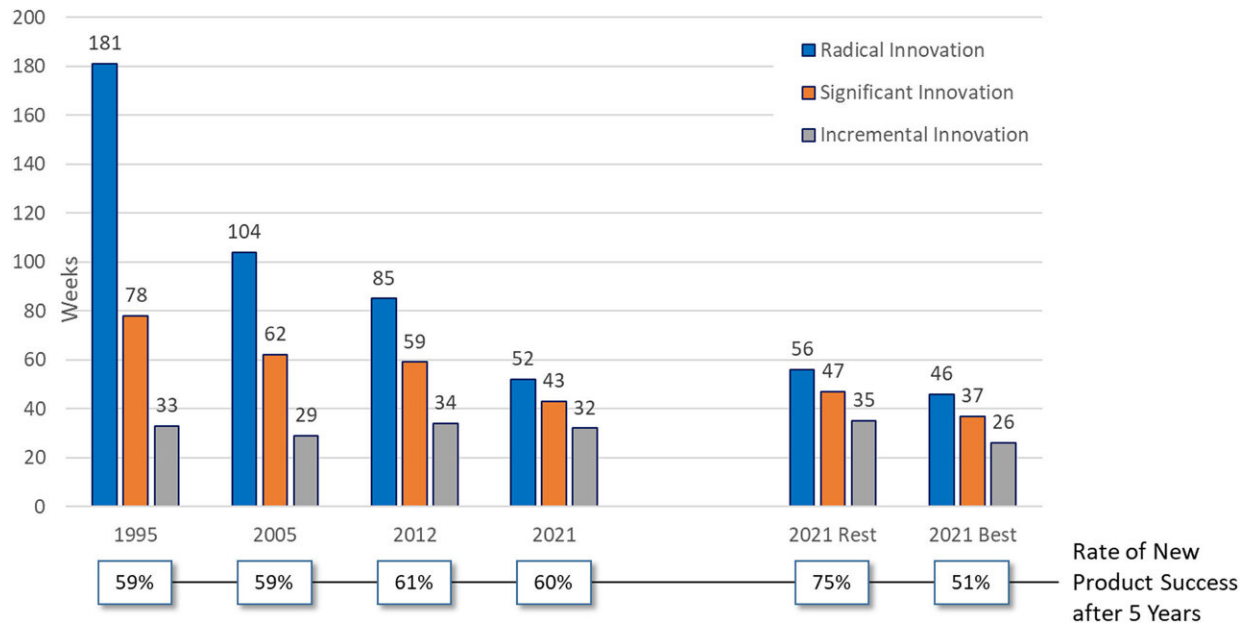


# Best practices in new product development: What separates the best from the rest?

April 21 2023



In all five benchmarking surveys since 1995, NPD cycle times for radical and significant innovation have decreased, while cycle times for incremental innovation and the rate of new product success after 5 years have stayed constant. The 2021 Best firms have faster cycle times for all types of innovation. Credit: *Journal of Product Innovation Management* (2023). DOI: 10.1111/jpim.12663

No single practice is sufficient for greater innovation performance, say the researchers, overviewing the results of the most recent PDMA's 2021 global survey. The best companies, according to the results, are better at

employing multiple types of innovation, but they spend more time on radical innovation, are oriented towards risk-taking, and employ long-term strategies. The results were drawn from responses from 651 companies in 37 countries, the most extensive PDMA survey so far.

"I believe, we should fundamentally look at [innovation](#) as the ability to learn and the ability to observe what's going on. If we stop doing that, then it is similar to becoming old. And you know what happens to old people, right?" says Max von Zedtwitz, a professor at the School of Economics and Business, Kaunas University of Technology, Lithuania, one of the co-authors of the study, discussing the results of the PDMA survey.

The Product Development & Management Association (PDMA)'s 2021 Global Best Practices Research is the fifth edition of PDMA Best Practice studies (BP5). The survey was first conducted in 1990, and the BP4 was carried out in 2012. The sample of BP5 is the most global ever, with 62% of the 651 respondents from Europe and the UK and only 6% (39) from North America.

## **The best invest in innovation even in times of crises**

The criteria separating the best companies from the Rest of them were defined in 1997. Although these criteria mainly focus on new product development and market success, the researchers argue that the definition of the best companies is broad, encompassing all types of businesses and measuring success in general terms.

