

Gartner for Research & Development

Your Must-Have Toolkit for R&D Strategic Planning



5 activities that are key to impactful strategic planning

Strategic planning can be an arduous process, but certain activities will differentiate your plan as one that really drives impact.

These five steps are especially important. And think now about the tools you will use at each stage to capture and share key data and information with stakeholders:

- 1 Verify the business context.** Confirm the enterprise mission and goals and make sure your R&D employees know how they apply to their everyday work. Align your R&D goals for impact.
- 2 Assess your R&D org's capabilities** to deliver on your goals and create a plan to fill the capability gaps that will slow your impact.
- 3 Strategically manage R&D budgets** to prioritize cost, budget and investment decisions to favor initiatives that will drive impact — and demote those that won't.
- 4 Decide how to measure your progress.** Select measures and metrics that will demonstrate the progress you're making against the commitments you've made.
- 5 Document your strategy** — ideally on just one page — to simply and clearly state where the R&D organization is, where it is going and how it will get to the future state.

In the last four years,
over 75%
of R&D organizations have
undergone **significant or
moderate organizational
redesign.**

Source: Gartner



Tools and frameworks you'll need

1

Verify the business context

- Strategic Alignment Tool
- Trendspotting
- Prepare for scenario planning

2

Assess your function's capabilities

- R&D Score

3

Strategically manage functional budgets

- R&D Budget and Efficiency Benchmark
- Cost Optimization Framework
- Gartner BuySmart™

4

Measure your progress

- Guide to Cascading Metrics

5

Document your strategy

- One-page R&D strategic planning template

→ 1. Verify the business context

Surface and verify the priorities of the enterprise and your business partners.

First make sure you understand enterprise business goals well enough to craft a strategic plan for your function that will support enterprise ambitions.

 **Document** both the business context and the likely impact on your function of factors:

- **Within** your function
- **Internal** to the enterprise
- **External** to the enterprise

 **Key tools** for this may include:

- A simple **conversation guide** to focus your conversations with business partners.
- **Trendspotting** frameworks to look at drivers of change, including those in the more distant future.
- **Scenario planning** activities to align business partners around your hypothetical futures.



Don't forget: A productive relationship between function leaders and the CFO will also be critical for effective strategic planning (See page 11 for more).

Understand the organization's strategy and goals

Organizational strategy

Organizational goal No. 1

Organizational goal No. 2

Organizational goal No. 3

Key questions to ask:

- What are the key business objectives for the next one, two and five years?
- What are the organization's core strategies to achieve these goals?
- How does the organization plan to execute these strategies?
- What are current challenges facing the organization?



1. Verify the business context

Conversation guide to get business partner perspective and alignment

Questions about that business partner's domain	Notes on your business partner's answer
What are your key business objectives and resultant goals for the next two to five years?	
What are your primary strategies? How do you plan to execute on these strategies?	
What is the direction of the key product line, supply chain, service offerings, etc.?	
How will you know if your unit is successful? What will you measure?	
What are the key success factors that will make or break your unit's success long-term?	
What major obstacles will the business unit face in reaching these objectives?	



1. Verify the business context

Framework to scope for emerging trends that present risk and opportunity

No executive leader can predict the future, but you can adopt a deliberate approach to sensing and responding to trends.

Use a construct like the Gartner TPESTRE of trends (see figure) to prepare to respond to disruptions and plausible futures. Key considerations are your organization's footprint (existing presence within a market or industry) and foothold (strategic opportunities to expand).

