

Solving Common Challenges in Co-development Partnerships



Co-development activities are essential to R&D's strategy and execution against functional goals. This research provides R&D leaders with insight into the challenges their peers face in co-development partnerships, as well as top practices in overcoming them.

Overview

Key Findings

- The increasingly digital nature of R&D work enables faster and easier exchange of ideas, data and knowledge between enterprises. This requires a new approach to codevelopment partnerships, but many R&D organizations find change difficult to adopt. Those that fail to adapt will risk missing opportunities to expand their innovation network as well as opportunities to build new capabilities and skills with partners.
- R&D leaders and their teams struggle to define the goals of the partnership and to identify a mutually beneficial or a win-win approach for all partners involved, making co-development partnership management and evaluation challenging.
- R&D leaders often mentioned that legal teams take a considerable amount of time to write and negotiate partnership contracts, delaying partnerships and leading to suboptimal outcomes.

Recommendations

R&D leaders responsible for managing external partnerships should:

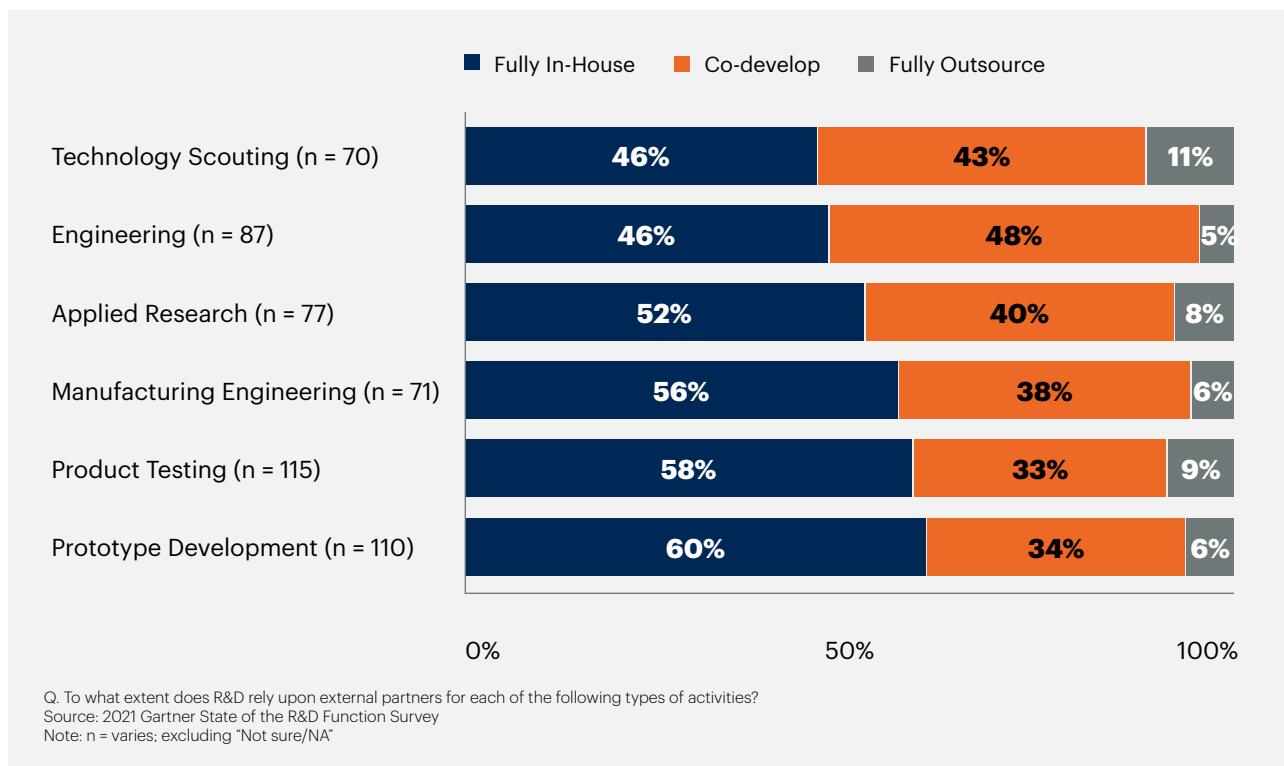
- Standardize partnership selection criteria to better compare the strengths and weaknesses of potential partners.
- Prioritize aligning R&D's organizational goals with co-development partners' goals to ensure a fruitful and well-sscoped working relationship.
- Quantify and formalize partnership evaluation criteria to understand how engagements led to successes or failures within the co-development process.
- Examine new paradigms for intellectual property (IP) valuation and management to expand co-development opportunities and capture additional value from these relationships.

