



Gartner®

2019-2020 Annual Edition

Top Insights for the C-Suite

How to Excel at Both Strategy and Execution:
An R&D Perspective



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A Perspective From Mike Harris

Executive Vice President
Research & Advisory, Gartner

Business leaders today face a very challenging business environment marked by significant change, competition, uncertainty — and opportunity.

Although many organizations find it hard to accelerate through the kinds of disruptions and mixed signals they face, Gartner research shows that there are ways to position your business to drive through disruption and come out ahead, but it takes concerted action and preparation.





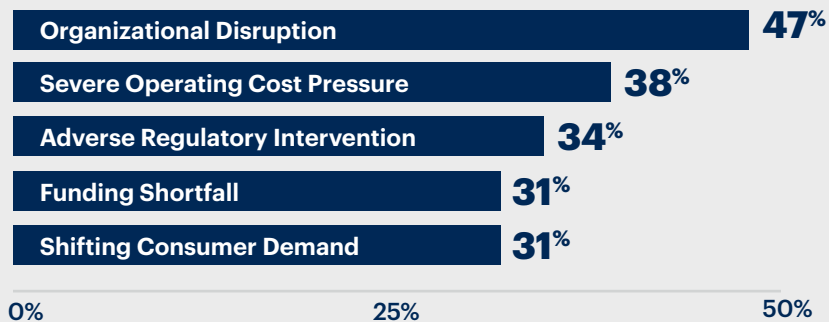
A Perspective From Mike Harris continued

If you're like most business leaders, you'd probably prefer not to make big moves until the signals are clearer, or you may look for ways to weather uncertainty — perhaps first leveraging low-hanging tactics like cost-cutting to improve a few performance metrics.

But neither a “wait-and-see” approach nor defensive cost-cutting will power you through adversity — not least because today's current state of uncertainty won't magically disappear.

Types of Disruption Over the Past Four Years

Percentage of Respondents, Multiple Responses Allowed



N=1,070

Q: Has your organization faced any of these situations in the past four years?

Source: 2020 Gartner CIO Survey

There's little clarity on a range of economic, regulatory, geopolitical and trade issues, and digital disruption has made widespread and multidimensional uncertainty the new normal.

Turns of fortune may be sudden (e.g., enormous security breaches) and can blindside you unexpectedly (e.g., new competition from outside your industry). The g-forces in the turn may be extreme (a nontraditional competitor that doesn't need to make a profit) and the time to impact short due to digital capabilities (viral anti-brand social media). Turns often coincide, increasing the need to react on different business vectors and requiring a high-performing executive team.

To survive any such turns, organizations must be able to flex as the environment changes. But some progressive business leaders, our research shows, do more than survive; they thrive — by embracing turns as a prime opportunity to seize and sustain a competitive edge.

But winning in the turns in this way requires you to prepare before the turn — whether you're on the executive committee crafting enterprise strategy or leading your function to execute it.

A Perspective From Mike Harris continued

The risk of paralysis is very real, especially if your organization lacks institutional memory of operating outside of a growth cycle. Many of today's leaders have, for example, only led strategy and operations during times of growth. Fewer than half of current CxOs were functional heads during the 2008-09 financial crisis, and less than 10% were heading the same function in their current company.

Lack of preparation creates business risk. In today's business environment, being right is only half the battle. Companies also need to execute at speed — intensely pursuing strategy with confidence and discipline as the environment changes.

This e-book delivers insights from Gartner research in 2019, featuring data and findings from proprietary surveys and engagements. It highlights the actions that progressive functional leaders are taking to improve their execution and drive forward the organization's objectives, especially through disruptive turns and uncertainty.