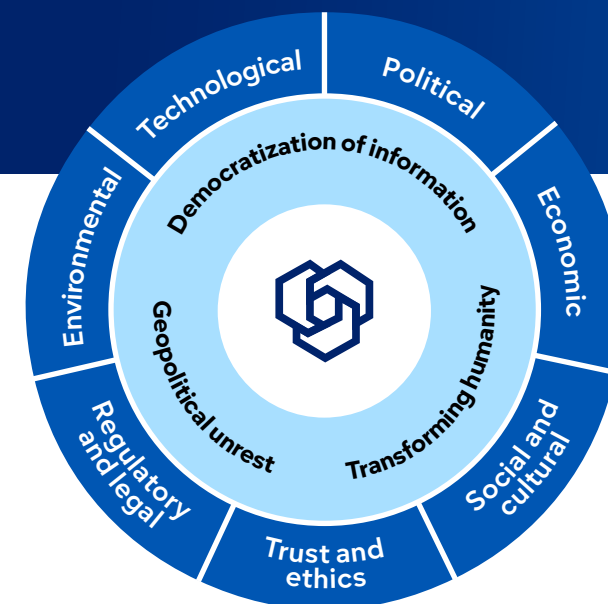
Footprint includes your:

- **Customer base:** established group of loyal customers
- **Operational facilities:** manufacturing plants, distribution centers, infrastructure or supply chains
- **Brand reputation:** market perception of your organization



Foothold includes:

- **Innovation and pilot projects:** testing new offerings with new emerging technologies
- **Partnerships** to gain market insights
- **Acquisitions** to establish a larger presence
- **Targeted marketing campaigns:** gauging interest in a new product or service in new markets



Forces and trends impacting your organization's future

Technological: Evolution, impact and disruption of technology change

Political: Political attitudes, institutions and legislation shifting the political environment

Economic: Factors in the economic environment locally and globally that influence businesses and governments

Social and cultural: Attitudes, behaviors and lifestyles of individuals and groups in a society

Trust and ethics: Ethical expectations, behaviors, duties and biases of people and companies toward one another and society

Regulatory and legal: Changes in laws and governmental policies and regulations to reward or punish a particular behavior

Environmental: Technical, political, economic, cultural, ethical and legal changes supporting environmental protection and sustainability

Source: Gartner



1. Verify the business context

Framework to prepare for scenario planning

Good scenario planning requires you to first identify trends likely to create significant risks or opportunities.

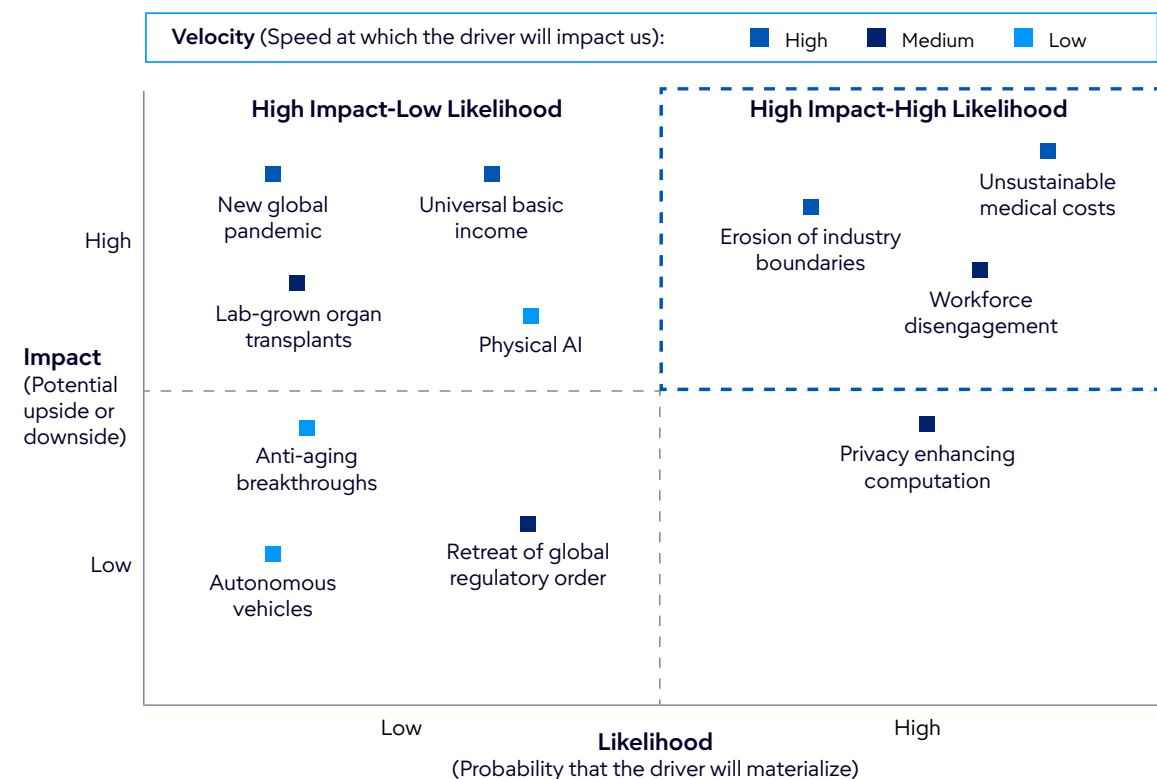
Make sure to:

