I spoke at a conference last week on the challenges of delivering organic growth through innovation in the high tech industry. We covered some serious issues. My team analyzed investment in R&D and rates of revenue growth for the industry for the four year period of 2008 - 2011. We found an R&D effectiveness ratio of less than 50 percent.

As an industry, high tech spent an average of 8.3 percent of revenue on R&D over that four year period. This compares to a spend rate of only 4.8 percent in a diversified set of other product-driven industries. This means that on average high tech spent 73 percent more on R&D as a percent of revenue than other industries.

And what did that investment get us? An annual revenue growth rate over the same period of 3.9 percent versus a diversified industry benchmark of 4.2 percent. All that incremental investment in R&D yielded a lower rate of revenue growth. The story is worse if you remove Apple from the analysis. What is the trouble with innovation in high tech?

Product development in the industry is expensive, fragmented, and reliant on blockbusters. On the revenue side, the market is extremely competitive with short lifecycles that are subject to disruption. High tech would benefit - even more than other industries - from adopting a single point of accountability for driving results from innovation. The Chief Innovation Officer has an important role to play in bridging the gap between the technical and commercial functions within an organization and reintegrating the multi-entity value chains that make the industry work today.
About the Author

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For the past 30 years, Bill has helped executives in technology-driven industries transform their competencies to deliver results. He is a highly regarded consultant, speaker, and writer on the topics of innovation strategy, product development, portfolio management, technology commercialization, and the software systems that enable innovation. Keep up with Bill's latest research and thoughts on innovation and the rising role of the Chief Innovation Officer at www.TheChiefInnovationOfficer.com.