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# **Navigating the Downturn: Go-To-Market Strategies and Tactics For R&D Executives In Today's Tough Economic Times**

Why this is the right time to bring your new technology to market.

**Navigating the Downturn:**  
Go-To-Market Strategies and Tactics For R&D Executives  
In Today's Tough Economic Times  
By  
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*"If you keep investing in technology and innovation in the worst of times, your competitive advantage grows." -- Jeffrey Immelt, CEO of General Electric Corporation*

*"A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of [customers], they would continue to open their wallets. And that's what we've done." -- Steve Jobs, CEO, Apple Corporation*

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**OVERVIEW:**

FOR R&D EXECUTIVES, RECESSIONARY PERIODS PARADOXICALLY PROVIDE AN EXCELLENT TIME TO PRESENT THEIR LABS' INNOVATIONS AND TECHNOLOGIES TO EXISTING AND NEW CUSTOMERS.

- YOU ARE LIKELY ALONE WITHOUT DISTRACTING COMPETITORS AND CAN HAVE MORE FRANK AND OPEN CONVERSATIONS THAT REVEAL REAL CUSTOMER NEEDS AND WANTS.
- CUSTOMERS CRAVE AND WELCOME THESE "FUN" TECHNOLOGY MEETINGS, ALTHOUGH THEY REQUIRE A GOOD BUSINESS REASON TO MEET WITH YOU.
- DURING THESE SLOW PERIODS, CUSTOMERS MAY INVEST TALENT AND HUMAN RESOURCES TO MAKING YOUR TECHNOLOGY MORE RELEVANT FOR THEM.

SUCCESS REQUIRES A NEW APPROACH – CREATION OF A SPECIAL VENTURE COMMITMENT TEAM™ – TO IDENTIFY MARKET NEEDS AND OPPORTUNITIES, ENGAGE NEW CUSTOMERS, AND DELIVER CONCRETE CUSTOMER COMMITMENTS TO THE ORGANIZATION.

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**SITUATION ANALYSIS:**

In bad economic times, companies often suspend or reduce R&D activities. Rather than using bad times to invest in existing customer relationships and develop new ones, companies cut back and even redeploy personnel. As a consequence, developments of many R&D technologies are often delayed or abandoned. Today, few new technologies are being brought to market; promising offerings languish on the R&D shelf.

By presenting and demonstrating new technologies to potential customers during tough economic times, high-tech research organizations can position their organizations and companies for better times and for future explosive growth. Actions taken today to introduce new technologies to customers provide an opportunity to get a jump on competitors.

Open dialogue with potential customers during a downturn clarify true market needs and help R&D organizations focus on meeting them. "When markets turn south, it's easier to discern

what the market needs, precisely because the market is thinking more about what it needs and why it needs it. We are simply more thoughtful, more aware, and more focused during economic downturns," wrote Professor Andrew J. Razeghi of the Kellogg School of Management at Northwestern.

Moreover, engaging potential customers during down times demonstrates a commitment to the future. When R&D staffs reach out to customers, they are rewarded with insights and information necessary to later "supply" them with the right products and services.

Beyond the deep customer insights garnered from these meetings, R&D organizations will often find customers are willing to invest talent and human resources to make new technology more relevant for them.

Indeed, a recent PIMS (Profit Impact of Market Strategy) study of 1,000 companies during extended market recessions clearly established that organizations which continue to invest in R&D activities and market development activities fared significantly better than those who pared back their technology and market development activities. Researchers concluded: "In a recession, dare to invest aggressively in marketing, innovation, and customer quality."

Intel did exactly this during the severe recession of 1970-71. Intel engaged with its customer, Nippon Calculating Machine Corporation of Japan who requested that Intel design 12 custom chips for its new Busicom 141-PF printing calculator. During the recession, Intel engineers developed a novel design of a family of just four chips, including one that could be programmed for use in a variety of products. These new 4004 chips were the first customer-programmable, single chip microprocessors on the market. And, they propelled Intel to dominate the microprocessor market. Within a decade, 90% of Intel's revenues came from the microprocessor segment.