- Align with a diverse set of business partners on the trends
- Prioritize the trends based on their relative importance (use a tool like this simple 2x2)

From here, categorize and relate trends together to develop scenarios. Develop a storyline for each scenario to test if it seems credible and feasible.

Strategic plans should include actions aligned to whichever scenarios you deem most pressing.

Prioritize actions based on the most material scenarios



Source: Gartner

2. Assess your function's capabilities

Determine how well-positioned your function is to deliver on strategy.

To ensure optimal results from strategic efforts, it's critical to assess the role of R&D in the enterprise and how well it performs that role. As the enterprise strategy evolves, so will this assessment.

In your strategic planning cycle, make sure to undertake a capabilities assessment soon after verifying the business strategy so you can build a roadmap to improve your effectiveness.

It's important to assess both the availability and maturity of existing capabilities. Take a rigorous approach like that taken by the Gartner R&D Score tool methodology.

Measure the following:

- **Existing performance** across key objectives and activities typically within scope for the R&D function
- Your **maturity** in different activities on a simple-to-understand scale so you can easily compare maturity in different activities and against best-practice levels
- The **criticality of activities** on a simple scale so you can focus on requisites for your R&D organization to deliver its contribution to enterprise strategy

The objective of this assessment is to plot a path to maturity for each critical activity.



Did you know?

Gartner clients can customize Score assessment tools for their function, and expert partners are available to walk you through your results and action plans.



2. Assess your function's capabilities

Benchmark your function's maturity, capabilities gaps and path to improvement

R&D Score is a customizable, comprehensive maturity assessment and prioritization tool for heads of R&D and other members of the R&D leadership team. The Score objectively measures the importance and maturity of critical activities across the entire R&D organization, then analyzes the results to provide data-backed guidance for determining which activities should be prioritized for improvement.

Results from the R&D Score help with:

- Strategic and annual planning. Understand how well your function is performing in its current state.
- Functional transformation. Support short- and long-term planning by clearly identifying next steps and associated resources.
- Resource allocation. Ensure strategy and resources align with market opportunities and business needs.



R&D functional activity map

Manage R&D Strategy and Operations	Manage R&D Talent	Lead a Climate of Innovation	Manage External Partnerships	Manage the R&D Portfolio	Evaluate and Develop Technologies	Manage the Development Pipeline	NPD Process Governance
Build the R&D Strategy	Design and Manage the R&D Workforce	Set the Innovation Vision	Select Co-Development Partners	Develop the R&D Portfolio Strategy	Monitor Technologies and Trends	Build an Idea Pipeline	Integrate Customer Insights
Manage the R&D Budget	Design R&D Career Paths	Enable Innovation Processes	Manage Co-Development Relationships	Evaluate R&D Projects	Evaluate Early-Stage Technologies	Develop New Product Concepts	Organize and Manage Project Teams
Manage R&D Organizational Structure	Upgrade R&D Capabilities	Encourage Innovation Behaviors	Manage Vendor Relationships	Prioritize R&D Projects	Incubate Early-Stage Technologies	Manage Prototyping and Testing	Manage Stakeholder Interactions
Demonstrate the Value of R&D				Allocate Resources to Projects	Manage Technology Roadmapping	Support Product Commercialization	Conduct Project Retrospectives
					Manage Intellectual Property		

Source: Gartner

→ [Learn More](#)

3. Strategically manage functional budgets

R&D leaders face an era of doing more with less budget.

