Reducing Innovation Failures by Applying Strategic Management

Dr Suresh Vidyasagar Menon

Chief Consultant

Control Case International Pvt Ltd

Abstract

Although promoting innovation can be a source of competitive advantage, the failure rate of innovative products is high. Research evidence suggests that only 10 to 20% of major R&D projects gives rise to commercial products. It is nearly impossible to know prior to market introduction whether the new product has tapped an unmet customer need, although good market research can reduce the uncertainty about likely demand for a new technology, that uncertainty cannot be fully eradicated; a certain failure rate is to be expected.

Keywords: R&D, Development Costs, Cross-Functional, Project Manager

I   Introduction

One of the most important that managers can do to reduce high failure rate associated with innovation is to make sure that there is tight integration between R&D, production and marketing. Tight cross-functional integration can help a company ensure that:

1. Product development projects are driven by customer needs
2. New products are designed for ease of manufacture
3. Development costs are not allowed to spiral out of control
4. The time it takes to develop a product and bring it to the market is minimized
5. Close integration between R&D and marketing is achieved to ensure that product development projects are driven by customer needs.

II.   Reducing Innovation Failures

Customers can be a primary source of new-product ideas. The identification of customer needs, particularly unmet needs, can be set the context within which successful product innovation takes place. Moreover, integrating R&D and marketing is crucial if a new product is to be properly commercialized- otherwise a company runs a risk of developing products for which there is little or no demand.

Integrating between R&D and production can help a company ensure that products are designed with manufacturing requirements in mind. Design for manufacture lowers manufacturing costs and leaves less room for error. Thus, it can lower cost and increase product quality. Integrating R&D and production can help lower development costs and speed products to market.

One of the best ways to achieve cross-functional integration is to establish cross-functional product development teams composed of representatives from R&D, marketing and production. The objective of the team should be to oversee a product-development project from initial concept development to market introduction. Specific attributes appear to be important in order for a product development team to function effectively and meet all its development milestones.

First a project manager who has high status within the organization and the power and authority required to secure the financial and human resources that the team needs to succeed should lead the team and be dedicated primarily, if not entirely to the project. The leader should believe in the project and be skilled at integrating the perspectives of different functions and helping personnel from different functions work together for a common goal. The leader should also act as an advocate of the team to senior management.

Second the team should be composed of at least one member from each key function or position.

Third, team members should work in proximity to one another to create a sense of camaraderie and facilitate communication.

Finally, there is substantial evidence that developing competencies in innovation requires managers to proactively learn from their experience with product development and incorporate lessons from past successes and failures into future development processes.

Leaders of the organization also must admit their own failures if they try to encourage other team members to responsibly identify what they did wrong and above all top management must bear primary responsibility for overseeing entire development process.