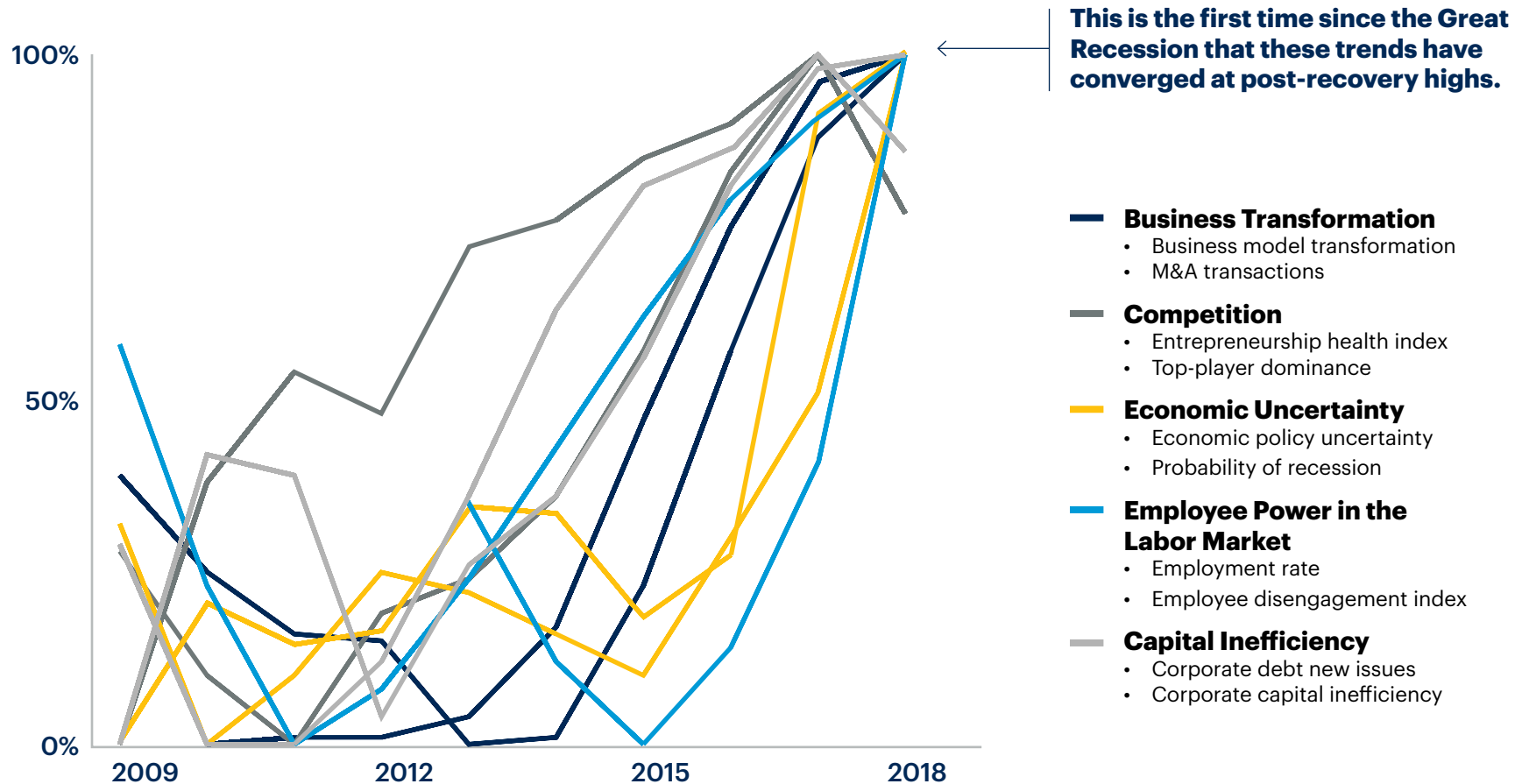
These practice-specific insights tackle the very real changes that functional leaders face in their own areas of the organization — from the lack of critical skills and capabilities to evaluating risks and speaking data as a second language — as well as their imperative to execute against the enterprise objectives.

Best regards,



Uncertain Business Conditions Seen in Unprecedented Market Trends

Trend lines across major indexes



Scaled from 0% to 100%, and where 0% is the minimum while 100% is the maximum rolling three-year average reached since 2009. Trends are based on well-known indexes and reported benchmarks and both public and proprietary data.
Source: Gartner