R&D leaders face new challenges in managing budgets — and appealing for funding — as the focus at many organizations shifts to fueling growth with productivity and efficiency.

Bottom line, R&D leaders are being asked to achieve growth at lower cost. That means being as efficient as possible with headcount, technologies, workflows and processes — deploying resources in the most productive way possible.

R&D leaders will need a strategic mindset and tools to apply three best practices in cost management in this environment:

R&D leaders will need a strategic mindset and tools to apply three best practices in cost management in this environment:

1. **Reallocate funding** from low- to high-potential investments.
2. Fund growth investments using **costs saved** in less important activities.
3. **Use unallocated funds** for as-needed growth investment support.

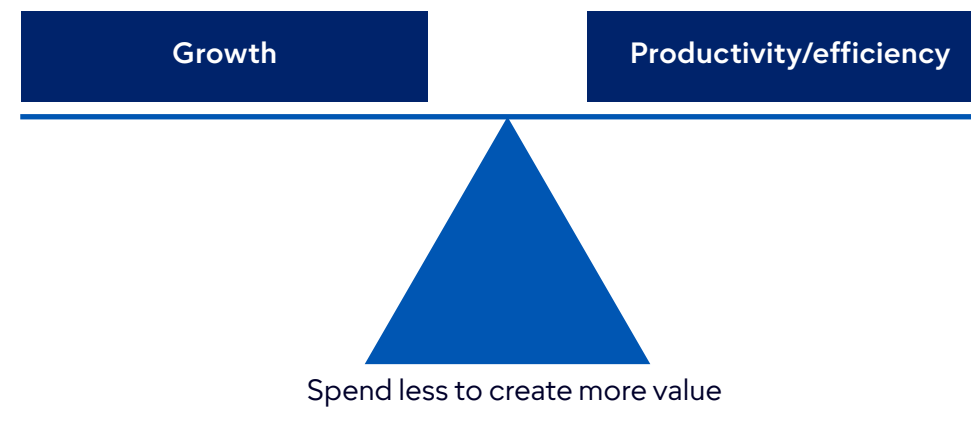


Technology is one area of spend where every functional leader will need better decision making tools to select the right vendors and negotiate effectively to assure ROI.

Less than half of R&D leaders agree that their R&D spending matches their business's strategy.

Source: Gartner

Constrained growth puts the focus on productivity/efficiency



Source: Gartner



3. Strategically manage functional budgets

Guide to scoping the CFO point of view for better collaboration

Step No. 1 for R&D leaders wanting to build a productive conversation with their CFO is to better understand the CFO's role, key priorities and focus. This understanding will help you build your value story and make it CFO-ready when seeking funding and investments. Customize with metrics specific to your organization or industry with the tools/resources in this section.

CFO role at a glance (Illustrative)

	Description	Success metrics for CFOs
Mission	To guide and protect the financial performance of the company	• Growth – Revenue and margin
Main objectives	• Growing or maintaining profitability and operational efficiency • Effective cash management • Upgrading finance's capabilities (including both technology and skills) • Unlocking the value of data and analytics for the business • Improving the returns and value capture from investments	• Capital returns – Return on invested capital (ROIC) – Economic value-added (EVA) • Cost optimization targets • Cash conversion cycle • Shareholder value – Shareholder confidence – Stock performance • Other business-specific metric(s)
Key activities	• Secure funds and set strategy to meet growth aspirations • Allocate capital effectively toward goals • Track corporate performance • Manage critical business risks	

