

An aerial view of a swimming pool with several lanes. Swimmers are visible in the water, moving from top to bottom. The lanes are separated by blue and white lane lines. The water is clear and blue. The overall scene is dynamic and focused on athletic performance.

Gartner R&D Leadership Council

# New Product Development Team Structures

Peer Benchmarks

Gartner®

# Overview

When it comes to organizing new product development (NPD) teams, R&D leaders are searching for the right answers to help mitigate challenges against the changing face of the function. We worked with 275 R&D leaders to identify whether certain team structures are more conducive to launching successful new products. This resource looks at three different team structures — colocated, long-standing and cross-functional — and their relationship to product success.

## Key findings

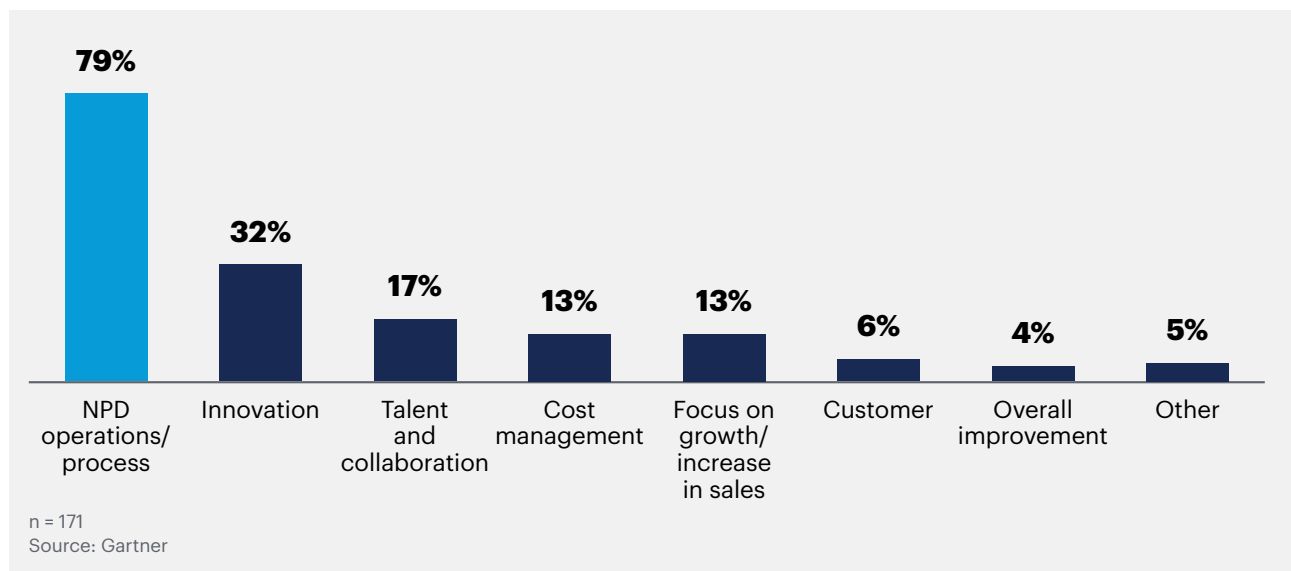
- Geographically dispersed teams are just as likely to launch successful new products as colocated teams.
- Organizations that launch successful new products are more likely to have team members who have previously worked together.
- Organizations that launch successful new products are more likely to have cross-functional perspectives represented on their teams.

# Introduction

Companies are increasingly looking inward to propel growth. A majority (62%) of CEOs are looking to drive revenue growth through new product and service launches. To meet these ambitious growth targets, new product development (NPD) teams are being asked to launch a high volume of innovative new products.

R&D organizations are taking various approaches to structuring their NPD teams in ways that enable successful product development initiatives. Our 2019 Strategic Study finds that optimizing NPD operations and processes is a critical priority for 79% of R&D leaders (see Figure 1).

**Figure 1. Mission-critical priorities of R&D leaders**  
Percentage of respondents, multiple responses allowed



However, few organizations effectively diagnose ways to structure their NPD teams to account for company size, the degree of centralization, geography and industry-specific factors. R&D needs to assess the pros and cons of different team structures and organize teams in ways that support the launch of successful products.

## Our approach

In 2019, we surveyed 275 NPD leaders to understand whether certain team structures are more conducive to launching successful products. Our definition of product success (see Figure 2) includes the following dimensions scored on a 7-point scale (“strongly disagree” to “strongly agree”):

- The product met its first-year revenue goals.
- The product met market share expectations.
- Customers were satisfied with the product.
- The product outperformed competitive offerings.
- The product met technical performance expectations.