Introduction

Co-development activities have always played a critical role in R&D strategy, operations and activities. However, recent Gartner survey data shows that R&D leaders and their teams increasingly rely on external partnerships for many of their core activities (see Figure 1).

Figure 1. R&D Reliance on External Partnerships by Activity

Percentage of R&D Functions by Level of Reliance



Unfortunately, R&D leaders also find managing the ever expanding innovation network challenging, and a recent Gartner webinar poll shows how difficult these changes are. Only 34% of R&D leaders polled agree that their R&D function has the necessary resources to successfully manage their external partnerships.¹ To make matters worse, only 7% of those R&D leaders polled agree that navigating the innovation network over the past two years has been relatively easy.²

To better understand R&D leaders' approaches, challenges and solutions to co-development partnerships, the Gartner R&D team conducted structured interviews with over a dozen R&D leaders. These interviews included discussions on the current state of co-development at their organizations, key challenges they face and approaches R&D leaders are taking to overcome them.

Analysis

Common Challenges With Co-development Partnerships

Interviews with senior R&D leaders indicated several common challenges that arise at various points in the co-development process across a variety of industries and company sizes. Based on conversations with senior R&D leaders, there are many common challenges when it comes to the co-development partnership process (see Table 1).

Table 1. Common Challenges in the Co-development Partnership Process

Challenge	Description
Missing opportunities to work with new partners due to time and resource constraints	Most organizations work with existing partners instead of evaluating new partners for co-development, since finding and assessing a partner with the right strategic and cultural fit is both difficult and overwhelming. Organizations may miss new opportunities or capabilities available because they do not have the capacity to discover and evaluate new partners.
Efficiently and equitably establishing statement of work terms	Organizations struggle with defining the objective or goal of the partnership, identifying a mutually beneficial agreement for all parties involved, and establishing milestones and KPIs to track partnership success (such as lessons learned, insights and the commercial outcomes from the partnership). Part of this challenge is coming to an agreement on “who does what” in the partnership.
Reducing the amount of time spent negotiating contract terms, especially around IP	R&D leaders often complain that their organization’s legal teams can take weeks or months to write and negotiate contracts, specifically on IP ownership and confidential data sharing. This often delays the partnership and results in suboptimal development outcomes.
Effectively managing partnership performance against goals	Given the complexity of co-development projects, organizations often notice duplicate work and struggle to efficiently manage partners’ resources. When working with different types of partners, it is challenging to ensure that the schedule and cadence of expected deliverables is realistic for the partner type (e.g., startup versus university timelines).
Internal challenges within the R&D organization, including navigating approval processes, managing internal stakeholders, and securing sufficient resources	Bureaucratic slowdowns often lead to project delays, especially when organizations partner with more agile startups. Additionally, stakeholder management and selection is also a challenge. Some organizations struggle to decide which internal stakeholder to include in decisions and at what stage. Finally, R&D co-development teams often report insufficient resources to effectively manage and work on these partnerships (i.e., funding, FTE time, etc.).

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Table 1. Common Challenges in the Co-Development Partnership Process
(continued)

Commercializing partnership outcomes	Organizations struggle with sharing the information learned from these partnerships internally and identifying ways to use/commercialize partnership outcomes.
Shifting to a decentralized R&D external partnership strategy	<p>Some leaders expressed pain points when decentralizing their external partnership strategy, including:</p> <ul style="list-style-type: none"> • Duplicating work or creating inefficiencies, especially across geographies. • Inertia to change from senior leadership. • Difference in the dynamics between high technology/software and “traditional” (i.e., manufacturing) companies’ approach to R&D. • Resource constraints (i.e., insufficient FTE time, budget, capacity, etc.).

Note: Taken from structured interviews with senior R&D leaders in 2021.

FTE = full-time equivalent; IP = intellectual property; KPI = key performance indicator; R&D = research and development

Source: Gartner

Solutions and Recommendations to Improve Co-development Outcomes

There are several promising approaches to establish successful co-development partnerships.

Standardize Partnership Selection Criteria

Using a standardized process to evaluate R&D co-development partnerships saves time when reviewing past partnerships, allows for more equitable comparisons of partners across projects and creates added transparency for stakeholders interested in the codevelopment process.