Source: Gartner



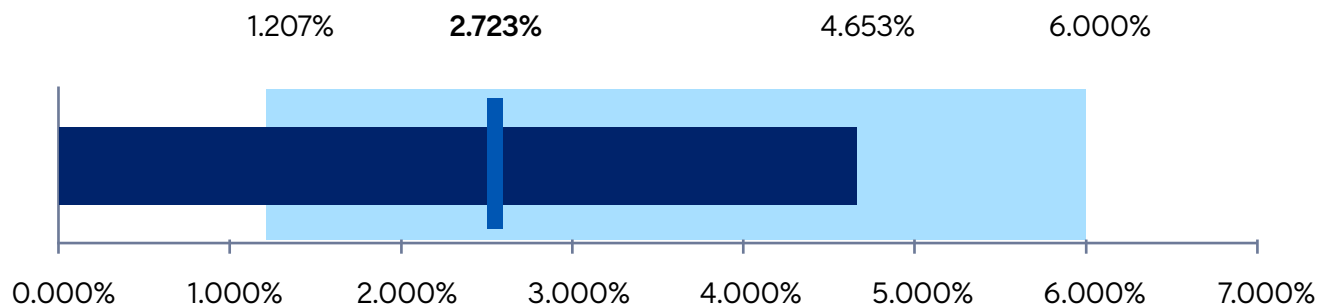
3. Strategically manage functional budgets

Benchmark your functional budget and efficiency against peers

R&D budget as a percent of revenue

R&D spend relative to total revenue

Benchmark comparison group: Illustrative only



Legend:  vs.  Sample company

n size =

Source: Gartner

Q. What is your organization's annual revenue?

Q. What is your R&D function's spend?



Did you know?

Gartner clients can use the R&D Budget and Efficiency Benchmark to evaluate and optimize investments to support long-term improvements.

[→ Learn More](#)



3. Strategically manage functional budgets

Framework to map the relative value realization of your cost initiatives

To optimize costs strategically and productively (rather than just cutting), you need to know what drives costs, which costs relate to differentiating capabilities (i.e., value drivers) and what are your returns on investment.

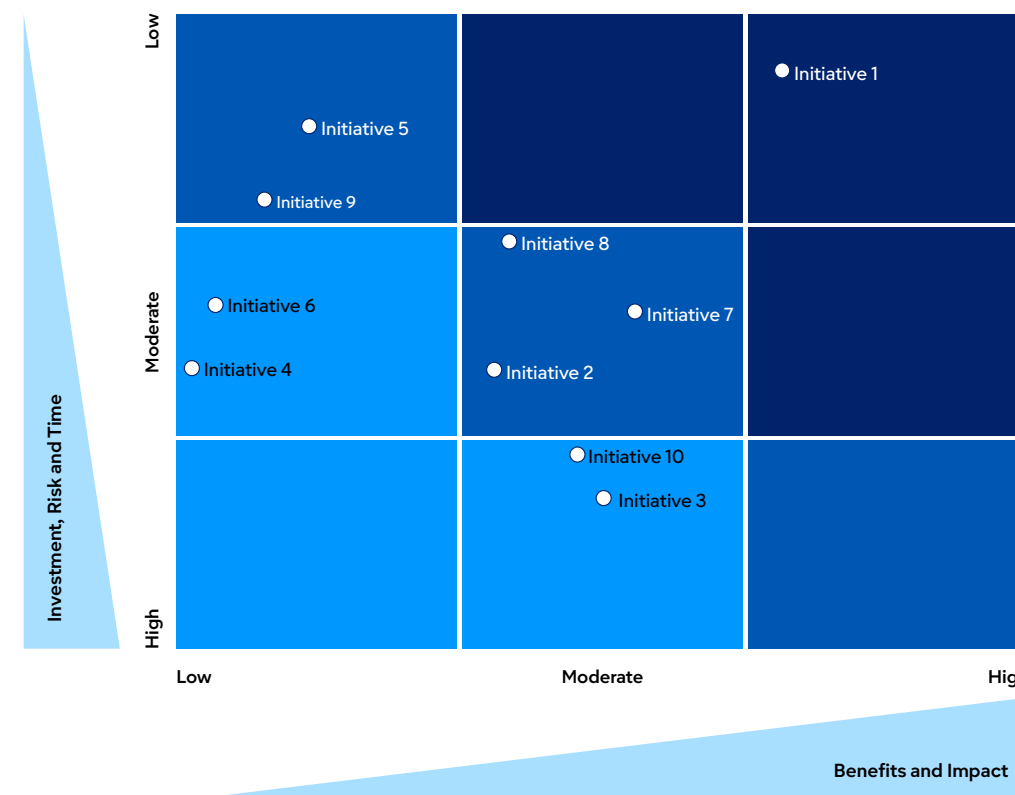
Strategic cost optimization rarely succeeds without three things:

