
Product Innovation Management in 2010

How are companies planning to focus their innovation efforts and budgets in 2010? The “2009 Product Innovation Strategy Survey” conducted by Stage-Gate International explored this question among others. Common priorities were identified for innovation management at the participants’ companies, as well as whether R&D budgets were expected to change and, if so, the degree of this change. The results suggest that companies are positioning themselves for growth in 2010.

Innovation Priorities

The survey isolated common innovation management priorities slated for 2010. Each participant was asked to list what the top three priorities were at their company.

The aggregate top priorities identified in the survey analysis are the following:

Priority	Number of Mentions
Introducing or improving an innovation process	112
Implementing or improving portfolio management	62
Entering new markets, channels, business lines, or introducing new applications for existing products	50
Focusing upon new product launch(es), developing new products/commercialization	48

Introducing or improving an innovation process ranked as the most commonly cited 1st, 2nd and 3rd priority amongst the participants. Some examples of what companies plan to do include:

- ◆ Gaining better control of the costs of innovation
- ◆ Establishing a Stage-Gate[®] process
- ◆ Improving communication amongst cross-functional project teams
- ◆ Making better resource decisions in the early development stages
- ◆ Improving process efficiency and execution

Participants at companies that prioritize portfolio management - the second most commonly cited priority - identified some of the following areas of focus:

- ◆ Developing a portfolio management system that works
- ◆ Achieving balanced portfolios to achieve growth targets
- ◆ Allocating resources to strategic arenas
- ◆ Defining Strategic Buckets and targets for growth
- ◆ Focusing innovation efforts on fewer bigger and better products

Examples for the third most commonly cited class of priorities - entering new market, channels etc. - include:



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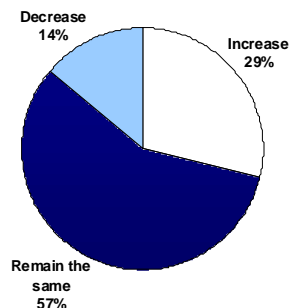
- ◆ Moving into adjacent markets
- ◆ Developing international product offerings
- ◆ Introducing new product/consumer categories
- ◆ Expanding into new trade classes
- ◆ Locking down non-core product areas to allow for business expansion

Other common priorities for 2010 include: making product improvements, conducting customer focused/driven innovation, and growth.

R&D Budgets

The survey suggests that the effects of the current economic environment on R&D spending are stabilizing. Eighty-six percent of survey participants indicated that their companies are expecting to sustain or increase their current R&D spending. Fourteen percent expect a budget cut.

2010 Research and Development Budget



Of those companies that are expecting to increase budgets in 2010, 13 percent expect a five percent increase; 22 percent expect a 10 percent increase; and 53 percent expect an increase of 15 percent or more.

Of the 14 percent of survey participants that expect a budget decrease, eight companies expect a five percent decrease; eight companies expect a 10 percent decrease; and 24 expect a budget decrease of 15 percent or more.

Conclusion

The nature of the priorities that companies are setting, and the stabilization of R&D budgets amongst the survey sample, suggest that the majority of companies are preparing for the next phase of growth as the global economy recovers.

By focusing on improving innovation processes and practices, companies are positioning themselves for growth in 2010.

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Appendix A: Research Methodology and Participant Profile

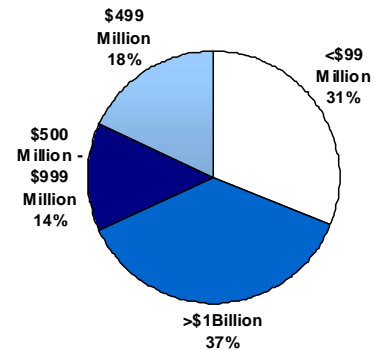
The survey was completed online by 291 members of Stage-Gate International's Knowledge Community who were invited to participate.

The Participants represented a wide range of industries that are listed below:

- ◆ Manufacturing , 23%
- ◆ Consumer Goods, 9%
- ◆ Food and Beverage, 9%
- ◆ Chemical, 8%.
- ◆ Banking and Insurance, 5%
- ◆ Technology and Biotechnology, 5%
- ◆ Electronics, 4%
- ◆ Engineering, 4%
- ◆ Medical Devices and Pharmaceutical, 4%
- ◆ Software, 4%
- ◆ Education, 3%
- ◆ Healthcare, 3%
- ◆ Packaging, 3%
- ◆ Services and Other, 16%

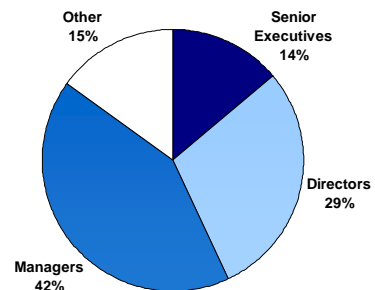
Most respondents worked for medium to large-size companies. Thirty-seven percent represented companies with revenues of greater than \$1 billion. Fourteen percent represented companies with revenues of \$500 million - \$999 million.

Annual Revenue of Companies Represented



Both practitioners and decision-makers were well represented. Seventy-one percent of participants were at the managerial level. Fourteen percent were senior executives at their companies.

Level of Participants



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