Some R&D organizations are using the cross-functional nature of their co-development process to their advantage. By consulting with functions outside of R&D, they assess the partner’s technological merit, the competitive space they are in, the strategic fit of the potential partnership and provide feedback on the partnership’s business case. Building internal alignment on expectations from these co-development partnerships is a key factor in their success.

Being on the same page with a co-development partner from the outset saves time and prepares all sides of the partnership for the task at hand. Gartner research shows that innovation programs that clearly outline the innovation goals before engaging with external partners are more likely to succeed. Innovation teams that rely on external partners to help them define the purpose of their innovation program are more likely to experience challenges like scope creep, misinterpretation of objectives and misalignment of goals. Therefore, before engaging with partners, outline specific goals that can be achieved through innovation programs to ensure strategic alignment and fit with the organization’s objectives.

Align on Partnership Goals and Quantify Partnership Evaluation Criteria

Co-development partnerships do not always produce quantifiable results that are independent of other factors. Some organizations report looking at “intangibles,” like how the partnership supports their organization’s strategic vision to better demonstrate the value of the partnership.

R&D leaders and their teams should find a standardized way to assess how the partner performed against their statement of work (SOW) and determine whether future partnerships will be fruitful. Preparing a high quality and mutually defined statement of work can “prime the pump” for the partnership. Consider using some or all of the points from this 10-point checklist to build or augment your organization’s statement of work plan (see Figure 2).

Figure 2. 10-Point Statement of Work Checklist for External Partnerships

	1. Project Scope, Timeline and Outcomes		6. Project Milestones and Deliverables
	2. Roles and Responsibilities of Partners		7. Key Performance Indicators
	3. Resource Requirements		8. Confidentiality of Information
	4. Rules of Engagement		9. Intellectual Property Ownership
	5. Costs and Payment Schedule		10. Termination of Partnership

Source: Gartner

One can also adapt an approach to develop a clear and specific understanding of the product’s value to the customer and to the company.

Consider New Paradigms for IP Valuation and Management

There are a number of approaches to IP valuation with their own advantages and disadvantages (see Figure 3). For more information on IP valuation, see Approaches to Intellectual Property Valuation.

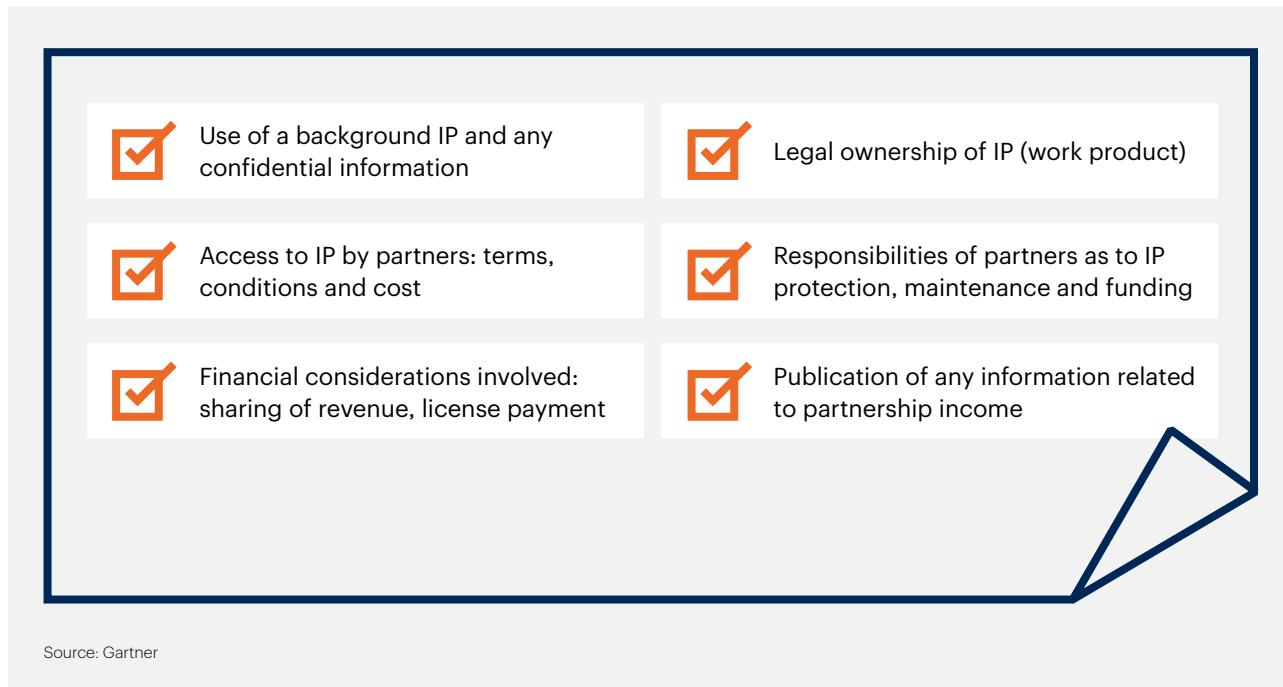
Figure 3. Comparative Analysis of IP Valuation Methods

