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The Transition Management Challenge

Bridging the Transition from Strategic Innovation to Acceleration and Beyond

Excerpt from "Bringing Radical and Other Major Innovations Successfully to Market: Bridging the Transition from R&D to Operations", 2004, Dr. Gina O'Connor, Joanne Hyland and Dr. Mark Rice.

Introduction

The Transition Management Program provides a process and tool for helping companies be more successful in transitioning strategic innovation projects from a new business development or creation group to a receiving unit. The more innovative or radical an innovation project, the greater the risk for companies due to the managerial complexities and higher levels of uncertainty associated with discovering new technologies, conceiving of new business models and creating new markets. Seven specific innovation management challenges have been identified that apply to all types of innovation projects beyond incremental innovation improvements. Managing the transition from a conceptual new business opportunity or start up venture to Acceleration and business operations has emerged as one of the most daunting of these seven challenges.

Companies expect that once an evolutionary or breakthrough innovation project is sufficiently mature, the receiving unit is able to employ tried and true project management techniques, such as the well-recognized Stage-Gate™ system, to bring the new products or solutions to market success. However, because of the high levels of technical, market, resource and organization uncertainty that remain when projects are ready for transition, these well-known management practices simply do not work. Potentially game changing innovations drop off the receiving unit's radar screen, even after all of the initial investment in technical and market development has been made in the new business opportunity. A set of unique, specific activities is required to complete the resolution of these four uncertainties that neither new business development project teams nor receiving unit managers are equipped to handle.

Transition managers are in a unique position to facilitate the Transition Management Process, working simultaneously with new business development project teams, divisional interfaces and senior management. The Transition Readiness Assessment Tool has been developed to guide this process by:

- Setting/managing expectations among the interfaces including senior management and the project team;
- Encouraging open discussions about the challenges of building and maintaining organizational legitimacy;
- Establishing the strategic context for innovation projects;
- Assessing the level of project transition readiness;
- Identifying transition issues;
- Building the transition management plan; and
- Facilitating a negotiated transition process.

The Management Dilemma

Transition management is defined as the facilitating process and enabling tools utilized for migrating projects from a new business development project to business acceleration or operating status. Securing the commitment of divisions to adopt highly innovative projects from a new business development group, including accelerating this transition, is fundamental to project success and the organizational legitimacy of innovation efforts.

Transition management is a more daunting challenge than most people realize. The assumption is that a project stays within the new business development group until technical and market uncertainty are low enough that the project can move into a Stage-Gate™ new product development process within a receiving unit to be launched in a traditional manner.

Contrary to expectations, new business development project teams and receiving unit interfaces, as well as managers responsible for managing the portfolio, are not prepared to handle the transition activities that would reduce project uncertainties enough to increase the likelihood of division adoption. Markets are frequently underdeveloped and sales forecasts cannot be determined with confidence. Operational efficiencies are not yet worked out. In addition, significant human resource issues arise, particularly if the new business development project threatens to cannibalize existing products and requires extensive new skill sets. The new business development team does not perceive these areas to be its responsibility. In addition, the high levels of market and operations uncertainty wreak havoc with the receiving unit's short term profit pressures so it, too, does not perceive these projects to be its responsibility. There is a middle ground of activity with these projects that nobody "owns" in established companies. Much of this activity has to do with creating new markets, supply chains, business models and reducing uncertainty to such a degree that a reliable sales forecast can be generated.

With the expectation that transition is the point to stop investing in development and quickly begin generating revenues from operations, it turns out that this is not only a critical, but also, unexpected discontinuity in the project lifecycle. Receiving units are not prepared to accept these projects as the level of risk is simply too great. While projects may have transitioned from the new business development group's perspective, they are generally underdeveloped based on a receiving unit's criteria for commercialization, and simply fall off the radar screen in the division, whose primary concern is efficiency of operations. The full potential benefit of these more strategic innovation projects is often lost when they are integrated into current platforms or placed on a product roadmap for future consideration, never to come off the shelf because the investment required is too large. In the end, the innovation value is not realized as these projects are 'incrementalized' to fit within the receiving unit paradigm.

Areas for Consideration

Due to the complex nature of the innovation system within companies, developing a transition management capability extends well beyond the project level where assessing transition readiness and building detailed transition plans is the primary area of focus. Transition challenges manifest themselves across strategic and portfolio dimensions, in addition to project specific dimensions. Because of transition managerial complexities and organizational interdependencies, transition managers cannot coach project teams on how to follow the process and use the Tool without first reviewing the innovation system to ensure appropriate transition management capabilities are in place for transition effectiveness.