### Figure 2. Product success definition

Illustrative



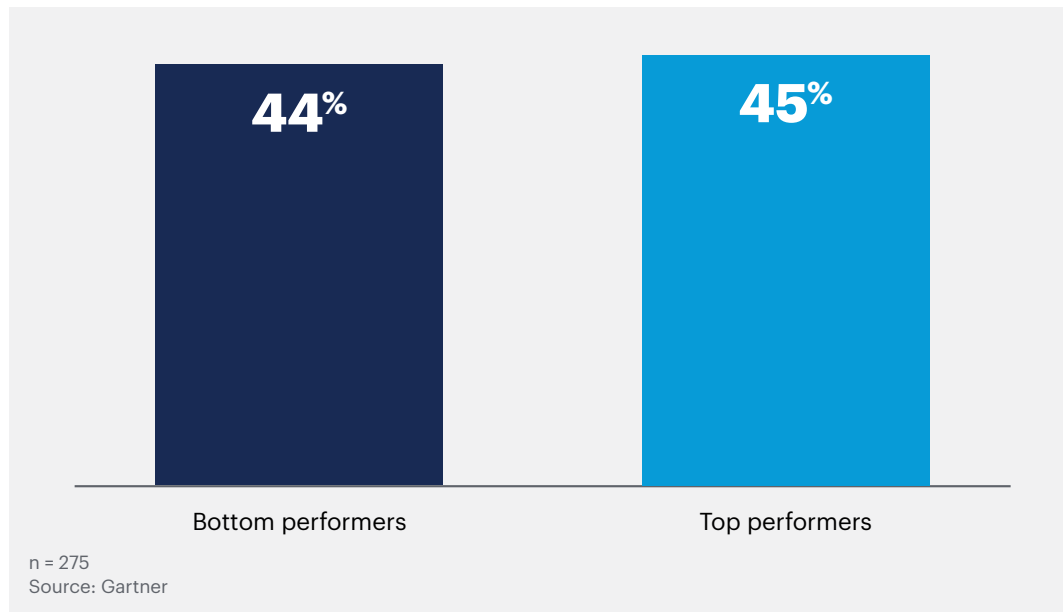
Organizations that self-report high product success (i.e., score 75th percentile or above on product success) are classified as “top performers”; organizations that self-report low product success (i.e., score 25th percentile or below on product success) are classified as “low performers.”

## Finding 1: Consistency matters more than colocation

Contrary to common perception, enabling effective collaboration does not require teams to be colocated. Our results indicate that colocation is not predominantly a feature of top-performing organizations — low performers are just as likely as top performers to have colocated teams (see Figure 3).

### Figure 3. Colocated team members

Percentage of respondents who have colocated teams



However, as R&D leaders transition from single-country to multicountry roles, they face new challenges and increased complexity. Teams can be colocated at first to help members learn to communicate and work effectively, and establish a common criterion for successful working relationships. Checklists, such as in Figure 4, will help ensure that the most important issues are resolved early on in the virtual collaboration process.

**Figure 4. Checklist to create a focused virtual team**  
Illustrative

- **Create a virtual team charter**
  - Explain the team's mission.
  - Frame the business problem the team is attempting to solve.
  - Define the team's objectives.
  - Outline the decision-making process.
  - Specify each individual's role.
- **Conduct an initial team meeting face-to-face, if possible**

Studies suggest that seeing colleagues in person helps teams overcome communication barriers and develop more accurate impressions of their colleagues' trustworthiness.
- **Make your actions as transparent as possible**

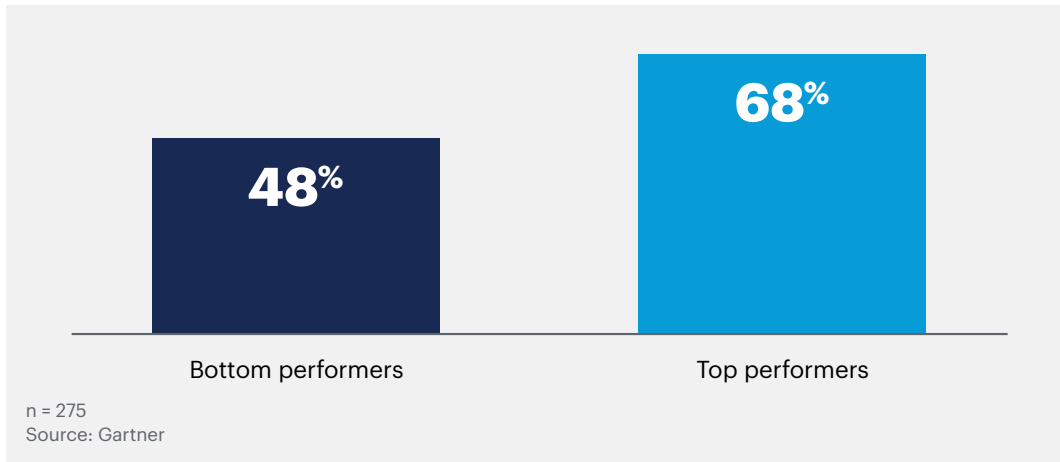
Gather team input on decisions and communicate simultaneously. In turn, disseminate as much information to as many team members as possible.
- **Create team profiles**

Have team members create profiles of their personal interests, hobbies and areas of expertise. Photos are particularly useful in profiles, as some members may not be able to meet in person.

