More Proof Points for Managing R&D as a Business

by Jenna Dudevoir

Harvard Business Review’s The Daily Stat today was right on the money, literally:

Twice the R&D Budget Doesn’t Get You Twice the Innovations.

No beating around the bush here. According to research led by Marco Corsino of the University of Bologna in Italy, doubling R&D spending leads to just a 22.5% increase in new-product announcements. The study also shows that size of the company doesn’t matter: doubling a company’s size only leads to a 31.3% increase in innovations.

These are two more stats to add to the growing list of proof points that further validates what we already know: it’s no longer what you spend in R&D that matters but what you get in return.

Smart executives have learned from their mistakes (or others’); they are cautious about the investments they are making in innovation and are aggressively seeking returns. Others haven’t; they are still writing checks and hoping for the best. For them a certain mystic still exists where R&D operates as a “black box” out of which new products appear, so they hesitate to make changes.

One thing is clear for both of these executive types: the pressure to maximize innovation investment continues to escalate. And with that, so does the need to manage the R&D organization as a business - with the same transparency and accountability as every other key functional area.

With R&D leaders at the helm to demonstrate its business value, where do they start? We recommend the following approach:

- Evaluate the management of the people, processes, systems, and data necessary to run R&D and deliver the business objectives.
- Consider utilizing an R&D Management Framework as an infrastructure that proportionally develops key dimensions of R&D excellence with balanced strategic and organizational alignment.
- Define the processes, tools, metrics and organizational alignment required to optimize each R&D capability.
- Assess the function, diagnose needed changes, and build a strategic roadmap of improvement areas to better align R&D with the business strategy.
- Proactively communicate the need and pathway for change both within R&D and to senior management.

R&D’s business value contribution needs to align to an organization’s vision, objectives, and strategies with greater transparency. Until there is a magic equation that can calculate how much you need to spend in order to develop your next innovation (don’t hold your breath), a strategic cross-functional approach that identifies and integrates critical management functions, processes, alliances, tools and metrics is crucial to developing an R&D organization that cultivates success and delivers expectations.

For more information on the R&D Management Framework click here.

1 Source: R&D, Firm Size and Incremental Product Innovation

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About the Author

Jenna Dudevoir
jenna.dudevoir@kalypso.com
Jenna is a Pearl Jam fan, CrossFitter and dog lover.

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