VPs/Directors with new business development responsibilities and transition managers can adopt a number of leadership practices to address the broader portfolio and strategic considerations. The first is to ensure senior management transition roles are well defined on both sides of the transition equation, i.e. to push the project out of the new business development group and pull it into the receiving unit based on effectively communicating the receiving unit value. The transition process needs to be identified as a high organizational priority, backed at the top or near the top of the executive team, for these higher uncertainty, new business development project transitions to be successful.

Second, there should be a separate transition guidance board, formed only for the transition period, to objectively judge the performance of those involved in the transition process. This will also help to build organizational alignment and legitimacy by enrolling new stakeholders in the process and providing them with a strategic view as to the potential of the project. Performance requirements should be measured by standards that are different from those of the receiving unit and different from those of the new business development group.

Similarly, the transition budget should not be provided solely by either the new business development group or the operating unit. Each of these two constituencies has a stake in the success of the transition, but each has biases and established operating modes that may compromise the effectiveness of the transition. Therefore, a more objective and strategic perspective can be offered by setting aside transition funding from other sources that are separate from the allocations to the business units such as CEO discretionary pots, corporate venture funds or even external partners. Senior management's role is to determine where the transition funding is going to come from and be committed to set aside what is required for transition success. Due to a division's limited resources, the unwillingness on the part of the receiving division to commit sufficient resources needed to realize the project's full innovation potential is a major threat to successful transition. There is a delicate balance between pursuing near term profitability of the initial applications and exploring new application areas. Once again, the Transition Manager plays a significant role in resolving these funding issues with senior management to ensure transition success.

The fourth is the formation of a leadership-endorsed Transition Team populated with personnel from the new business development project team to provide the accumulated learning, the receiving unit to build a knowledge base to carry the project forward and the Transition Manager with expertise in facilitating transitions. If the project champion has been effective, he or she should play a key role, potentially as leader if he or she has the right skills or as advisor, if not. Regardless, senior management needs to manage the leadership selection process carefully. If this has been done well from the very beginning, choosing carefully the project leader when the project is initiated and helping him or her to grow with the project as it matures, then the company should have no problem retaining this critical individual *and* the transition team will get the leader it needs.

Another important, but difficult, role the Transition Manager plays with new business development project teams is to set realistic expectations among the various stakeholders about the likely evolution of the market. As the business model unfolds, there will continue to be dead ends and unexpected opportunities, as well as the applications that do not work out as expected. Flexibility in the ramp up of the new business is critical. Without it, there is a risk the company will shelve the project rather than continue to invest in the market development activity required to reap the benefits that the new business offers. Requiring new businesses, which develop from higher uncertainty innovation projects, to meet high hurdle rates too soon may kill them before they have time to develop and mature. The Transition Manager must work with senior management and the Transition Team to ensure these messages are communicated and understood.

In the end, senior leaders and transition managers must learn how to behave differently themselves so that new leadership practices for transition management are embraced and broader strategic and portfolio transition issues are considered.

Conclusion

Companies are establishing transition management capabilities by following a more formalized transition management process, adopting the Transition Readiness Assessment Tool, and setting up transition teams composed of the appropriate types of people. They continue to reinforce that the process and Tool forces a keen awareness of how much work remains to be accomplished on many fronts before the fruits of investment in higher uncertainty innovation projects can be realized. A critical aspect of this is simply setting the appropriate expectations with the senior management of the receiving units, based on what we now know to be reality through the experiences of companies following the transition management process. Fortunately, the fifteen transition readiness dimensions force the right discussions, thereby enhancing the probability that projects in which the company has invested so heavily through the innovation lifecycle will not be scuttled as they move to commercial status.

Resolving the remaining uncertainties during the transition, such as how to fill team competency gaps, exploit underdeveloped markets and address inconsistent sales expectations, takes longer and requires greater investment than anticipated. However, by acknowledging that effective project transitions involve a specific set of activities and require special skills and resources, companies can accelerate the transition process, reduce the risk of failure, and improve their transition management competency. Given that most companies are struggling with transition management issues, companies can make major strides and contribute more significantly to company success by learning how to manage the transition from highly uncertain project to established business operations.