

Make milestones matter with ‘decision gates’—stage gates with real teeth

Too many projects get too little scrutiny under ordinary stage gates. To get serious about milestones, adopt decision gates that channel resources only to the most rigorous business cases.

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In recent decades, companies have sought to bring rigor and transparency to the product-development process by holding stage-gate meetings over the course of a project. But at most organizations, stage gates fall far short of achieving their goals. Too often, stage-gate meetings are little more than reviews of product maturity, with limited focus on decision making. As a result, people see them merely as process formalities that lack teeth.

Because project leaders do not always convene the right stakeholders from across functions, the right people are often not present to make decisions affecting multiple stages of the product lifecycle. Given that funding is rarely delayed or halted at a traditional stage gate, participants have little incentive to prepare for decision-oriented discussions. The failure to conduct decision-oriented meetings invariably means that serious project issues do not become evident until late in the development process. Even when issues are identified, the process for escalating them is typically unclear, with limited follow-up.

To make stage gates the effective tool they were intended to be, companies should reinvent them as decision gates. Decision gates are no-turning-back moments at which the organization—and, more important, senior management—commits to major investment or design decisions that balance the product-level trade-offs among cost, time, and quality.

The project leader orchestrates the activities of cross-functional participants representing development, procurement, production, and service, each of which has clear responsibilities at a given decision gate. Preparation for meetings is thorough and guided by standard templates, and the meetings are meaningful but short. Based on the outcomes of the gates (or the inability to make a decision), clear next steps are articulated for all involved functions, and any issues are escalated as necessary.

Finally—and this is the biggest innovation with the highest impact in moving to decision gates—it is clear to everyone in the room that by signing off on the project they are, in effect, signing their name to a large check that commits the organization to spending significant money or resources. This commitment creates the incentive required to ensure both that the gate reviews are meaningful and that they provide the necessary transparency to actual project status.

Converting the typical stage-gate development process to a decision-gate process entails a fundamental mind-set shift. The entire product-development organization must become focused on developing and refining a rigorous business case in each phase of the project life cycle. This transition generally takes at least a year.

How decision gates work

Connecting the outcome of decision gates to the release of funding ensures that participants have an incentive to thoroughly prepare for meetings and that reviewers drill into the soundness of the business case before allowing the project to proceed to the next stage.

Prior to each decision gate meeting, all relevant functions should prepare the information required for making an investment or design decision. The fact base provided by a meticulous preparation process enables reviewers to apply substantive business judgment in assessing requests for funding at the gate.

During the decision-gate meeting, all functions should present a project status assessment and make a recommendation for how to proceed. Senior management should carefully consider the status assessment and decide on the next step. Most important, the gate decision should provide the basis for either releasing or blocking the budget for the next phase or other types of funding, such as money for hard tooling, building prototypes, or supplier development.

It is equally important to ensure that the decision taken at a gate is properly executed. Progress and design reviews should be initiated throughout the project-execution process, to enable the project team to monitor and address any gaps between the actual and planned output. This continuous monitoring ensures a strong focus on successful project execution and budget adherence.