Source: Gartner

Long-standing teams, where a majority of the team remains intact from one project to another, are more likely to have better product outcomes. Our results indicate that long-standing teams are more common in companies with high product success — 68% of top performers have team members who have previously worked together (see Figure 5).

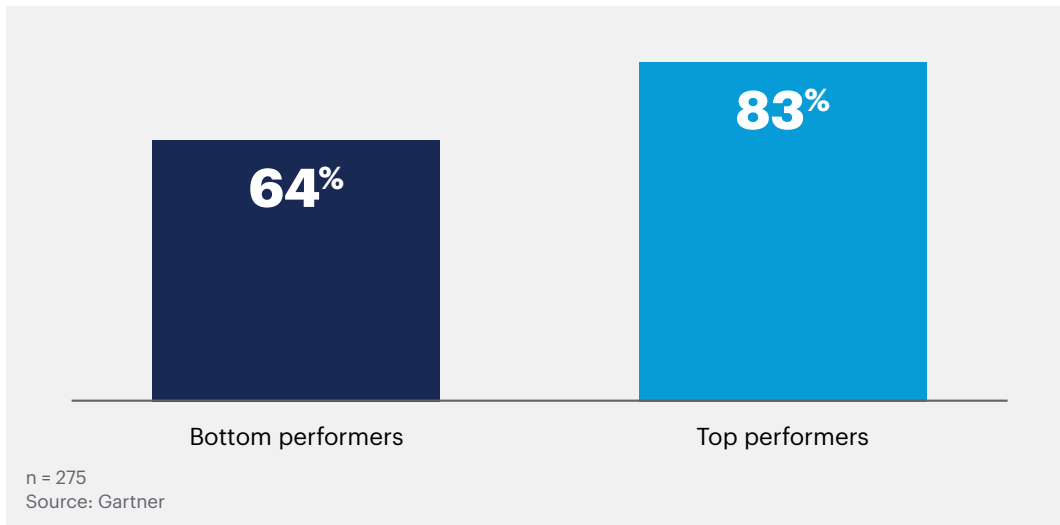
**Figure 5. Team members who have previously worked together**  
Percentage of respondents who have long-standing teams



## Finding 2: Cross-functional teams achieve better product outcomes

We find that, to launch successful products, teams must breach functional boundaries and collaborate extensively across the enterprise — over 80% of top performers have cross-functional perspectives represented on the team (see Figure 6).

**Figure 6. Cross-functional NPD teams**  
Percentage of respondents who have cross-functional teams



Despite the prevalence of robust communications technologies and instantaneous access to large amounts of information, many organizations still struggle to collaborate. According to our 2017 Culture of Innovation Survey, only 21% of respondents agree that their organization is effective at cross-silo collaboration. Most organizations wait until the idea passes the proof-of-concept stage to engage stakeholders, but the lack of involvement in early stages of the idea prevents stakeholders from intuitively grasping its relevance and the feasibility of its commercialization.