In this report, we explore specific actions R&D executives can take to introduce and market new and innovative technologies...especially in a difficult economy.

### **CHALLENGES FACING THE CTO OR R&D HEAD:**

Picture the typical daily existence of CTOs or leaders of R&D organizations. In their shops are many highly intelligent, hard-working PhD-level employees developing new technologies, inventions, innovations. Many patents have been filed and many issued.

Most of their new technologies have not been fully developed. Some of the best scientists have become resigned to this situation; most however desperately want to see their inventions used by others. Scientists want market recognition for their bright ideas.

The leaders of R&D organizations also want to see market recognition and, more importantly, value driven to the corporation from these technologies and inventions. Nevertheless, despite the fact that the company has a business development team, marketing organization and sales people, there appears to be a "disconnect" between those that develop technologies and those who bring them to market. Despite several meetings initiated by R&D:

- The marketing organization makes it clear it does not know how to promote these technologies – they complain that there is no demand for them or that the market has not developed sufficiently yet.

- For its part, the sales force is driven to sell proven products and are suspicious of unproven technologies or inventions – “pie in the sky,” they say.
- The business development team, meanwhile, finds it much easier to sell current products to new customers – and that, they believe, is their main mission to begin with.

The situation seems truly hopeless if the technology in the R&D organization naturally appeals to customers outside the company’s normal base of customers.

### **ACTIONS THE HEAD OF THE R&D ORGANIZATION MUST TAKE**

The most effective leaders of R&D organizations recognize they must take charge of the situation. They find it intolerable for all this great technology – all these great inventions – to just sit on the shelf. Consequently, they take matters into their own hands after they realize that they cannot – and perhaps should not – rely on traditional means to get take their new and most innovative technologies to market. Instead, they develop their own separate and very special “dream teams.”

While this task may seem to be outside the scope of the traditional CTO’s job description, and certainly takes them outside their personal comfort zone, in today’s environment, it is critical technology development leaders take an active role in expanding their customer base for existing and emerging technologies. CTOs, in short, must engage with existing and new customers to identify new market opportunities.

Primarily, this means engaging with customers early and often, and developing as strong an awareness of the “end-user” environment as CTOs typically have of the front-line development process. CTOs who take up this challenge, not only will be more successful in finding audiences and markets for their new technologies; they will raise the strategic profile of the technology development process, and become recognized as central to the success of their entire company.

### **NEW SKILL SETS REQUIRED**

Taking on these additional responsibilities almost certainly requires going outside the organization to bring in new skills and capabilities. This new expertise must complement existing R&D skills. For most R&D organizations, the new required skills are in the area of business development and marketing.

In addition, the R&D manager must choose an internal technical champion. This may not take the form of the best scientist, but rather the one with the most enthusiasm and the best ability to discuss technology issues with non-technical constituents. And, it requires the ability to switch gears and delve deeply into the technology with the right audience.

High performing R&D organizations embrace this task – they create a very special Venture Commitment Team™.

### **VENTURE COMMITMENT TEAM DESCRIPTION**

The Venture Commitment Team (VCT) is a small team of seasoned experts with deep knowledge developed from years of accomplishment in three areas – technical or scientific knowledge, business development proficiency, and knowledge of internal company capabilities.

The Venture Commitment Team (VCT) evokes the mindset of venture capitalists focused on finding the intersection of new technologies and market opportunities. Technology alone is never enough. Venture capitalists seek concrete evidence of a market commitment for a particular technology.

This is the short-term charter of the VCT – to obtain a commitment from potential customers that concretely demonstrates business potential of the new technology, invention or innovation. Through these quantifiable commitments the VCTs are able to identify viable markets and named customers.

