

How to Run R&D Like a Business

It's No Longer Just a Black Box

BY CHIP PERRY & SCOTT GAMBLE

If we were to poll research and development (R&D) leaders, most would probably agree that the demands placed on their function continue to grow while headcount and budget rarely increase commensurate with growth expectations. This was particularly true during the *Great Recession*, and now, in its aftermath, recovery is expected to be slow and likely bumpy. All of which makes for very challenging times to be an R&D leader.

While most company functional areas outside of R&D have been rationalized, downsized, rightsized, or reorganized to improve operational efficiency—aka “do more with less”—R&D has largely avoided major overhauls. Why? For many non-R&D executives, R&D is a “black box” out of which emerge new products that drive future growth, so they are hesitant to make changes or cuts. However, more executives are now beginning to demand transparency and want to see what's inside the black box.

Herein lies the challenge. Often the R&D leader—likely a PhD with mastery in technical skills — employs very disciplined modes of thinking that may at times create a challenge when communicating with the “just get it done” mindsets of business managers. R&D leaders often must work harder to help their peers in the executive suite to understand the work processes that generate the next new product success. That means opening up their processes in a timely and effective manner to provide greater transparency and engaging senior managers to help them understand how product design and development occurs.

R&D can and must be managed with transparency and accountability on the same level as every other key functional area. R&D leaders need to shift from reacting to executive challenges to proactively managing expectations. So where do they start? It begins with understanding the best way to evaluate the management of the people, processes, systems, and data necessary to run R&D and deliver the business objectives.

Take a recent Kalypso client for example. The global R&D functional leader of an international consumer products company needed to assess not just one R&D organization, but all nine regional R&D organizations, to determine where to eliminate duplication, what areas need to be strengthened, and how to build global centers of excellence.

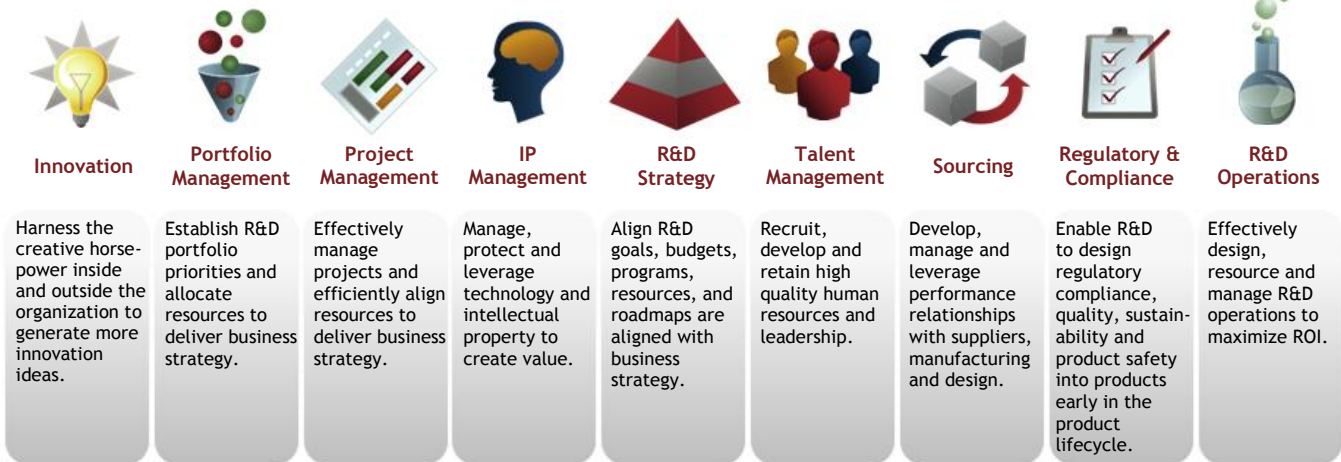


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A detailed survey and interviews based on the nine dimensions of Kalypso's R&D Management Framework were conducted with the company's R&D regional managers and key R&D stakeholders. The framework defines the processes, tools, metrics and organizational alignment required to optimize each R&D capability to deliver the business objectives across all of these dimensions:



The assessment benchmarked the company's practices with best-in-class organizations. The assessment revealed:

- An opportunity to downgrade two R&D centers to provide only support services
- The need to shift resources to three centers that will emerge as the new global centers of excellence
- A requirement to source and implement new PLM software to provide a systems foundation to foster global collaboration and improved regulatory compliance
- The need to strengthen IP management practices
- The ability to leverage the company's global reach to set and meet diversity goals in managing their critical talent pool of product developers

Using the Kalypso R&D Management Framework as a guide, the client's R&D leadership had the necessary infrastructure to assess their function, diagnose needed changes, and build a strategic roadmap of improvement areas to better align the function with the business strategy. Most importantly, the Framework provided an assessment methodology that proactively communicated the need and pathway for change both within the function and to senior management.

R&D's business value contribution needs to align to an organization's vision, objectives, and strategies with greater transparency. 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.

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