What R&D leaders should know

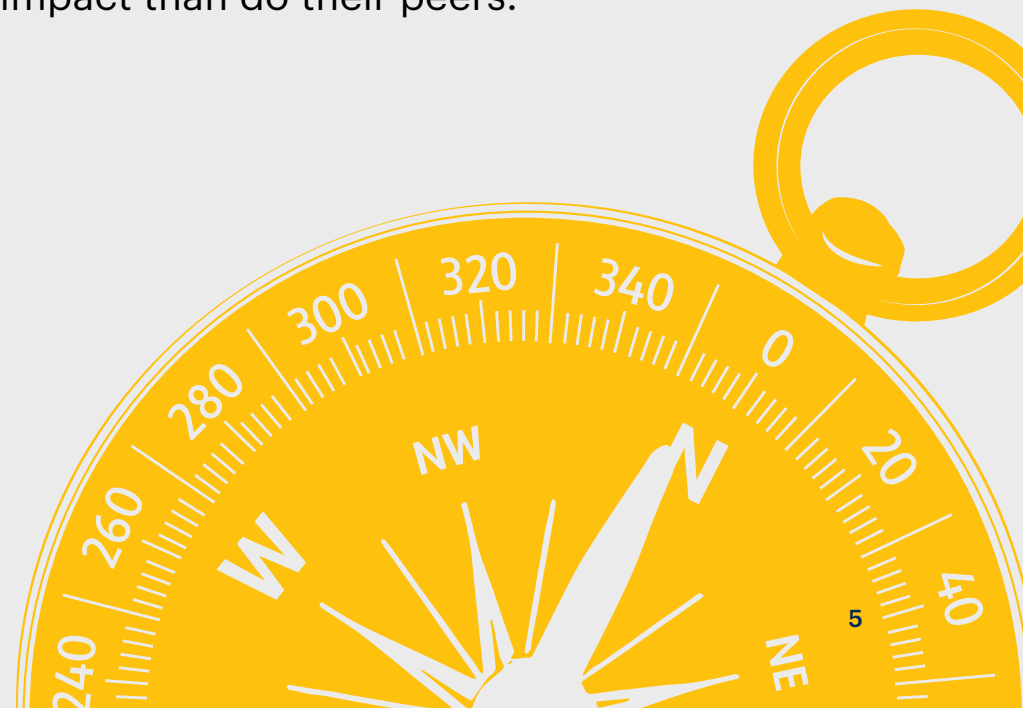
Leaders in R&D often tell us that the impact of the new products they develop is not sufficient to meet their company's growth ambitions. When they reflect on why products have failed in the past, they point to poor product/market fit, which is often driven by an unclear sense of customer needs, poor communication of critical insight across the organization and cross-functional misalignments.

Our research shows that it's not enough just to have customer and market insight that's clearly shared and understood throughout the organization. Rather, R&D teams must take a challenging posture to continually validate and confirm that insight throughout development to create new high-impact products. When R&D teams adopt that challenging posture, they deliver new products with a greater commercial impact than do their peers.



Katie Bennett Camilli

Vice President, Team Manager
Gartner Research & Advisory





R&D

Increase the commercial impact of new product development



Gauging R&D contribution to product success

Only 53.5% of the R&D leaders that Gartner surveyed about new product development (NPD) say that their NPD processes generally improve a product’s likelihood of success. That means nearly one-half of R&D leaders have an NPD process that is leaving money on the table. But why?

Product failures can often be traced to poor customer understanding, NPD process mismanagement and poor hand-offs/mistimed launches. Additionally, it’s difficult for R&D’s NPD teams to know the key drivers of product success and subsequently to increase their hit rate for newly launched products, especially in today’s demand-constricted environment.

Companies seek to improve NPD outcomes in many ways, with little agreement on what works best.

R&D leaders develop metrics and processes to define their own roles in driving product success and to ensure R&D activities are tightly aligned to driving commercial outcomes. But in many cases metrics, processes and incentives pull teams to overemphasize project outcomes over product outcomes, and don’t actually measure the factors or foster the behaviors most likely to drive commercial success.



41.8%

of R&D professionals aren't sure that their company's NPD processes generally improve a product's likelihood of success.

Source: 2019 Gartner New Product Development Process Benchmark Survey

R&D executives most commonly invest in these activities to improve R&D's contribution to commercial success:

- Changing NPD processes (18%)
- Improving customer and market insight (17%)
- Changing product strategy (15%)
- Better aligning internal and external stakeholders (15%)

