# Wilson Perumal & Company at a glance

- Focused on complexity, helping clients compete in a complex world

- Boutique, strategy & ops consulting firm with ~40 full-time consultants

- Founded 2009 by Stephen Wilson and Andrei Perumal

- Value & results oriented: focus on profit, growth and working capital outcomes

- Publications: 2 books published by McGraw-Hill and significant work with The Wall Street Journal

- Our clients are leading corporations and private equity firms

- Consistently recognized (e.g., 2019 Best Small Strategy Firm to Work For)
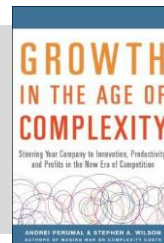
# Executive Summary

- Transformational product/service innovation is necessary for survival and growth, and does not occur naturally; it must be intentional

- WP&C has a track record of helping companies accelerate innovation, reignite growth, and increase profitability—often doubling project throughput and refocusing clients on transformational rather than incremental innovation

- Building a sound innovation engine requires a deliberate vision, comprehensive strategy, and effective execution
  - Innovation starts with developing a culture that comes from the top down
  - Vision, strategy, and execution must be supported with the right "organizational wiring"—the 5 Ps: People, Policies, Planning, Processes, & Partnering

- Making space in your portfolio is a critical predecessor to innovation
  - Portfolio optimization unlocks capacity both in your portfolio and organization enabling a renewed focus on innovation
  - WP&C's deep expertise in portfolio optimization commonly delivers SKU reductions of 30%+ while simultaneously lifting EBIT

- WP&C jump-starts your innovation engine through a 2-phased approach
  - An initial 5 week diagnostic assessing innovation vision, strategy, and execution
  - Rolls into a 10-12 week innovation implementation to capture immediate opportunities

# Understanding your company's innovation challenges starts with recognizing the symptoms and root causes

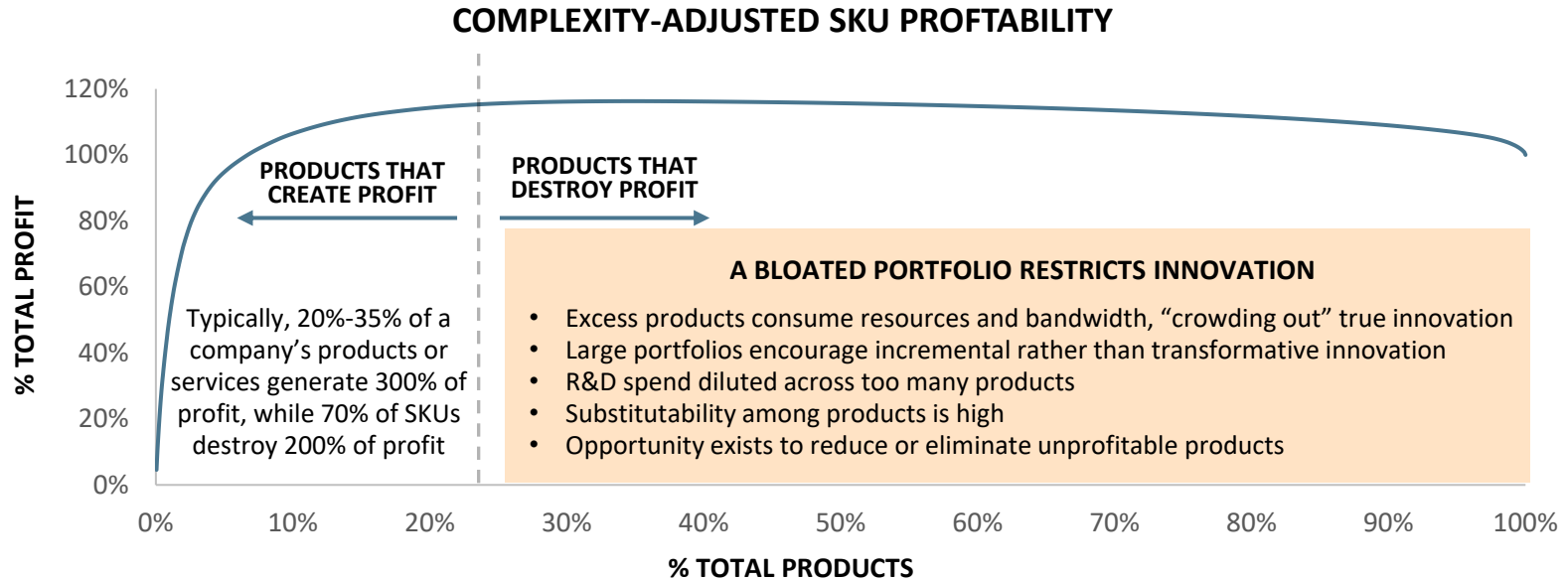| COMMON SYMPTOMS | COMMON ROOT CAUSES | |
|---|---|---|
| • Customers leaving for the competition<br><br>• Bloated portfolio with overlapping offerings<br><br>• Products stuck in development pipeline<br><br>• New products have low traction with customers<br><br>• High turnover in New Product Development<br><br>• Everyone is busy, but output is low<br><br>• Your firm is consistently following your competitors<br><br>• Projects not completed on-time (or at all) | **Vision**<br>How well are goals defined and communicated? | • Lack of top-down direction<br>• Weak vision—unclear or too constrictive goal<br>• Lack of employee empowerment<br>• Emphasis on maintaining the status quo<br>• No 'culture of innovation' |
| | **Strategy**<br>Do actions support the vision? | • Lack of innovation pipeline processes<br>• Strategy isn't focused on customer needs<br>• Ignoring emergent technologies<br>• Incremental improvements mistaken for innovation<br>• Minimal investment in new ideas or R&D |
| | **Execution**<br>Are expected results achieved? | • Initiatives not linked to strategy<br>• Incomplete org structure (e.g. no Product Management, Advanced Tech or Corporate Dev)<br>• Unclear decision rights<br>• Insufficient early cross-functional collaboration |

