Innovation Measures #6 - Resource Productivity

by Bill Poston

The overloaded development pipeline is a chronic problem in innovation. Over the past five years, resources have been a consistent constraint on our ability to deliver growth from innovation. If resources continue to be the bottleneck, then we should seek ways to maximize the value we can create with each unit of resource capacity.

The resource productivity index measure takes the aggregate expected commercial value of the innovation portfolio and divides it by the number of full-time equivalent resources working in R&D. This metric is only meaningful over time as a trend in ECV per R&D resource in the organization. Increasing the resource productivity index is a way to indicate that the company is utilizing resources appropriately.

While this is not an output measure, nor a predictive metric, it is a good way to ensure that we are focusing both on increasing expected value while effectively managing the investment in capacity. Think of this as an expected return on investment in resources. Raising aggregate ECV is most impressive if we can increase this value measure without increasing inputs like resources.

If this metric becomes central to the measurement system it can inadvertently drive behaviors that are not in the best interest of the organization. Many of our companies should be adding resources in order to increase innovation throughput. Focusing exclusively on the resource productivity index can put additional barriers to hiring and lead to more outsourcing than is healthy for the long-term sustainability of the innovation engine.

Tracking this metric is a way for the Chief Innovation Officer to make the case for increasing capacity when it is clear that the returns are available to the organization.

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About the Author

Bill Poston
bill.poston@kalypso.com

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.