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Internal Due Diligence: Key to New-Product Success

Mass High Tech
9 February 2007

Most people think of due diligence as a process undertaken by investors, licensees and acquirers just prior to closing a deal. But it's also appropriate to conduct *internal* due diligence upon *contemplating* a new-product introduction and well before its development is in full swing. After all, corporate headquarters, divisional management, investors and, of course, prospective customers will certainly "conduct due diligence" after the fact, so you had better do it yourself well before that. Few think of due diligence in this context, but it's a useful and constructive way to "get your ducks in a row". The focus here is on medical products — devices and diagnostics — but many of the issues and actions are common to other industries.

WHO AND WHEN?

Engage this process as early as possible, usually after the first glimmer of an idea emerges from either the marketing or R&D organization (the usual sources of new-product ideas). And, the participants in this process must include at least representatives of marketing, R&D and prospective users. It's impossible to overstate the importance of that last partner, since it is very rare that the first two of these partners can adequately represent the full spectrum of user views and experiences. While it is true that users often struggle with truly revolutionary product concepts, those cases represent a distinct minority. For medical products the obvious candidates are physicians, nurses, technologists and sometime healthcare administrators — not just "thought leaders" but routine users, too.

THE DUE DILIGENCE PROCESS

As an engineer might describe it, the ideal process is a tight closed loop: draft a product concept; run it by a few prospective users; refine the concept; test it again with users; position it against the competition; guess at its available market size; refine the concept again; test it again with the "best" user representatives; compare it again with the competition; refine the market opportunity estimate; run the numbers. If the takeaway message at this point is that many clinicians will adopt (not just try) the conceptual product and your organization can meet its financial objectives, charge ahead! But be prepared for continual refinement of the product concept specification and market opportunity assessment along the way.

COMPETITION

It's easy to identify and assess the competition, right? Not so fast! In the realm of medical products and technologies you will need to deal with two important wild cards. First, you need to deal with "clinical momentum", a natural and usually appropriate reluctance to change practice patterns. Second, you need to predict the future with some clarity, based upon your experience of course: What are current suppliers likely to do over time, and which other suppliers might enter with superior technologies?

SELL THE CONCEPT

It's obvious that you need to sell your product concept externally, to the usual suspects: customers and (maybe) providers of capital. But don't forego selling your new-product concept *internally*, and do that early and often. Everyone must be on board with the initiative — especially top management — or it will find a way to fail. And, time and circumstances can readily change minds, so the internal selling process must be continual and vigorous. Of course, this implies that there must be an internal champion, and that person must lead the charge relentlessly.

BEWARE THE BIASES

Chances are you will experience lots of enthusiasm after validating the opportunity. The likely problem at that point is the "runaway train" syndrome — everyone is on board and cannot get off. Guard against irrational biases in favor of the new-product initiative. Doubters may be few in number, but their views should be listened to diligently. Experience suggests that some important tweaking of the product concept will be called for late in the process, perhaps after the product is fully developed. Test it with key users one more time; better to delay launch than to risk a bad first impression in the market.

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