## Can you spot any of these symptoms in your own company?

# Making space in your portfolio is the predecessor to intentional innovation

**COMPLEXITY-ADJUSTED SKU PROFTABILITY**

Chart: % TOTAL PROFIT (y-axis, 0%–120%) vs % TOTAL PRODUCTS (x-axis, 0%–100%)

**PRODUCTS THAT CREATE PROFIT** ← | → **PRODUCTS THAT DESTROY PROFIT**

Typically, 20%-35% of a company's products or services generate 300% of profit, while 70% of SKUs destroy 200% of profit

**A BLOATED PORTFOLIO RESTRICTS INNOVATION**

- Excess products consume resources and bandwidth, "crowding out" true innovation
- Large portfolios encourage incremental rather than transformative innovation
- R&D spend diluted across too many products
- Substitutability among products is high
- Opportunity exists to reduce or eliminate unprofitable products

## With a simplified portfolio, the business can effectively innovate

**BLOATED PORTFOLIO**

Unfocused product expansion & poor product lifecycle management results in a business drowning in too many profit-eroding products
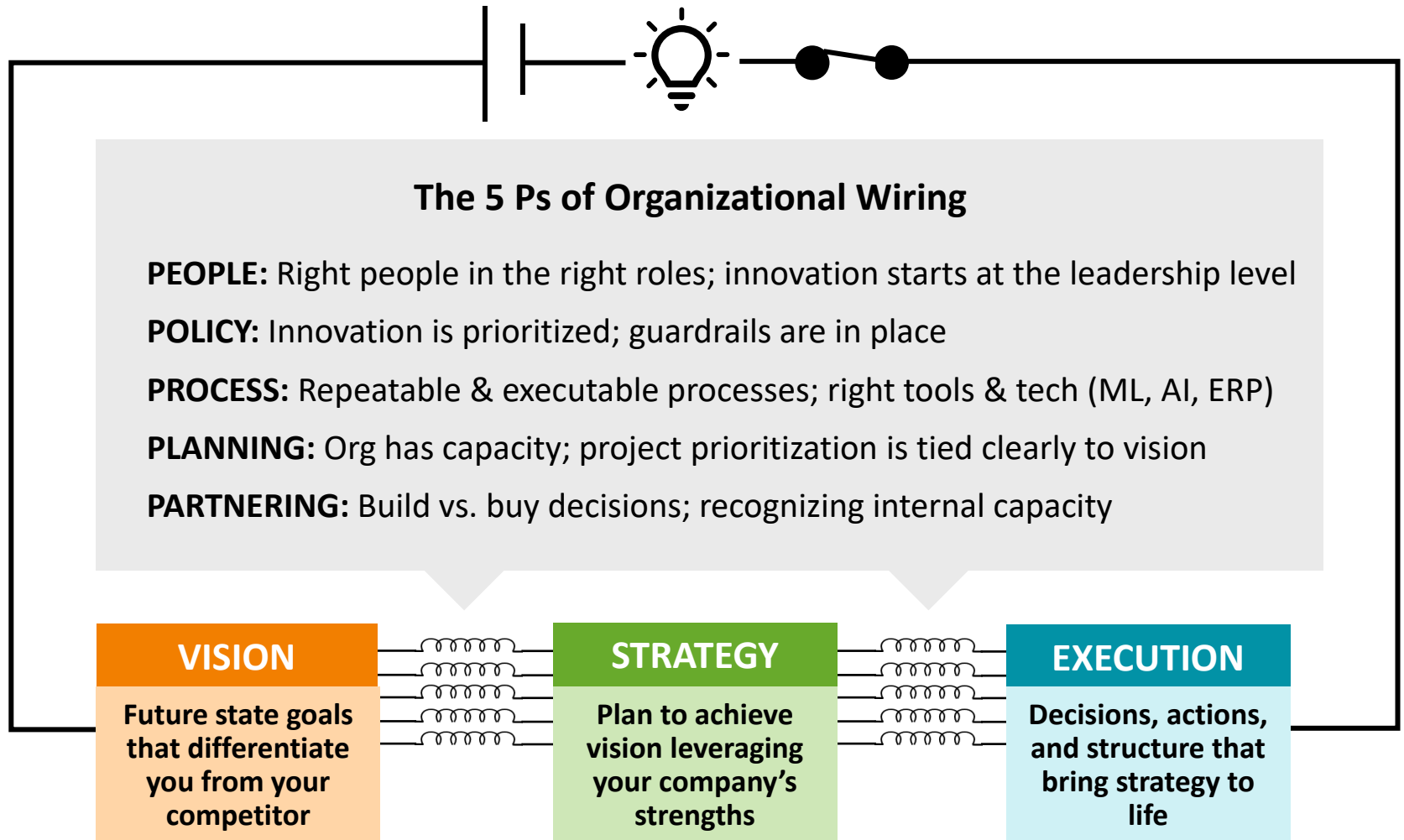
**OPTIMIZED PORTFOLIO**

Focused product portfolio achieved through portfolio optimization results in products that are properly differentiated & positively contribute to EBIT

**CAPACITY FOR INNOVATION**

Freed up resources can now be devoted to transformational innovation, the ability to execute on strategy is enabled, and sustainable results are achieved

# Flipping the switch on innovation requires vision, strategy, & execution *and* a correctly wired organization

**The 5 Ps of Organizational Wiring**

**PEOPLE:** Right people in the right roles; innovation starts at the leadership level

**POLICY:** Innovation is prioritized; guardrails are in place

**PROCESS:** Repeatable & executable processes; right tools & tech (ML, AI, ERP)

**PLANNING:** Org has capacity; project prioritization is tied clearly to vision

**PARTNERING:** Build vs. buy decisions; recognizing internal capacity

| VISION | STRATEGY | EXECUTION |
|---|---|---|
| Future state goals that differentiate you from your competitor | Plan to achieve vision leveraging your company's strengths | Decisions, actions, and structure that bring strategy to life |

# A culture of innovation—starting at the C-Suite—sets the foundation for success

## COMPONENTS OF A CULTURE OF INNOVATION

**1** **Be disruptive, not incremental**
Truly transformational strategy requires visionary leaps rather than small steps