"The survey focuses on product development in a very general sense: we're looking at consulting companies and banks, travel agencies and [tech companies](#), and so on. We ask: do these companies hit their financial targets, their revenue targets, their product development targets? Are they successful in comparison with others? Therefore, if a

company is the best by PDMA criteria, it is financially profitable and is competitive. Overall, such companies meet their expectations as far as products and programs are concerned. In other words, these simply are the best companies," says Von Zedtwitz.

Benchmark studies like the PDMA's are used by everyone to improve their own practices. Therefore, among the main takeaways for practitioners, is the recommendation that evolving new product development capabilities is a must for every company if they want just to "stay in the game" as the circumstances and the environment change.

Since the fifth edition of the PDMA's global survey was carried out during the pandemic, the researchers included questions of how the companies responded to the challenges caused by COVID-19. Were they doing everything the same? Were they doing more or less of the same? Or, were they doing something different? The survey revealed that even in the time of crisis, the Best continued investment into new product development with more people, higher budgets and more overall investments, while the Rest took a more defensive approach.

"The best were all adamant in investing more in product development, not less; they had a more aggressive stance. Whereas, the Rest were either keeping things as they were or planning to cut back in investments to have more financial reserves in case their markets disappeared or revenues became significantly lower," says von Zedtwitz.

## **Develop new products significantly faster**

In BP5, 213 companies were characterized as the best (32.3%) and 416 as the rest (67.7%). However, similarly to previous editions of PDMA Best Practice studies, in BP5, the researchers could not point out a unique single practice that would separate the two.

"Frankly, we were also somewhat disappointed not to be able to find the one thing. Perhaps, the most surprising of all the differences between the Best and the Rest was to see how fast the best companies were developing new products. They are significantly faster. However, it is not necessarily a skill per se, but rather a result of being good at managing many different things well at the same time," says von Zedtwitz, professor at KTU School of Economics and Business.

In the paper discussing the results of the survey, the researchers indicate several new product development capabilities and practices that best companies are better at employing. For example, they focus on radical versus incremental innovation (according to the study, the companies for which radical innovations make up 21%–50% of their total innovation projects, will most likely be among the best), and in terms of portfolio execution, the Best focus more on entering new markets, applying new technologies, taking more risk, and being more long-term oriented than the Rest.

"In comparison with previous studies, this time it became more evident that Best companies manage their portfolios of new products better," says von Zedtwitz.

Overall, the Best apply more innovation-oriented strategies, which is also associated with the pursuit of a higher proportion of radical innovation projects. However, the best not only focus more on radical innovation—they spend more on all types of innovation projects.

## **Innovation is the DNA of growth**

Nowadays, innovation is a synonym for progress, competitive ability and economic growth. However, to understand more about the companies' attitude towards creating new products and services, it is important to distinguish between the two types of innovation—radical and

incremental.

According to von Zedtwitz, who is also a Director of GLORAD Center for Global R&D and Innovation, the difference between radical and incremental innovation, as a result of [product development](#), is established from the customer's point of view. Incremental innovation is when things do not change that much from a customer's point of view: the product or service looks the same and feels the same, it does not cost much different but is somewhat better.

An example could be—switching from one model of smartphone to the next one. The new model might be a little bit bigger, have more memory and function a little bit better. However, radical innovation often involves a deep-rooted change in product-customer interaction.

"For instance, moving from one of these old cell phones to a smartphone is a radical innovation. Or coming up with a new medicine, a new therapy that addresses a previously considered incurable disease, would be a radical innovation. Doing things fundamentally different or using things in a fundamentally different way is typically a radical innovation," explains von Zedtwitz.

According to him, in a [free market](#), companies will always feel compelled to innovate, i.e. attempt to do things differently to be more competitive. If the surrounding changes constantly, companies will need to adapt and avoid becoming too complacent.

"One of the slow changes that we all try to adapt to is climate change. Nowadays, it's hard to imagine a company that would do nothing about it. The COVID-19 pandemic revealed the ability of companies to react to more urgent changes quickly. In the survey, we see how this ability is crucial while defining best from the rest," says von Zedtwitz.

The findings are published in the *Journal of Product Innovation Management*.

**More information:** Mette Praest Knudsen et al, Best practices in new product development and innovation: Results from PDMA 's 2021 global survey, *Journal of Product Innovation Management* (2023). [DOI: 10.1111/jpim.12663](https://doi.org/10.1111/jpim.12663)

Provided by Kaunas University of Technology

Citation: Best practices in new product development: What separates the best from the rest? (2023, April 21) retrieved 29 April 2024 from <https://phys.org/news/2023-04-product-rest.html>

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