Method	When to Use	Advantages	Disadvantages
Rule of Thumb or 25% Rule	<ul style="list-style-type: none">Preliminary evaluation or baseline estimation of IP value	<ul style="list-style-type: none">Provides a baseline value of IPRequires minimal time investment	<ul style="list-style-type: none">Comparable historical IP data not always readily availableFails to adjust for riskLack of standardization due to subjective qualitative indicators
Industry Standard	<ul style="list-style-type: none">Valuation information for comparable IP and/or IP transactions availableTechnology well-established		
Cost Approach	<ul style="list-style-type: none">Projecting future earnings from IP extremely difficultSelling the IP to a third party not immediately possible	<ul style="list-style-type: none">Enables valuation of unique IP when little secondary information exists	<ul style="list-style-type: none">Difficult to accurately quantify IP depreciationDifficult to estimate replacement costs for unique, newly developed assets
Income Approach	<ul style="list-style-type: none">Licensing or selling patents, trademarks and copyrights	<ul style="list-style-type: none">Provides an interim measure of IP profitabilityEnables estimation of IP value in the absence of market information	<ul style="list-style-type: none">Difficult to estimate IP value through a discounted cash-flow analysisIncome attributable to IP can fluctuate with business cyclesDifficult to forecast earnings for unique, newly developed IP assets
Market Approach	<ul style="list-style-type: none">Selling bundled IPMeasuring the value of an entire IP portfolioEngaging in mergers and acquisitions	<ul style="list-style-type: none">Enables accurate valuation when companies have access to information on historical transactions involving similar IP	<ul style="list-style-type: none">Accuracy negatively impacted by company's market value fluctuations

Source: Gartner

Moreover, there are a number of key IP-related topics that R&D leaders should discuss with their co-development partner before finalizing any contracts (see Figure 4).

Figure 4. Intellectual Property Negotiations Checklist



Several organizations we spoke to mentioned using licensing and foreground IP “carve outs” to incentivize partners to work together (for example, offering generous licensing terms for the IP or allowing the partner to market the IP in noncore markets for the company). This is especially true for university partnerships, which have stricter IP ownership paradigms. Organizations also opt to fund students or internship programs as a way to acquire “first right of refusal” when collaborating with universities. Other considerations include building joint ownership agreements or licensing deals that offer the partner the IP back if the host organization decided not to commercialize it.

Another approach to IP management focuses on creating a “win-win scenario” among all parties of the partnership from the beginning. Some organizations draft a nonlegal document in collaboration with their partner, which establishes the goals and objectives of the partnership. Teams can then use this document to guide the partnership and subsequent formal contracts between the company and its partner.

Acronym Key and Glossary Terms

FTE	full-time equivalent
IP	intellectual property
KPI	key performance indicator
NPD	new product development
R&D	research and development
SOW	statement of work
TPP	target product profile

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

- [R&D Leader Insights: Common Approaches to Co-development Partnerships](#)
- [External Partnership Trends at the Largest R&D Spenders](#)
- [3 Approaches to Overcome Challenges in Establishing External Partnerships](#)
- [Best Practices in Partner Selection and Management](#)
- [Ignition Guide to Selecting and Evaluating External Partners](#)
- [Tool: Intellectual Property Protection Checklist](#)
- [Approaches to Intellectual Property Valuation](#)

Actionable, objective insight

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

<p>Template</p> <p>One-page Strategy Template for R&D Leaders</p> <p>Use this one page template to create a clear, concise, and measurable R&D strategy.</p> <p>Access Template</p>	<p>Research</p> <p>Select and Justify Emerging Technologies for R&D</p> <p>Make more rigorous decisions about which emerging technologies to pursue to maximize impact.</p> <p>Access Research</p>
<p>Tool</p> <p>Recession Playbook for R&D Leaders</p> <p>Win through a recession with nine key actions.</p> <p>Access Playbook</p>	<p>Webinar</p> <p>Join an Expert Deep Dive</p> <p>Hear the latest insights from Gartner R&D Experts.</p> <p>Access Webinars</p>

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