**2** **Focus on customer value**
Understand where industry-level customer trends and unmet needs are headed; develop an amazing experience that meets those needs

**3** **Embrace technology**
Continuously imagine how you might leverage new technology—e.g., AI, ML, online and omnichannel shopping, mobile—to create more customer value

**4** **Be open to ideas outside your core**
Encourage new ideas and vet/test smartly

**5** **Be agile in product development**
Start with a low-fidelity prototype and iterate; favor speed and learning

**6** **Fail forward**
Create a culture where it's okay to experiment and fail as long as you manage the risk, learn, and improve

**7** **Be data-driven**
Use data to make new product decisions and to improve your team's performance

**8** **Evolve to mastery**
Tune your innovation engine over time by consistently identifying and fixing improvement areas

**KEY CONSIDERATIONS**

- Without **innovative leadership at the top**, ambitious ideas from managers and employees will get stopped by the CEO, and the organization will be surpassed by fast-moving competitors

- **Create a C-Suite that has an innovator's mindset** (by identifying the right people and providing the right training) and ensure it flows down to the rest of the organization

# Getting vision right is a critical precursor to innovation

## A strong vision leads to flexible strategy and solid execution

| FEATURES OF GREAT VISION | EXAMPLE | TRICKLE-DOWN EFFECTS |
|---|---|---|
| • States company's long-term goal<br>• High-level<br>• Customer-value focused<br>• Bold<br>• Communicated effectively<br>• Updated only if the operating environment changes dramatically | **Amazon**: *"To be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."* | • Flexible strategy<br>• Fast growth toward long-term goals<br>• Transformative innovation ideas<br>• Employee alignment and engagement |

## A poor vision results in constricted strategy and confusion

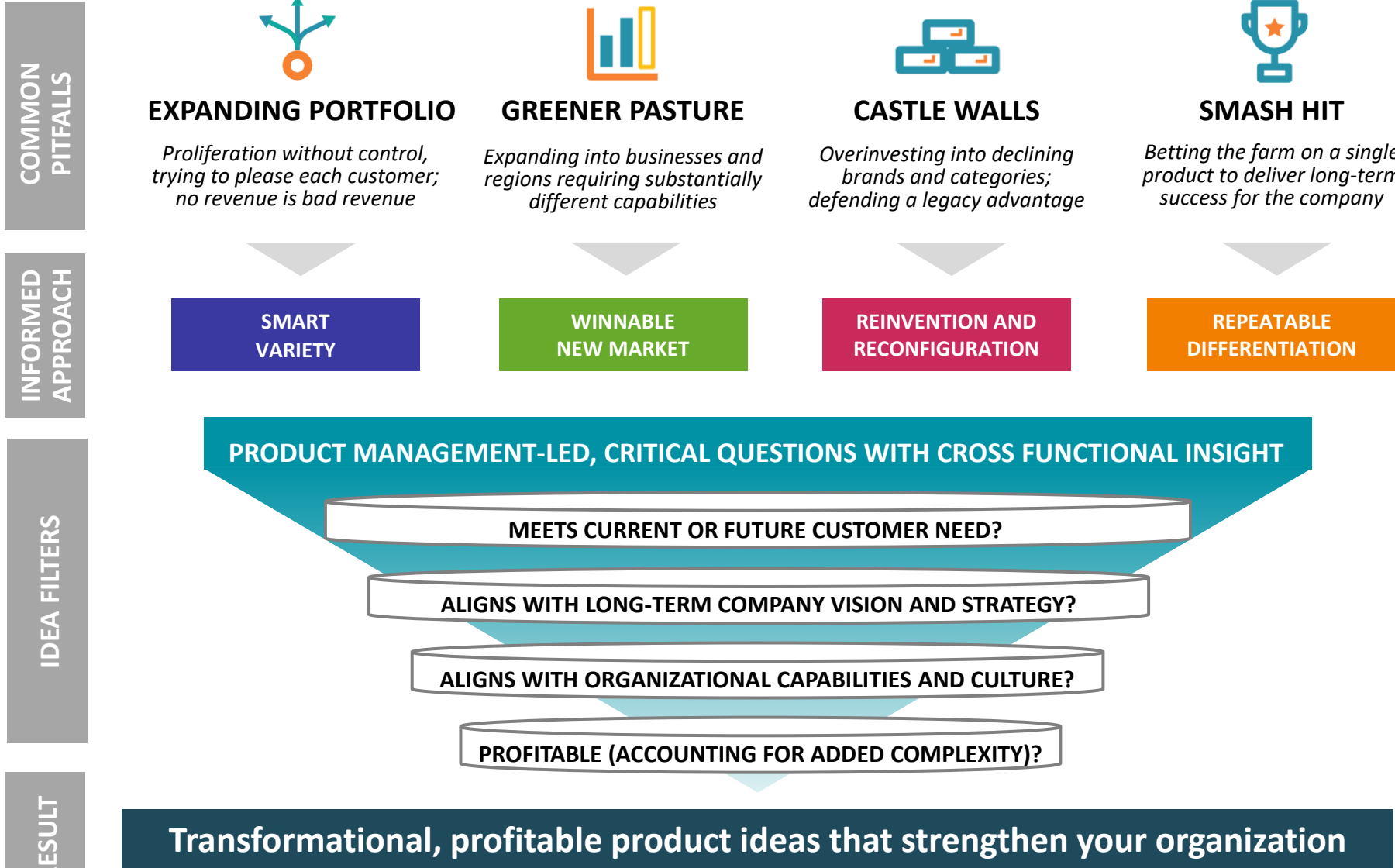| FEATURES OF POOR VISION | EXAMPLE | TRICKLE-DOWN EFFECTS |
|---|---|---|
| • No goal stated<br>• In the weeds on the what/how<br>• Ambiguous<br>• Not tied to customer value<br>• Not ambitious enough<br>• Not communicated effectively, or updated too often | **Borders** ('11): *"To create richer, more satisfying lives through knowledge and entertainment."* | • Constricted strategy<br>• Slow or negative growth<br>• Missed opportunities<br>• Employee confusion<br>• Incremental innovation |

