

Qualitative Risk Analysis

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Risk management is a critical component of the development of a new product. The importance of managing the risks of a new project at the onset is well demonstrated in the literature on the product development process. According to Fleisher (2007), it has been shown that risk management and reduction have a positive impact on the performance of the new product and the company. Commonly identifiable risks for a new product's introduction to a competitive environment include major delays and high economic costs arising from the notion that resource intensiveness in product development improves the performance of a new product. The second form of risk for a new product is the increased costs that may be due to the belief that processing in large batches is cost-effective, while in fact, it is not. The third risk in new product development in a competitive environment is the risk of losing opportunities by over-focusing on a single product development plan.

Scenario analytics must be used to assess the risk of major delays and economic costs from the belief that resource intensiveness would improve the performance of a new product. Scenario analytics are an important tool for businesses, especially in analyzing the merits and downsides of organizational decisions (Creswell, 2009). Analysis of the risk of major delays and economic costs arising from the full utilization of new product development resources shall start from defining a base case based on the current and company-accepted new product development assumptions. Next, the impact of pursuing the full or moderate utilization of allocated resources must be assessed, and the economic cost of the product must be compared to the base case. Although it's expected that a scenario analysis will produce actionable insights for future product development, a quantifiable analysis will help to quantify the impact of unexpected confounders and identify opportunities to optimize future product development goals.

It is also a common belief that processing work in large batches reduces the cost of a new product. Processing work in batches is generally believed to be cost-effective, faster, and has opportunities for earning economies of scale. However, there are also opportunities for attaining better results by reducing batch sizes. For a new product in a competitive environment, it is vital to maintain perspective and use manageable batches to allow quick feedback processing and create leeway for cost-effective adjustments. Using scenario analytics, the impact of batch sizes must be assessed, from small to large, on holding costs. These are the costs of maintaining batches until the desired product is attained. The transaction costs associated with processing batches of small to large sizes must also be examined. Larger batches may have higher holding costs but reduced transaction costs, hence, opportunities for taming the risk of elevated costs prevail in this tradeoff. However, quantifying the tradeoff to choose the optimal level of holding against transaction costs would require further quantifiable analysis.

The risk of losing opportunities by over-focusing on a single product development plan can be severe on a company's growth agenda. Ingenious project management for a new product recognizes the processes for developing new products as intrinsically different and necessitating unique approaches and design, as well as the development process. With this understanding, it's worth looking for alternative approaches that have been tested in terms of competitive advantage. A macro-environment-based analysis within an industry will help reveal alternative plans for developing the new product, thus minimizing the risk of losing opportunities.

References

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