1. Standardized cost management framework
2. Shared understanding of cost-to-value relationships
3. Consistent definition of success beyond cost saving

Use a structure like the Gartner Cost Optimization Framework to refine and visualize your cost optimization ideas by the level of benefit, cost, risk and viability so stakeholders have full visibility into the relative merits of deploying spend.

→ [Learn More](#)

Map your cost optimization initiatives and visualization trade-offs



Source: Gartner



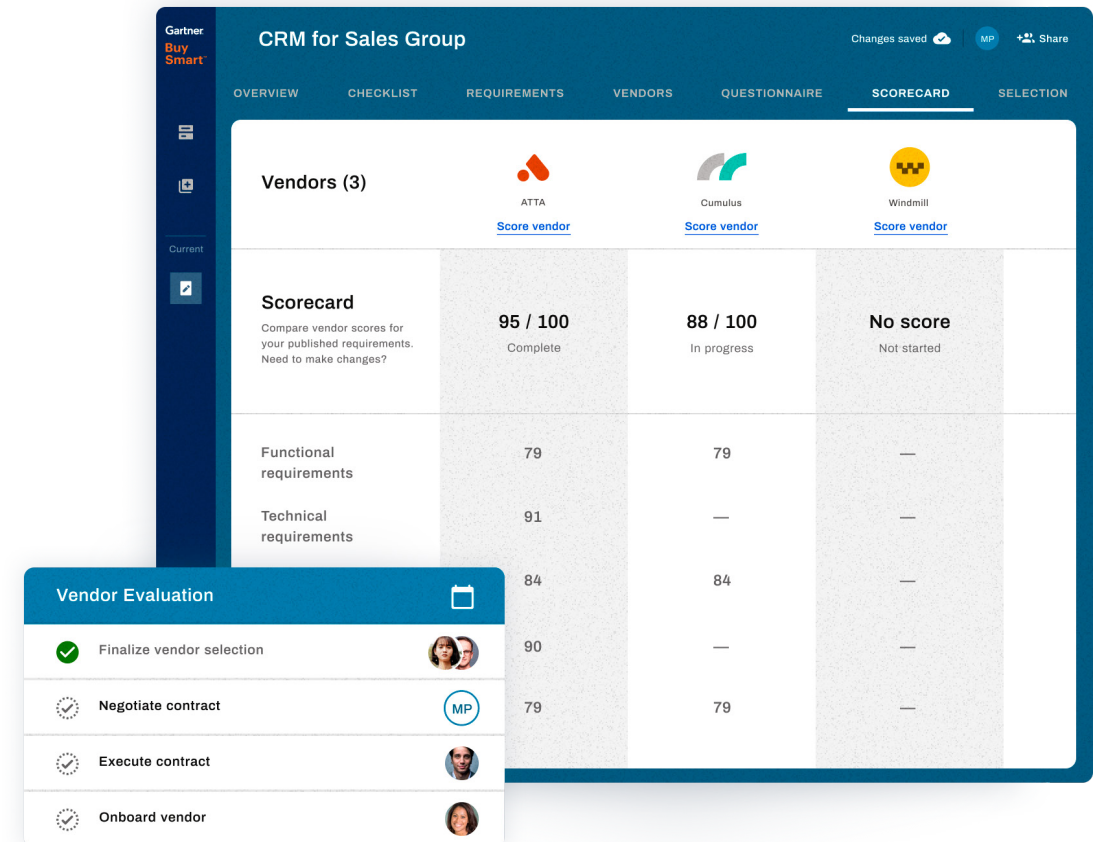
3. Strategically manage functional budgets

Tool to evaluate tech decisions and buy with more confidence

Use Gartner BuySmart™ to get quick access to our proprietary expert and peer insights and evaluation templates for a wide range of technology vendor solutions.