**NETFLIX** VS. **BLOCKBUSTER**

- Netflix's vision statement, *"Becoming the best global entertainment distribution service,"* has afforded them flexibility on how to get there—to even disrupt themselves—pivoting from a successful DVD-by-mail model to online streaming

- Blockbuster's vision, *"To be the global leader in rentable home entertainment by providing outstanding service, selection, convenience and value,"* was overly focused on rentals, which, combined with their 9,000+ stores, resulted in getting "stuck" on *in-store* movie *rentals* and late fees

- In 2000, Blockbuster passed on an opportunity to buy Netflix for $50M, which a broader vison would have likely prevented

- In 2010, Blockbuster declared bankruptcy in 2020, Netflix reached a valuation of $200B

## Too often, the vision is not high-level enough, constricting the innovation strategy

# Strategy requires avoiding common pitfalls & following an informed approach

**COMMON PITFALLS**

### EXPANDING PORTFOLIO

*Proliferation without control, trying to please each customer; no revenue is bad revenue*

### GREENER PASTURE

*Expanding into businesses and regions requiring substantially different capabilities*

### CASTLE WALLS

*Overinvesting into declining brands and categories; defending a legacy advantage*

### SMASH HIT

*Betting the farm on a single product to deliver long-term success for the company*

**INFORMED APPROACH**

| SMART VARIETY | WINNABLE NEW MARKET | REINVENTION AND RECONFIGURATION | REPEATABLE DIFFERENTIATION |

**IDEA FILTERS**

**PRODUCT MANAGEMENT-LED, CRITICAL QUESTIONS WITH CROSS FUNCTIONAL INSIGHT**

**MEETS CURRENT OR FUTURE CUSTOMER NEED?**

**ALIGNS WITH LONG-TERM COMPANY VISION AND STRATEGY?**

**ALIGNS WITH ORGANIZATIONAL CAPABILITIES AND CULTURE?**

**PROFITABLE (ACCOUNTING FOR ADDED COMPLEXITY)?**

**RESULT**

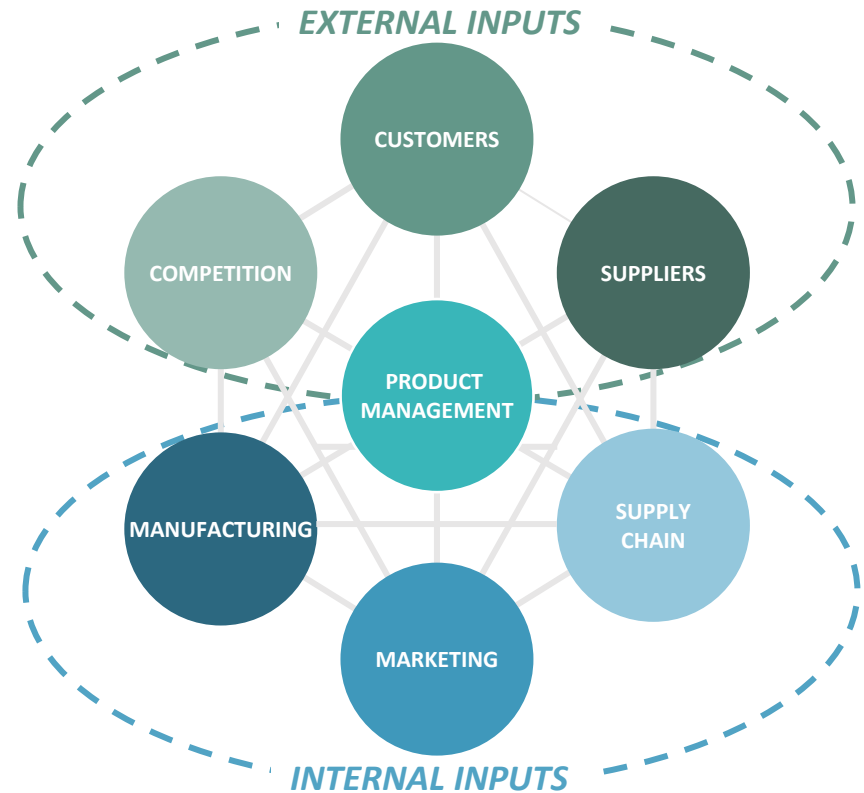## Transformational, profitable product ideas that strengthen your organization

# The right product development approach and early cross-functional communication accelerate execution

## 1 Apply the right product development approach for each project

For example, picking agile vs. waterfall approach requires some deliberation:

- Are the requirements of the project well-defined or do we expect them to change frequently?

- Do we have a long and firm timeline or a short and flexible one?

- Is the budget fixed or flexible?

- What is the cost of deployment and of making changes after deployment?

- How fast do we need a working prototype?

- How important is empowering the team to be creative versus focusing on accuracy?

- Is this a greenfield or a brownfield project?

## 2 Utilize early, regular, and deliberate inputs from a variety of sources



EXTERNAL INPUTS

CUSTOMERS

COMPETITION

SUPPLIERS

PRODUCT MANAGEMENT

MANUFACTURING

SUPPLY CHAIN

MARKETING

INTERNAL INPUTS

**Results in faster projects and capacity for additional innovation**

# Successful Project Management is dependent upon getting Product Management right

## PRODUCT MANAGEMENT

**PRODUCT MANAGER**
True Cross-functional leader that drives direction and maintains oversight of your product from inception to launch

**GOVERNANCE**
Clearly defines ownership and stakeholders for new product development to ensure continued alignment with strategic and business priorities

**FRAMEWORK**
Establishes consistent development, inputs, and structure of roadmaps, ensuring product strategy is aligned and comprehensive

**PRODUCT ROADMAP**
Must depict how your product will achieve its goals in the short-, medium-, & long-term; not a marketing, product development, or project plan

**MAKE vs. BUY**
Strategic decisions are being made to either produce product in-house or externally, balancing both short and long-term impacts

