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\(^1\) 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 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](#).

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1 Source: [R&D, Firm Size and Incremental Product Innovation](#)

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Jenna is a Pearl Jam fan, CrossFitter and dog lover.

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