following three topics to focus on as part of a qualitative research study:

– NPD Project Selection
– Partner Collaboration
– Post Launch Reviews

This whitepaper is a collaborative effort between the International foodservice Manufacturers Association (IFMA) and Stage-Gate International (SGI) that presents the findings from the qualitative research study, and describes practical, ready-to-use tools and frameworks for each of the three NPD process topics selected, plus one additional framework whose importance surfaced during the qualitative research, product innovation strategy.

Participants

Approximately 45 business leaders and innovation professionals from 27 companies in the North American foodservice industry participated in this qualitative research study. Participating Manufacturers represented small and large sized organizations specializing in food & beverage packaging and equipment Companies, all members of IFMA and the CIE. Participating Operators represented, national and regional chain in fast casual, casual and full service segments

Qualitative Research – Method

The research study was professionally designed and facilitated by Stage-Gate International (SGI), with advisory support from leading research and world renowned expert in product innovation, Dr. Scott Edgett. Its primary concentration was integrating SGI’s rich body of cross-industry product innovation IP/knowledge with the unique and successful solution developed by the foodservice industry’s leading companies.

All participants shared expertise, experience and their organization’s product innovation programs through participation in 1) facilitated roundtable workshop, 2) personal interviews and 3) by submitting critical innovation information for the selected NPD process topics to SGI for thorough analysis and assessment.

Information gathered as part of this study was subject to thorough and expert analysis by SGI and key findings/tools/frameworks validated with the participants. These insights, thought leadership and ready-to-use tools are reflected in this white paper.
Resources for Product Innovation Professionals


These resources are available at a preferred price to IFMA members on the IFMA website [www.ifmaworld.com](http://www.ifmaworld.com). For additional product innovation resources and consulting services contact:

**Michelle Jones, Executive Vice President**
*Stage-Gate International*
michelle.jones@stage-gate.com
+1-905-304-8797
[www.stage-gate.com](http://www.stage-gate.com)

**Devin Gerchar, Director of Member Value**
*International Foodservice Manufacturers Association*
devon@ifmaworld.com
+1-312-540-4403
[www.ifmaworld.com](http://www.ifmaworld.com)
Toward a Common Language for Foodservice

**KEY TERMS**

**Business Case:** Summary of key elements of the project that highlight the product’s total value proposition to the market or customer in economic terms.

**Co-development** – Consultation and contribution of two or more companies’ expertise to undertake a New Product Development project while sharing in the risks and benefits of the project and the results.

**Collaboration** – A term loosely used in the foodservice industry to describe a general willingness to work cooperatively with customers, internal functions or with supply and trade partners.

**Continuous Learning** – Methods, practices and systems that organizations use to continually develop and improve their organizations capabilities, both proactively and reactively.

**Deliverables** – Relevant information compiled by the project leader and project team that is used to inform gatekeepers so they can make a go/kill decision on an NPD project.

**Gates** – Decision meetings that precede each stage, and serve as quality control checkpoints, where go/kill and prioritization decisions on a new product project are made and the path forward is decided.

**Gatekeeping** – The Practice of evaluating the merit of pursuing new product development initiatives at gates or decision points, prioritizing and selecting the best NPD projects.

**Innovation Strategy** – Component of the business strategy that defines the objectives, role and performance expectations new product innovation for the business.

**Post Launch Review (PLR)** – A retrospective analysis to evaluate the in-market performance of a new product and the effectiveness of the new product development process used.

**Strategic Arenas** – Areas of focus where the business chooses to spend its new product efforts, usually expressed as specific markets, industries, applications, product types and/or technologies.

**Strategic Buckets** – The practice of allocating resources (funds and/or person-days) to specific strategic arenas, with the purpose of ensuring the strategic alignment of product innovation projects with the overall goals of the business.

**Red Flags** – A mechanism for project team leaders to alert decision makers on serious issues that arise throughout a project, so that support is provided to the project team to overcome the obstacle, or a decision is made to stop the project.
BROADEN YOUR UNDERSTANDING of foodservice Innovation through IFMA’s Center of Innovation Excellence.

IFMA Center of Innovation Excellence
IFMA recognizes the increasingly important role product innovation plays in enabling foodservice organizations to achieve competitiveness and profitable growth. High quality, practical and relevant resources are desired by foodservice organizations to:

- Develop and execute innovation strategies to advance their business goals
- Create new value for their customers through successful product launches
- Measure, monitor and manage new product success more consistently.

Through collaborative efforts with Founding Members and innovation experts, Stage-Gate International, IFMA is creating the Center of Innovation Excellence for foodservice to address this important need. The Center of Innovation Excellence will provide IFMA Members, their customers and trading partners with a deeper understanding of the drivers of new product success that are unique to foodservice as well as a wide variety of resources to help improve their capabilities.

About IFMA
Established in 1952 and incorporated in 1954, IFMA is a leading trade association comprising more than 300 of the world’s most prestigious food, equipment and supply Manufacturers in the $588 billion foodservice industry, as well as related marketing service organizations, foodservice trade publications, distributors and brokers. IFMA’s mission is to be the premier foodservice trade association bringing members relevant and actionable services fundamental for their business assessment, planning and execution. www.ifmaworld.com.

About Stage-Gate International
Stage-Gate International is the world’s leading full-service provider of solutions which enable organizations to improve their Product Innovation and Portfolio Management capabilities. A globally recognized and trusted brand, Stage-Gate International helps accelerate your success through our strategic advisory and transformation services, leading-edge products, best-selling publications, corporate training and open enrollment courses, world-class research and benchmarking services and the Stage-Gate® Certification Program. We are proud to have had the privilege to work with more than 5000 leading organizations of all sizes across all industries and geographies. www.stage-gate.com.