## THE 5 Ps

**PEOPLE**

**POLICY**

**PROCESS**

**PLANNING**

**PARTNERING**

## PROJECT MANAGEMENT

**PROJECT MANAGER**
Experienced and ready to hold development teams accountable

**ENGINEERING**
Has the right skill sets and strategic awareness to deliver the "right" product

**NEW PRODUCT DEVELOPMENT RACI**
Responsibilities are documented, formalized, and communicated to ensure understanding of roles and expectations

**NEW PRODUCT DEVELOPMENT PROCESS**
Processes in place that are fit for need—not one-size-fits-all—providing a balance of standardization and flexibility

**PROJECT PLAN**
Your Project Plan accurately depicts the time, resources, & milestones required by leveraging historical project data; not a "best guess"
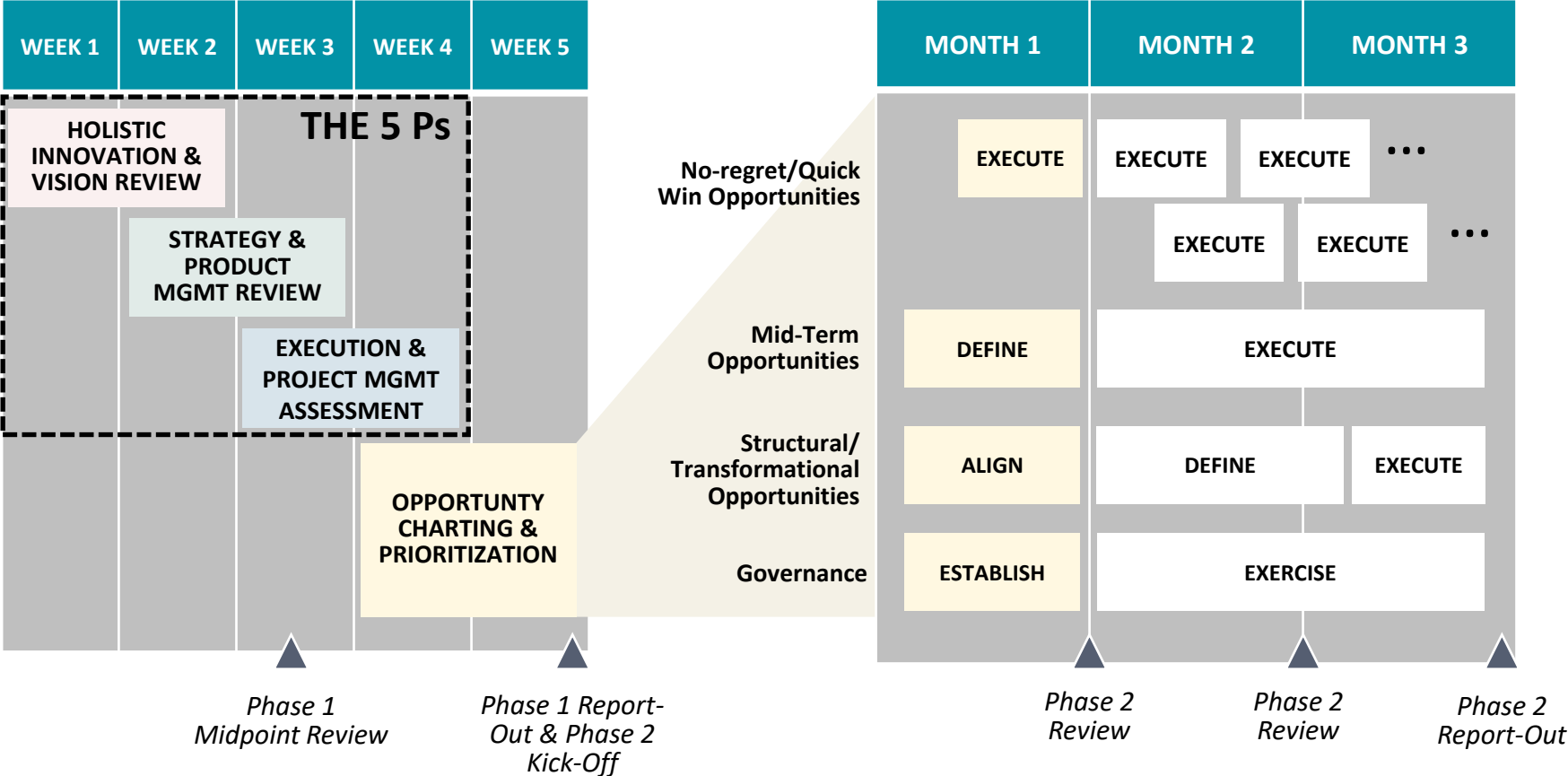
**INTERNAL & EXTERNAL PARTNERSHIPS**
Proactive management of tactical internal and external relationships of product inputs to ensure project maintains schedule