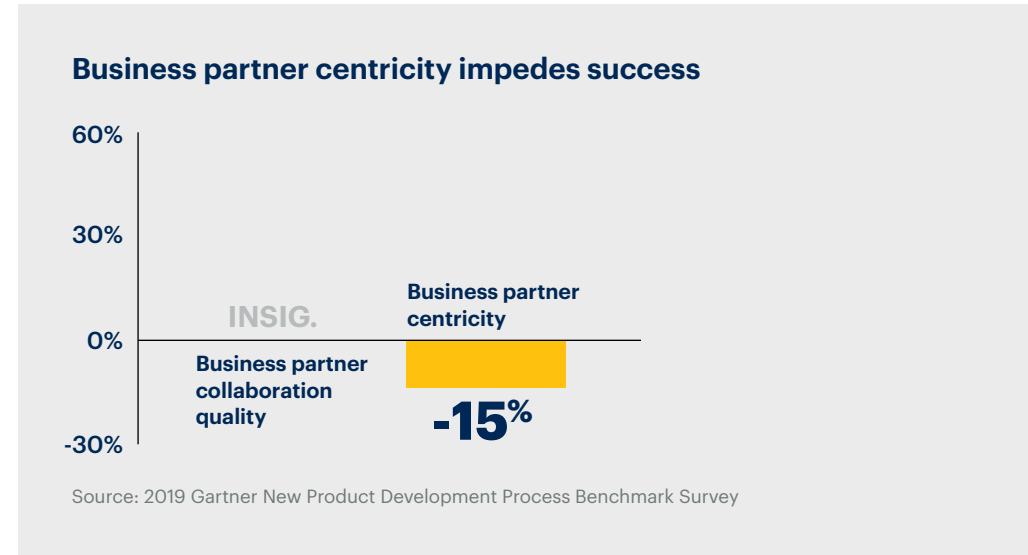
Source: Gartner

R&D isn't driving product success as it could

Product success indicators are lagging and hard to attribute to R&D's efforts. Gartner studied the impact of various factors — NPD team effectiveness, NPD project experience, business partner relationships, and customer insight and understanding — on R&D's contribution to product success, and found that many activities added little or no value.

Focusing on the wrong activities comes at a price. Consider misguided business partnering. Many NPD teams respond eagerly to business partner (BP) demands and rely on BPs to advise on problems that arise during development, because BPs “own” the product. But high-quality BP collaboration had no significant impact on product success, and an increase in BP centricity actually had a negative impact.

Similarly, having direct access to customer information and understanding customer needs proved insignificant for success. It turned out that, as conducted, these activities weren't actually delivering meaningful insights that would translate into commercial success.





Adopt a challenging posture

Of all the activities that Gartner examined, one had an outsized impact on product success: Taking a “challenging posture” to customer insight and understanding — specifically scrutinizing the quality of customer data and considering different approaches to solving customer problems.

The approach keeps R&D focused on the things that really matter in driving product success, reinforces desired product outcomes, signals to R&D leaders where effort or time is wasted, and surfaces shifts in assumptions that indicate when project success indicators may need to change.

To overcome any reluctance among R&D teams to challenge business partners:

- Provide R&D teams with coaching and tools, enabling them to pressure-test beliefs and assumptions in a way that creates business value.
- Set new expectations for R&D managers, focusing them on challenging organizational assumptions instead of resolving project conflicts themselves.
- Educate business partners about the value of such interactions. Establish shared decision frameworks to frame information and demonstrate customer impact.

Challenging posture leads to better results

Mean scores on 1-7 agreement scale

■ Organizations with low challenging posture
■ Organizations with high challenging posture



Source: 2019 Gartner New Product Development Process Benchmark Survey

The Gartner Expert View



“R&D leaders tell us that far too often, new product development is treated as a team sport with no captain, no understanding of how to win the game and no clarity on what sport is even being played! Because measuring product success is inherently very difficult, R&D teams overly rely on project success measures such as on time, on budget and on technical specifications. Unfortunately, project success and product success have a tenuous correlation at best. Leading R&D teams develop a challenging posture to continually pressure-test assumptions about customer needs (articulated and unarticulated), the job to be done and the product impacts that drive new product success.”

Atul Dighe

Vice President, Advisory

Moving From Insight to Action

Gartner Research & Development Leadership Council

Discover how Gartner supports R&D decision makers

Gartner Research & Development Leadership Council is the definitive research and advisory resource for R&D decision makers. Gartner equips R&D leaders and their teams to save time and make better decisions across a range of key areas, including R&D function leadership and management, front-end innovation management and R&D portfolio management.

In addition, Gartner's unique blend of insights, advice and tools support the success of R&D leaders by:

- Leveraging best practices to identify R&D initiatives with growth potential
- Adapting templates and implementation resources to increase pipeline efficiency
- Improving project valuation accuracy through assessments and benchmarking
- Following playbooks to foster ideation and innovation

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