

Open Innovation 2005 - 2009

Management Report

NineSigma and Analysis Group conducted a blind survey among 7000 corporate R&D managers to measure trends in Open Innovation for the next one to five years. The survey was conducted in December 2004 and was emailed to a rented list of senior level executives with R&D responsibility at small to large corporations. The 217 responses represent a 3.1% response rate. A summary of the results follows.

INNOVATION GOALS

1. Is innovation a top priority in your company?

In 2004: 84% say innovation is a top priority in their company.
In 2005: 91% expect innovation to be a top priority in their company next year.
In 5 years: 96% expect innovation to be a top priority in the next 5 years.

Note: In last year's survey, only 75% of respondents said innovation was a priority in their company, and they accurately predicted that would increase to 85% this year.

2. Does your company primarily look inward or outward for innovation?

Inward: 65%
Outward: 35%

Note: These percentages are the same as last year.

3. What is the most important improvement objective for your R&D organization today?

45% - Increasing the rate of new product innovations.
37% - Accelerating time-to-market.
9% - Reducing R&D costs.
9% - Other

Note: We see a notable shift in priorities whereas last year's survey found "Reducing R&D Costs" was a top priority for 22% of respondents. Only 9% identified that as a priority this year, while "Accelerating Time-to-Market" jumped from 27% last year to 37% this year.

4. What is your organization's stated goal for % of revenues from new product introductions?

In 2004: The majority of respondents expect less than 20% of revenues to come from new product introductions.
In 2005: The majority of respondents expect 20-30% of revenues to come from new product introductions.
In 5 years: The majority of respondents expect 30-50% of revenues to come from new product introductions.

5. What percentage of new product technologies do you expect to come from outside your company?

- In 2004: The majority of respondents expect less than 10% of new product technologies to come from outside their company.
In 2005: The majority of respondents expect 10-20% of new product technologies to come from outside their company.
In 5 years: The majority of respondents expect up to 30% of new product technologies to come from outside their company.

6. How much does your company spend externally on R&D per year?

<\$250K	34%
\$250K-1M	20%
\$1M-10M	20%
\$10M-100M	14%
>\$100M	12%

7. How do you expect spending levels to change for your external R&D programs?

- In 2005:** 48% expect spending levels to remain the same
38% expect spending levels to increase slightly
- In 5 years:** 48% expect spending levels to increase slightly
30% expect spending levels to remain the same
18% expect spending levels to increase significantly

8. When you bring in outside technology, what types of challenges are you trying to solve?

The majority of respondents are trying to solve near-term product development challenges.

9. What is your greatest impediment to new product introductions or line extensions?

- The Top 3 impediments are:
23% - Inadequate process for evaluating commercial success of new technologies.
21% - Insufficient understanding of customer needs.
18% - Limitations on out-of-the-box thinking.

EXTERNAL INNOVATION PROCESSES

10. Does your company have an effective method of finding novel ideas from the outside?

Yes – 54%
No – 46%

11. Are you able to find novel technologies globally?

Yes – 63%
No – 37%

12. Do you know which universities are doing important research in your area?

Yes – 43%

No – 19%

38% of respondents claim to know only a few of the universities.

13. Do you know which small companies are making significant technology contributions in your industry?

Yes – 40%

No – 20%

40% of respondents claim to know only a few of the companies.

14. Do you know which not-for-profit research labs (including government labs) are doing research in your area?

Yes – 34%

No – 37%

29% of respondents claim to know only a few of the labs.

15. Who from your organization is ultimately responsible for finding novel technologies externally?

By a wide margin (50%), respondents said that no one individual is responsible.

22% said the R&D Leader was responsible.

19% said the Business Development Leader was responsible.

16. At what stage of development do you typically bring external technologies in house?

Results were evenly split between “early stage,” “late stage,” and “50/50.”

17. What is the greatest impediment to bringing in external technologies?

32% of respondents claim that current processes are ad-hoc and there is a lack of momentum within their organization.

25% say they have been unable to successfully integrate outside technologies.

15% claim their current environment suffers from the Not Invented Here (NIH) syndrome.

18. Does your organization have individuals with the necessary skills to implement sourcing and integration of novel external technologies?

75% say yes.

25% say no.

BACKGROUND

19. What is the size of your company?

of employees:

<500	62%
500-1000	5%
1000-5000	16%
>5000	17%

20. What is the size of your current R&D budget?

< \$1M	49%
\$1M-10M	22%
\$10M-100M	15%
\$100M-1B	7%
> \$1B	7%

21. What is your Job Function?

Corporate R&D Executive	28%
Division R&D Executive	8%
Product Development Manager	14%
R&D Manager	16%
Other: (CEO, VP, Sr. Scientist)	34%

22. What industry do you participate in?

Aerospace/Automotive	10%
Biotechnology/Pharmaceuticals/Healthcare	15%
Chemicals/Petroleum/Plastics/Rubber	12%
Computers/Software/Peripherals/Office Equipment	7%
Energy/Utilities	3%
Food/Beverage/Tobacco	6%
Government Lab	1%
Metals/Materials	4%
Scientific/Medical/Test Instruments	7%
Semiconductors/Electronic Components/Electrical	5%
Telecommunications	3%
Textiles	2%
University	2%
Other Machinery, Excluding Computers	5%
Other Industry	18%