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# How Innovation Really Works: Using The Trillion-Dollar R&D Fix To Drive Growth: Using The Trillion-Dollar R&D Fix To Drive Growth (Business Books)



## Synopsis

Are you spending too much on R&D? Too little? Is your innovation program successful? And how do you measure that success? Your company is spending millions on R&D every year, but despite your best efforts, that R&D isn't driving growth. If you're like 95% of firms, you aren't investing the right amount, and the productivity of your R&D has fallen dramatically over the past several years. That's because there hasn't been a universal, uniform, and reliable measure of R&D's ability until now. First introduced in Anne Marie Knott's influential Harvard Business Review article, RQ™ (Research Quotient) is a revolutionary new tool that measures a company's R&D capability—its ability to convert investment in R&D into products and services people want to buy or to reduce the cost of producing these. RQ not only tells companies how smart they are, it provides a guide for how much they should invest in R&D to ensure that investment will increase revenues, profits, and market value. Armed with insights from her experience as an R&D project manager, 20 years of academic research, and two National Science Foundation grants, Knott devised RQ and used the measure to test common innovation prescriptions across the full spectrum of U.S. companies engaged in R&D. The results are nothing short of game-changing. In this essential guide, you will learn: how to use RQ to determine which R&D investments are most likely to drive growth—using the hard data you already have to better utilize the innovation tools you're already using; the 7 misconceptions about innovation trends—and how to avoid the ones that don't work; how investors can achieve 9x returns in the market and help companies in the process; why corporate—and GDP—growth has stalled and how to restore it without R&D tax credits. This book promises to do for innovation and R&D what TQM did for manufacturing and what Sabremetrics did for baseball. It'll show you How Innovation Really Works—with measurable results you can count on.

## Book Information

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## **Customer Reviews**

This book does an outstanding job of debunking myths about what makes R&D effective, and shows companies how they can easily measure how well their R&D is translating into improved revenues. The RQ measure proposed in the book is easy to calculate, and doing so is likely to be a wake-up call for most companies. The book is a very readable and comprehensive discussion of where innovation efforts go right and wrong, with well chosen examples. The author clearly demonstrates the perils of outsourcing the development of innovative ideas, and the importance of centralizing many types of R&D within the organization. Highly recommended!

This book is a great example of making relevant research accessible to both researchers and practitioners and will challenge your preconceived notions about innovation. The Research Quotient (RQ) of a firm is an intuitive innovation measure which has the potential to help managers identify innovation changing improvements to their organization through quantitative analysis. The book begins by establishing widely held misconceptions about innovation and offers a valuable prescriptive innovation roadmap to avoid common mistakes. I highly recommend this book for those that research innovation, manage innovation, or are interested in investing in innovation or technology firms.

This book is an easy and entertaining read. As a retired senior executive at several technology-based companies, I wish that I had this book available to me during my 40+ year career. Embarrassing to me, it identified several of the methods we used to determine development budgets and to measure results-- all of which were debunked by Dr. Knott. While Chapter 10 is the

foundation for the preceding chapters, the discussion of the popular misconceptions with compelling examples of these misconceptions in practice over a broad range of industries was enlightening. The book is replete with surprising conclusions including that 67% of the firms analyzed were overfunding their R&D budget when compared to the optimum. Not a conclusion one would expect in a book championing research and innovation. A must read for any CEO or CTO. An added benefit of the RQ process is the potential for identifying public companies that are most efficient in innovation and its potential impact on market pricing. A must read for investors as well.

This book is rigorous, readable, practical. Research Quotient (RQ) is a powerful tool for measuring research productivity. It makes so much sense... I'm jealous. I wish I had thought of it.

Overall, the book is a must-read for research-driven firms who until now have been flying blind for lack of any R&D profitability metrics. *How Innovation Really Works* describes in detail how managers and investors can quantify the productivity of their R&D and accurately value the returns to R&D investment, and even compute the resulting profit and market value created by R&D. The book describes a novel new "RQ" measure (short for Research Quotient), which is analogous to human IQ and indicates a company's R&D productivity, and then goes further to demonstrate how the RQ measure is directly linked to company profits and market value. In the process, the author debunks many myths and conventional wisdom surrounding R&D through economic analysis and telling case studies. Despite the deep science, this book is engagingly written and very accessible to non-technical readers. The chapter for investment professionals is a gift to those who act on the near term arbitrage opportunity detailed in the RQ50 index.

A company should look over its research and development capabilities and consider its ability to convert this into products and services that people want to buy. For many, of course, this may require an investment into the area in the first place "or the consideration of same" but for others it can be more of a focussing of existing operations. This is a bit of a specialist, focussed read, that is based around the author's tool that seeks to evaluate and better-exploit R&D activities. According to the publishers, this book promises to do for innovation and R&D what TQM did for manufacturing and what Sabremetrics did for baseball. You will have to make your own mind up about that, although you probably should consider the potential tool. If you think you are doing everything right and to the best of your potential, it doesn't hurt to validate it, since you'd have nothing to lose? If you know you are failing then anything that can

help change your fortune is only going to be a good thing. For everyone else in-between, it is never a bad thing to aim further and seek to do what you do well in any case. It made for an interesting read with a lot of power and potential. Its messages can be deployed both at company-level as well as at a divisional or project level. The format and style of the book may be off-putting or less-accessible for some, but it is worth persevering to extract its benefit. It is not a book for everyone, neither is it a key guide to introducing innovation into your business, but it will certainly aid you in validating and refining your innovation and research processes.

This book is an extremely provocative book that has lessons for investors, business professionals who manage R&D, and those interested in industrial and technological leadership. Knott has developed a simple way to identify when companies are investing appropriately in R&D, and when they are investing too little or too much. She calls this RQ, or Research Quotient. Investing in an annually re-weighted index of the top 50 RQ companies outperforms the market by 800% (not a typo). She then describes the many mechanisms in which the market's short term focus leads to the decline of companies' capabilities. All business leaders, policy wonks and investors should read this book.

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