

Running Chemical R&D as a Business

In some companies, there is a lack of trust between R&D and business executives due to communication problems and differing priorities. To bridge this divide, R&D heads must learn to make the business case for innovation in dollars and cents.

1

Make Strategic Innovation Investments

- The majority of R&D investment **65-70%**, should go to more reliable projects with almost guaranteed returns.
- This allows for strategic investment in less certain but still promising projects, such as a product that uses a new technology in a familiar market.
- A small slice of the budget, about **5%**, should be earmarked for those “outside the box” projects that take a significant risk in terms of technology or end market, but could potentially offer a high reward.

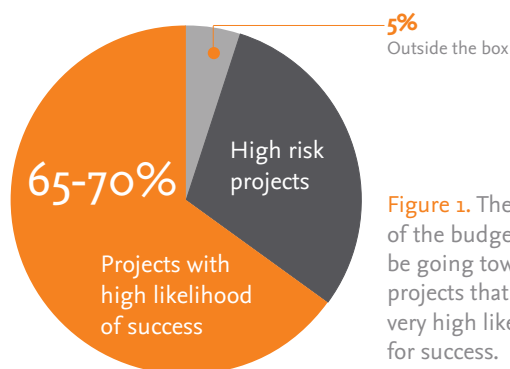


Figure 1. The majority of the budget should be going towards projects that have a very high likelihood for success.

2

Track and Report on Results Internally

- Show a 5-year outlook for your projects, and explain why you believe each one has a good chance of success—be sure to provide market and scientific data, and don’t forget to identify areas of risk.
- Constantly monitor the progress of your portfolio and make adjustments accordingly—for instance, you may want to eliminate an under-performing project before wasting more investment on it.
- When deciding to stop a project, conduct a root cause analysis and visually communicate the findings with your team and with stakeholders.
- Are your investments meeting your needs, and those of the market? Get a sense of which investments are successes and which are failures based on existing and projected revenue as products launch and mature in the market.

3

Track and Report on Results Externally

- Identify the need in a particular area, then conduct a front-end analysis on the economic appeal of addressing that need, including identifying purchasers and their willingness to pay for a solution.
- If the market looks promising, task R&D with coming up with multiple, potential solutions to the same problem—this can increase revenue-generating innovation while decreasing project timeframes.
- If the value proposition and a clear estimate of the size of the opportunity can’t be established, the project shouldn’t move forward.
- Once a product is ready for commercial launch, articulate how your R&D team solved the problem scientifically and, therefore, how the product functions. That’s what the world will want to know—what is the value of that product and what are people willing to pay based on how well it addresses the need?

Want to know more? Read our white paper
[“Staying Alive: Running Chemical R&D Like a Business”](#)

R&D Solutions for Chemicals



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