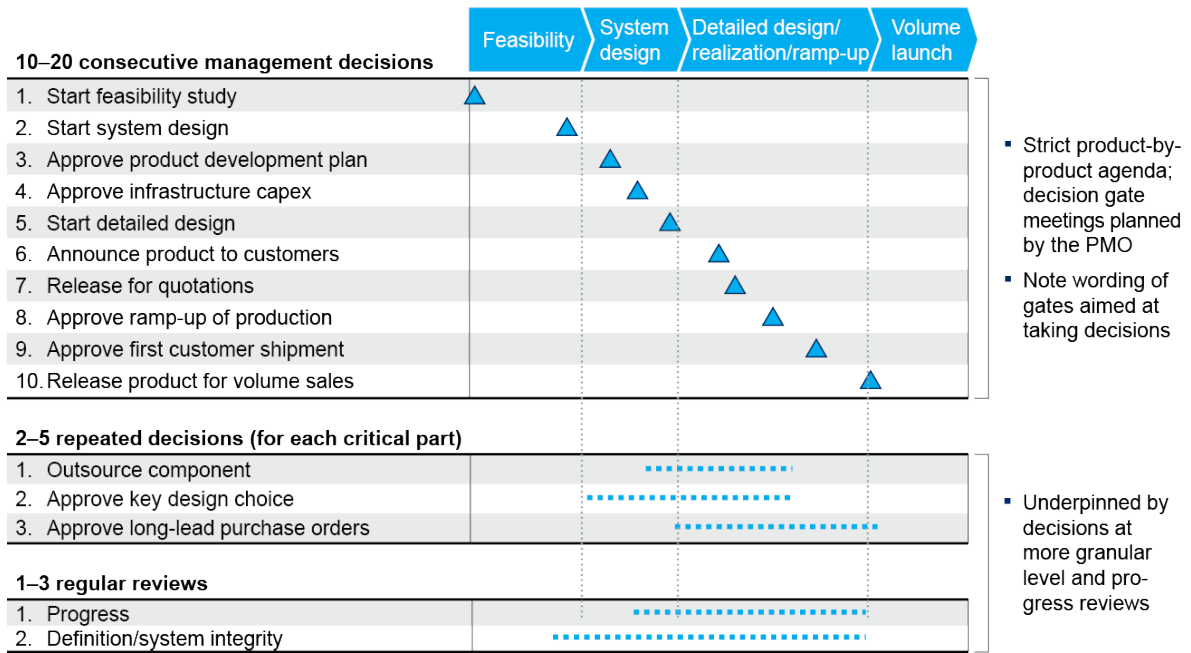
Developing the gates

To develop decision gates, the company should identify five to ten critical management decisions over the life of a project, from the feasibility assessment through launch (Exhibit 1). These decisions should be articulated in decision-oriented terms, such as “approve product development plan” or “approve ramp-up of production,” and considered separately for each product. The company should also articulate two to five decisions that will be repeated for each main component, including design choices and outsourcing decisions. Additionally, it should schedule one to three regular reviews of progress and system integrity over the project life cycle.

Exhibit 1

The first step in the decision gate process is to identify the 10–20 critical management decisions over the life of a project.

INDUSTRY EXAMPLE



For each decision gate, the organization must prepare detailed descriptions of responsibilities and the required preparation and follow-up. The project management office (PMO) specifies the inputs needed for each decision and prepares templates for submitting the required information. The PMO should also set each function’s role in preparing for the subelements of the decision and identify the specific person responsible for collecting and presenting the relevant material. Responsibilities for the follow-up actions and decision execution should also be specified.

The company should establish decision-making criteria to test the business case at each decision-gate meeting. The overall evaluation should consider whether the business case is holding as expected and assess any risks and the related mitigation plans. In addition, the project leaders should consider criteria relating to cost, time, and quality and determine any deviations from targets (Exhibit 2).

Exhibit 2

Diagnosing the level of completion of projects should be done across the classic parameters of time, quality, and cost.

**Operationalizing the process**

To operationalize the decision-gate process, the organization must put in place multiple enablers, including IT systems, skills and capabilities, project staffing, and a review architecture. IT systems at the company level can be used to enable tasks such as data management and project tracking. Many organizations will need to build more advanced skills and capabilities in topics such as cost estimation and design robustness. Organizations should apply resource-planning techniques that ensure the right level and composition of staffing for each project on the basis of its complexity. They must also set out a cadence of meetings at which the cross-functional project team and department heads can review progress and identify issues in between the decision-gate meetings.

Innovation in product development is supported by a parallel flow of technology development within the organization. This flow of new technology must be defined and integrated into the decision-gate process. Only technologies that have matured should be included in the product development flow at the concept-approval or prototype stage.

In operationalizing decision gates, it is critical to recognize that organizations cannot establish a one-size-fits-all process for the full range of development projects. Because projects vary in terms of their timeline and resource intensity, the organization needs to ensure the decision-gate process is scalable. Customization can be facilitated by identifying a set of archetypes for development projects, ranging from simplest to most complex. For example, project timelines will be significantly shorter for projects that entail refreshing a product model, whereas they will be longer for projects that involve major redesigns or new product development.

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A mature decision-gate process ensures rigor and transparency for projects across the product life cycle and delivers robust outcomes for cost, time, and quality. By providing incentives for project teams to prepare meticulously for gate meetings and forcing project leaders to make tangible decisions, the process sends a clear signal that the product development organization has zero tolerance for mediocrity ■

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