- **Discover** a wide range of possible technology vendor solutions, driven by proprietary expert and peer insights and evaluation templates.
- **Evaluate** using requirements, questionnaires, scorecards and more, chosen by and visible to your whole team.
- **Select** vendors using your aggregated team scores to remove bias and clarify decisions.
- **Optimize** your spend and reduce risk with a Gartner expert proposal review.

→ [Learn More](#)



4. Measure your progress

Identify metrics that will show if your plan is working.

Use metrics to assess the R&D function's performance and its progress in delivering on strategy.

It's important to understand the difference between measures (observable business outcomes that show whether your actions plans are working) and metrics (the data that quantifies those measures).

To choose meaningful metrics:

- Focus on alignment with strategic priorities.
- Don't overengineer or overpopulate your list of metrics; limit it to a few simple SMART metrics.
- Mix metrics as needed for different dimensions of the business (e.g., customer, operational, human capital).
- Identify which metrics will specifically trigger actions predetermined by your strategic plan.

You will need to revisit your strategic plan as business conditions change; make sure to realign your measures and metrics accordingly.

Whatever metrics you choose must be SMART:



Specificity

The metric is sufficiently granular for the goal it measures.



Measurability

The metric can be measured with reasonable ease and accuracy.



Actionability

The metric can lead to action to improve performance.



Relevance

The metric is aligned to overall objectives.