# 2 phase Intentional Innovation effort: 4-5 week assessment, followed by 10-12 weeks of execution

**1** Rapid, 5-week assessment of Vision, Strategy, and Execution opportunities and their impact on innovation

**2** Short-, medium-, and long-term opportunity realization, definition, and planning over ~3 months to drive intentional innovation

| WEEK 1 | WEEK 2 | WEEK 3 | WEEK 4 | WEEK 5 |
|--------|--------|--------|--------|--------|

**THE 5 Ps**

HOLISTIC INNOVATION & VISION REVIEW

STRATEGY & PRODUCT MGMT REVIEW

EXECUTION & PROJECT MGMT ASSESSMENT

OPPORTUNTY CHARTING & PRIORITIZATION

*Phase 1 Midpoint Review*

*Phase 1 Report-Out & Phase 2 Kick-Off*

| | MONTH 1 | MONTH 2 | MONTH 3 |
|---|---------|---------|---------|
| No-regret/Quick Win Opportunities | EXECUTE | EXECUTE | EXECUTE ... |
| | | EXECUTE | EXECUTE ... |
| Mid-Term Opportunities | DEFINE | EXECUTE | |
| Structural/ Transformational Opportunities | ALIGN | DEFINE | EXECUTE |
| Governance | ESTABLISH | EXERCISE | |

*Phase 2 Review*

*Phase 2 Review*

*Phase 2 Report-Out*

# WP&C has significant experience helping organizations jump-start their innovation engine

| CLIENT | ACTIONS | IMPACT |
|---|---|---|
| **Fortune 500 HVAC Co.** | • Refocused innovation from incremental to transformational<br>• Identified cost of portfolio complexity<br>• Assessed engineering utilization to drive increased engineering throughput | ✓ Unlocked 20% of engineering capacity to focus on NPD<br>✓ Improved EBITDA by 10%<br>✓ Adoption of annual project reviews to sustain gains |
| **Imaging Tech Co.** | • Refocused product mgmt., project mgmt., and engineering on new customer growth<br>• Developed new product roadmaps, realigning strategy with vision | ✓ Increased project predictability to bring off-track projects on-track<br>✓ New, custom cross-functional product roadmap & governance |
| **FTSE 250 Telecom Products Co.** | • Built new Product Innovation Process with design thinking principles to surface, prioritize, and fund the best innovation ideas<br>• Reduced non-value-add steps in NPD process | ✓ 2x innovation project throughput<br>✓ Energized entire company to participate in innovation |
| **Powersports Vehicle Co.** | • Aligned product innovation with return on investment<br>• Surfaced margin-dilutive innovation, e.g., R&D and inventory costs | ✓ Identified ~$5M in R&D costs that drove no new sales<br>✓ Cleared $3M in parts inventory from incremental refreshes |
| **EU Food Manufacturer** | • Rationalized categories, brands, and SKUs<br>• Improved range mgmt.<br>• Exited unprofitable brands | ✓ 7% EBIT improvement<br>✓ 18% working capital reduction<br>✓ Exited 9 brands and one category |

**Wilson Perumal & Company**

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**CASE STUDIES**

**Consumer Durables Co.**
**Powersport Vehicle Co.**

**RESOURCES**

**The High Cost of Easy Innovation**
**Book: Growth in the Age of Complexity**