

Building the Acme Interactive New Product Development Group

February 13, 2006



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Group**

This memo summarizes our conversations with Acme and outlines our approach to developing a framework for working together. We look forward to getting your feedback and contribution to this document.

What We Heard

In our meeting we heard that:

- Acme Interactive’s strategic goal is to contribute one-third of total company revenue.
- The strategy for meeting that contribution goal is to transform the online group from a publishing-centric channel into a business unit focused on developing and managing digital products.
- The immediate challenge in doing this is to add capacity involving the right skill sets.
- If the capacity is internal, the staff would be additional and separate from current groups, and you would need help recruiting and managing the right talent.
- The initial focus of a 12-month time horizon would include building 4-5 products all aligned with strategic goals but possibly mixed with regard to short- and long-term revenue targets.

Our view is that the strategic goals expressed above are both wise and achievable. Content is increasingly becoming a commodity, and content companies face growing competition from customers and partners alike. Products and infrastructure are proving more efficient revenue sources and can be leveraged more than content. Acme Interactive should build the capability to generate new products just as well as Acme launches new books.

Getting there will take a disciplined, focused, and innovative commitment to execution. Operating a product company takes different talent, incentives, processes, and management frameworks than does running a digital publisher. To acquire and align the components of success, Acme will need to move swiftly and strategically to create and begin executing an operating plan oriented towards this new vision.



How MIG Can Help

Acme needs to revitalize its capability for creating innovative products and services. MIG will work with Acme management to jump start and manage this revolutionary change while building a more innovative culture inside the Interactive group. We will create a new, dedicated team of employees working collaboratively using a rigorous innovation process. In directing this team through a project from business concept to product launch, we will establish new methods for generating, evaluating, and implementing innovative ideas.

Specifically, we will lead and facilitate:

- The design and implementation of an actionable business plan
- The creation of clear understanding around external opportunities and customer behavior
- The evaluation and building of internal skills and working styles

We like to think of this effort as an operation to implant a bionic heart into Acme, as if Silicon Valley entrepreneurs invaded your office and created an interactive product company. The result will be significantly different than what you have now. It will require a vital new work style to attract and keep the product development talent needed to succeed in this industry. Here's how it should work:

Better Ideas

The Bionic Team will have state-of-the-art skills. Because of their knowledge, they'll know how to invent entirely new solutions to new product development obstacles. Their work style will be debating and deciding design decisions, rather than writing and reviewing. They will constantly collaborate, co-creating features to leverage all their skills. Everyone regardless of role will be aware of the reasons behind design decisions, progress in relation to revenue goals, technical architecture, etc. A flat structure will ensure easy information flow.

More Ideas

The playful atmosphere of the Bionic team will result in more creative ideas for building products. Having a budget for books, software, conferences, and so on makes them smarter and happier. Given free time to pursue personal project ideas both they and Acme will benefit from exponentially more ideas. Some products may be developed in conjunction with the public, simultaneously gathering new ideas and building a customer base.



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More Empowered Employees

Not surprisingly, the most talented people will do their jobs with less management. They are geeks and love geeky work. At Razorfish the project teams have little oversight. At Google the engineers are barely managed. Acme will learn how to hire the best and give them the freedom to succeed.

A Smarter Acme

To attract great people in New York, Acme will be competing with the likes of Yahoo and Google, and so we need to offer a similar work environment and benefits set. Talented people are attracted to the opportunity to work with other talented people. Acme's recruiters will need to learn to search for and select the best people, and get them involved in recruiting others.

A Visionary Group

All this will be guided by Bill Ostroff's vision for Acme Interactive. It might be "*By 2008, 50 million Americans will use Acme Interactive products to improve their lives.*" Whatever it is, it will act to set the strategic direction and give people confidence in that direction. This avoids the paralysis other organizations face part-way into their evolution when they can't agree on their priorities. Without vision, organizations lose their direction.

Faster Products

The product cycles should be quick to avoid the risks inherent with complexity. Slimmer feature sets will result in faster releases that happen more often. The Bionic team will control staging servers to test their work. They will bake in marketing ideas rather than tack them on afterwards, such as using public betas to generate an audience.

A Culture of Innovation

Through its actions, the Bionic team will work by a new hierarchy of values that focuses most of all on employee satisfaction. Happy, smart, creative employees will make innovative products that customers respond to (as with Southwest Airlines and JetBlue). Improving the product will always take precedence over added marketing.



Timelines and Fees

The first six months can be thought of in terms of these major milestones:

1. Assess the existing product ideas to determine necessary details about what roles to recruit, the target audience, product behavior, group operations, and financial models.
2. Recruit team members
3. Develop a set of products in a staggered way and manage product launches
4. Recruit a leader to permanently manage the team
5. Transition team management to the new leader

MIG will dedicate one principal to lead these efforts over the next six months, with additional support from other MIG partners. During that time, the principal will work full time onsite at Acme for three months to establish the team and generate sufficient momentum. Subsequently, MIG will transition to a monitoring role for the next three months, consisting of eight billable days per month to provide input, coaching and oversight for the new team. Total fees for the 6 months will be \$264,000. Expenses for any necessary travel and lodging will be billed at cost.

- Team formation and leadership (12 weeks @ 15k/wk)	\$180,000
- Monitoring and coaching (24 days @ 3.5k/day)	<u>\$ 84,000</u>
Total Fees	\$264,000

Upon approval, MIG can begin this project within two weeks.



References

Below are examples and references from our recent, similar work.

With **Interaction Associates** we worked to develop a new set of products that together formed a strategic response to the changing business environment of corporate training. The project included new research into customer desires, the creation of eight new product concepts, and qualitative and quantitative analysis of how these concepts could contribute to the company's growth. To learn more about this project, contact Michael Papanek, General Manager, New Channels Division, in San Francisco at 415.343.2646.



For **AARP**, we engaged in a series of projects. We first worked with their publications group to build a shared vision for AARP publishing efforts, creating a strategic plan that served to guide tactical decisions. This was followed by a workshop educating the web services staff on social media concepts and applications. Most recently we helped them conceive an internal business plan for creating a new center of excellence to revolutionize how they serve AARP's members online. To learn more, contact Mike Lee, Director of Client Services, in Washington D.C. at 202.434.3527.



With **New York Times Digital** we led two projects each focused on a vital part of the New York Times website: the article template and the search template. We taught the team how to research and test designs with customers and to evaluate design options. The results were a significant contribution to their 42.3% increase in 2005 advertising revenue. To learn more, contact Robert Larson, Director of Product Development & Management in New York at 646.698-8136.



And because **we have so many ideas**, we recently spun off a company to develop and sell a new product called PublicSquare, a content management system built from the ground up to recognize how publishing and



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community need to be seamlessly integrated. We would be happy to tell you more about it.

Additionally, we've created new products at **AIG**, **Yahoo**, **AlbenFaris**, **Razorfish**, and others. We've seen this process succeed and we've seen it fail, and we would love to help it succeed at Acme.

Contact

For questions regarding this proposal, please contact Victor Lombardi at 347.249.9470 or victor@mig5.com.

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