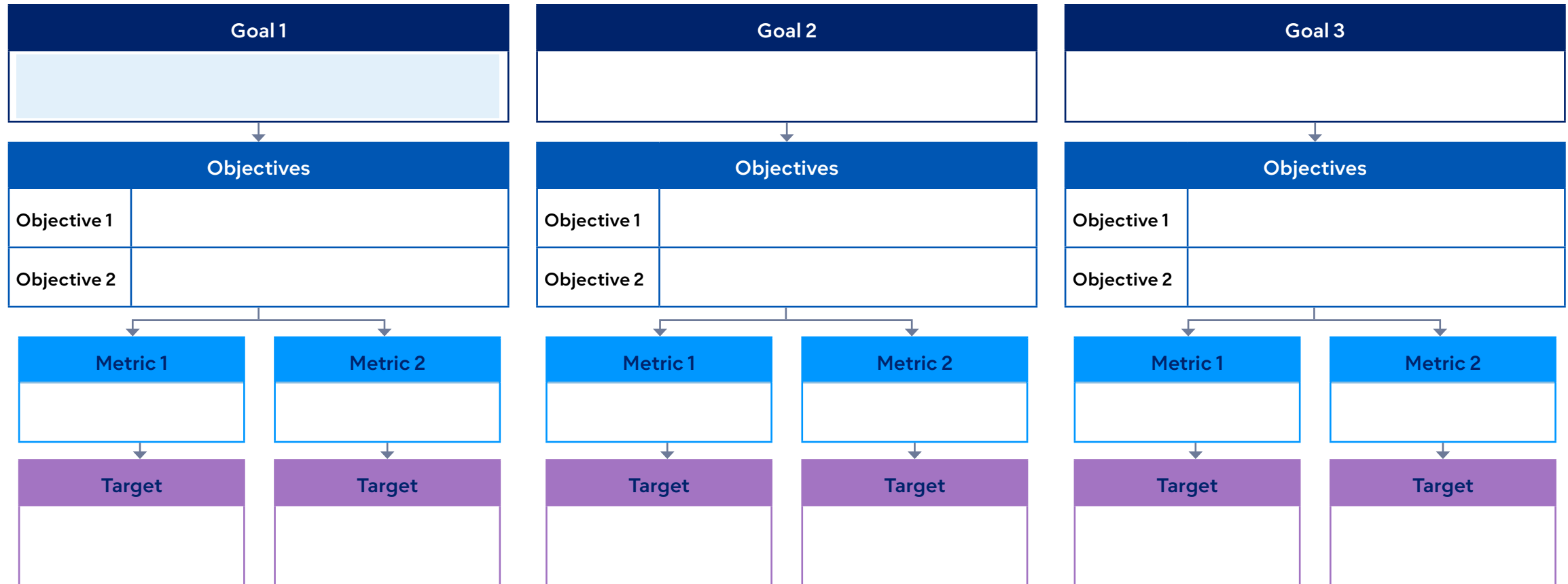
Timeliness

The metric provides early warning signals of approaching risks or gaps in performance.



4. Measure your progress

Guide to selecting metrics that measure your progress toward goals



→ 5. Document your strategy

Provide a single-page overview to simply and clearly communicate your strategic plan.

Your strategic plan defines the roadmap of initiatives and portfolio of investments your R&D organization intends to pursue to execute on its commitment to drive business strategy.

Putting that plan on a single page makes it easier for you to share, summarize and communicate — and easier for business partners to visualize and understand.

One-page templates are meant to provide a summary of your strategic roadmap, not to serve as the overall strategic plan.

Make sure yours contains the initiatives identified as a part of the overall strategic planning process for your function.

See the next page for a simplified view of a Gartner one-page plan (and use the fillable template for your planning), but note that different functions and organizations will need to customize their view, its component parts and level of detail.



Did you know?

Gartner clients can submit documents for review by experts who can assess and provide feedback and input for your strategy template.



5: Document your strategy

One-page template to capture your strategic plan for easy communication

 Vision statement State where the organization wants to go, what you want to accomplish. Example: Contend with shifts in how the work of identifying, exploring, incubating and developing new technologies is managed.	 Statement of strategy Develop a concise statement to summarize the essence of the plan, the target state and required initiatives. Example: Transform the function to drive and enable the organization for innovation-led growth.		
Current state	Plan		Future state
4 to 7 key metrics characterizing your current state Do - Accurately measure the organization's baseline and progress toward target state - Capture risks to achieving mission-critical business priorities Don't - Create overly detailed metrics related to day-to-day performance Example: Return on innovation investment — 40% Example: Innovation throughout — two product launches at start of year	4 to 7 initiatives required to achieve the target end state Do - Reconcile conflicting views - Build strong buy-in - Focus resources and attention Don't - Push ahead without consensus and buy-in Example: Improve ability to collect and analyze voice of the customer (VoC) data. Example: Improve investment evaluation and prioritization by selecting fewer, smarter metrics.		4 to 7 key metrics characterizing your target state Do - Describe the organization's desired end state - Set goals to determine when the end state will be reached Don't - Target scenarios too distant from the current state Example: Return on innovation investment — 80% by end of 20XX Example: Innovation throughout — six product launches at start of year
	4 to 7 assumptions that must be true for the plan to succeed Do - Communicate explicitly - Specify quantifiable thresholds - Allow for real-time course corrections Don't - Create confusion or disagreement around basis of strategy - Omit risks that must be mitigated Example: x% of market share in emerging economies could be lost to low-cost competitors within the next 18 months. Example: Timeline for expansion into new markets will drop from xx months to xx months.		



5: Document your strategy

Fillable template to outline your own strategic plan on page

Type in the fields below to complete the interactive form.

 Vision statement		 Statement of strategy	
Current state	Plan		Future state
4 to 7 key metrics characterizing your current state	4 to 7 initiatives required to achieve the target end state		4 to 7 key metrics characterizing your target state
	4 to 7 assumptions that must be true for the plan to succeed		

Actionable, objective insights

Position your R&D function for success. Explore these additional complimentary resources and tools for innovation leaders:

Report

Top AI Insights for R&D Leaders

Explore the most urgent questions R&D leaders are asking Gartner about AI and the answers you need to act on.

[Download Now](#)

Insights

R&D 2030: 4 Futures You Must Prepare for Now

Discover how AI and global market shifts will reshape R&D strategy, portfolios and teams through 2030.

[Download Now](#)

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