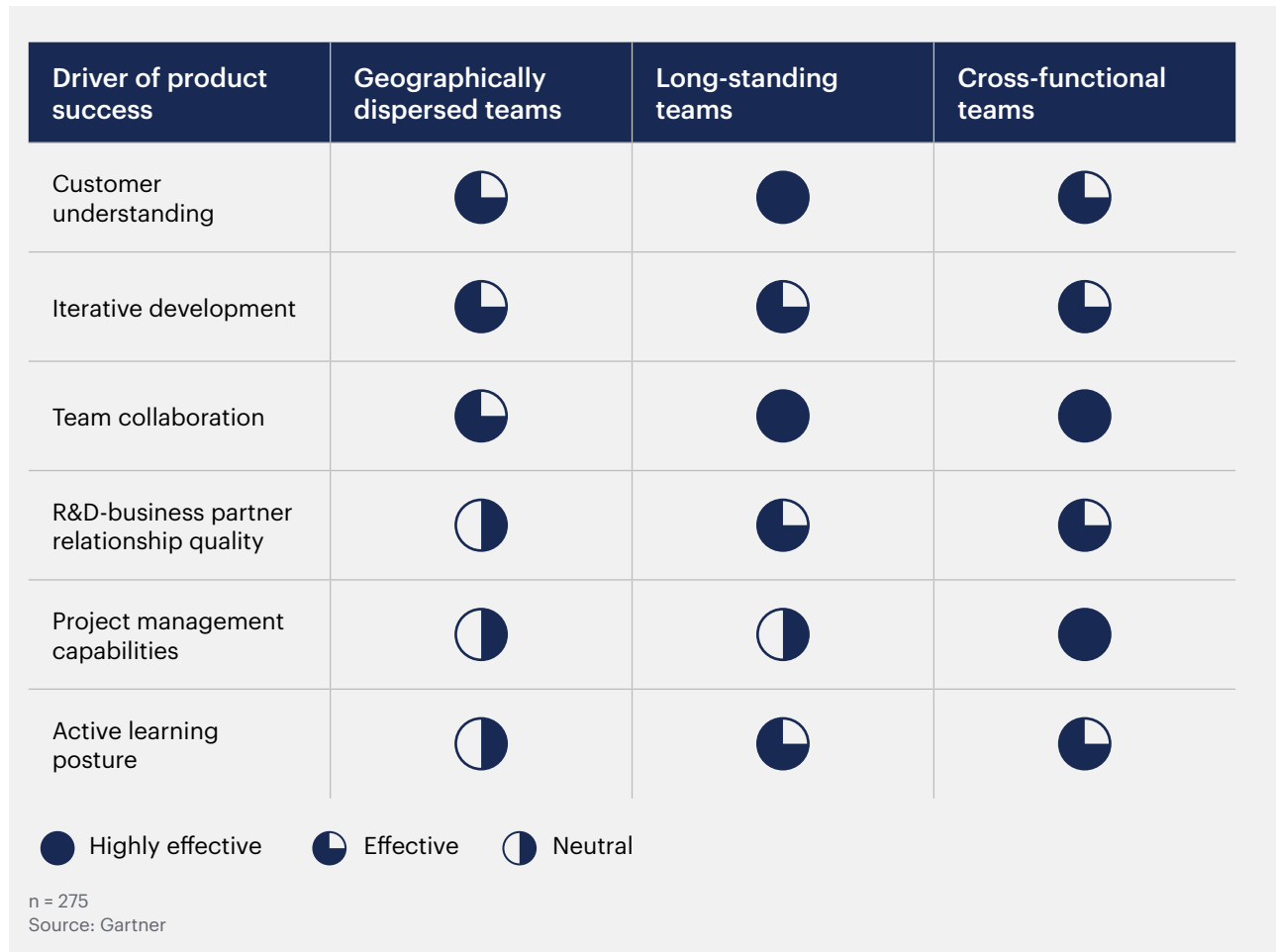
To improve cross-functional collaboration in your organization, R&D team leaders should consider the following approaches:

- 1. Engage partners early:** Allow cross-functional partners to play a meaningful role in understanding and agreeing on opportunity areas, as well as advancing and refining project ideas to ensure a seamless transition from front-end ideation to product development and commercialization.
- 2. Promote internal networking:** Create opportunities in which idea owners and interested team candidates can quickly network and assess their compatibility before self-selecting into small, cross-functional project teams.
- 3. Establish accountability for collaborating:** Institute team behavior as a business objective, rather than as an individual competency to ensure greater employee focus on how the employees collaborate with teams.

## Relative effectiveness across project team structures

We also identified some NPD activities that positively influence product success. Figure 7 illustrates the relative effectiveness of the three team structures — rating each as highly effective, effective or neutral — in NPD activities such as customer understanding, iterative development, team collaboration, R&D-business partner relationship quality, project management capabilities and active learning posture.

**Figure 7. Effectiveness at NPD activities across team structures**  
Illustrative



Our findings suggest that the three team structures have varying levels of effectiveness at different NPD activities. Long-standing teams are highly effective at team collaboration and customer understanding. Cross-functional teams also excel at collaboration, in addition to having strong project management capabilities. Lastly, geographically dispersed teams perform well on measures related to customer understanding, iterative development and team collaboration.

# Conclusion

As companies rely more heavily on new product launches to fuel growth, there is greater pressure on R&D to steer ideas into products with sustainable commercial impact. Faced with changing budget environments, talent needs and technologies, R&D organizations are finding ways to optimize their NPD teams in ways that support successful product development initiatives. This research evaluates how colocated, long-standing and cross-functional teams perform on product success, and some of the product success drivers. We find that cross-functional and long-standing teams achieve better product outcomes, whereas there are little differences in product outcomes between colocated and geographically dispersed teams.

## How we help

To reduce bottlenecks, R&D leaders must update NPD processes to take better advantage of the new opportunities technology offers them. By diversifying their approaches, they can better account for the shifting needs of an increasingly diverse development portfolio, speed cycle times and increase the commercial impact of new products and services delivered. Gartner is here to help you determine the appropriate development methodology for your organization, assess the utility of your current processes and develop new tools for testing and validating projects as they progress in maturity.

## About Gartner

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