The type of commitment sought by the VCT can begin with something as simple as a signed non-disclosure agreement, or as involved as meeting of technical experts (which can be an expensive proposition for the customer). It can take the form of meetings with the customer's technical and product development people to determine technical specifications required of a technology, or it can result from a non-recoverable engineering (NRE) contract. Ideally, VCTs deliver the ultimate proof by penning an actual revenue-generating product contract.

Although the ultimate aim of the Venture Commitment Team is to identify viable short-term markets and ideally identify specific named customers for the new technology, the team must follow a process that centers on customer conversations and meetings. After all, only through customer meetings and commitments can the Venture Commitment Team diagnose the viability of various go-to-market strategies – these concrete customer commitments are the best feedback mechanism from which to develop successful go-to-market strategies.

### **WHO SHOULD BE ON THE VCT?**

The Venture Commitment Team must be staffed with experienced, highly motivated, and mentally flexible people who are comfortable interacting with people from a wide variety of disciplines – technical, marketing, sales, and manufacturing. The team must be characterized by curiosity combined with mental toughness and a willingness to challenge assumptions and conventional thinking.

They must also feature individuals that carry some gravitas with the rest of the organization. Ultimately, upper management will have to be consulted to press new technology forward. So it helps to have serious people on the team who are respected by the most senior ranks of the enterprise.

At a minimum team members must fulfill three primary roles.

- A senior level business development executive who can identify the right groups and people in the target customer organizations is a central player in the team. This executive must be able to obtain a fair hearing from the appropriate customer department about your technology or invention.

- A knowledgeable scientist who can explain the technology to non-technologists without condescension and also delve deeply into the technology when speaking with technical peers in the customer organization.
- A representative from management who understands and can speak to the capabilities of the broader organization.

This multi-disciplinary team must be staffed with highly experienced experts with proven track records in their respective areas of accomplishment.

### **RECRUITING VCT MEMBERS**

Picking the right team is vital. Hiring the wrong members is the easiest mistake and the hardest to avoid. Identifying the right set of skills and the right frame of mind is more important than the best technical skills or the best business development skills. Curiosity is important; ability to listen and probe for understanding is important; the ability to continue after numerous rejections is important.

Do not limit your staffing for the Venture Commitment Team to members of your R&D department nor even solely to company employees. Too many technical organizations add the word “Sales” to an engineer’s title in an effort to add additional skills to the team. That person becomes a “Sales Engineer”. But, that person has no experience in sales, has received little or no sales training, has only an elementary knowledge of the sales process, and is unable or unwilling to face multiple rejections from prospects. This is the wrong person for the VCT team.

During difficult economic times, there is tremendous pressure to hire from within to fill a role on a Venture Commitment Team. Rather than hire a “dream team,” organizations end up with available company personnel. The high level and specialization of skills required of a Venture Commitment Team makes it unlikely all the members can be hired from within. Hire people with years of experience in their respective discipline.

Recruit consultants or company partners. Consultants can be a great resource to get the teams off the ground and to add outside business knowledge to the team, particularly if the remaining team members come from the technical or managerial ranks of the R&D division. Another source of high-level people with the requisite experience and skill set are your company partners. Do not rely on existing personnel who may be “good enough” or “good soldiers”.

### **PICKING TECHNOLOGY WINNERS**

Many R&D organizations have several technologies in various stages of development. Choosing the first one to subject to this venture commitment process is as much an art as it is a science. However, there are key questions that should be considered, including:

- Which of our technologies / inventions / innovations is closest to commercialization?
- Which of our technology / invention / innovation is in a “hot” sector?
- Are there competitive technologies to which we are superior?

- Which companies and which market segments are buying these competitive technologies?
- Is there a clear application for a specific market segment to which our technology adds special value?
- Is there an enthusiastic champion of the technology who could be a key member of the Venture Commitment Team?

Although it is important to go through the process of deliberation when picking technology “winners,” it is also important to avoid overanalyzing the decision. After all:

- At this early stage of the decision-making process, the information-to-noise ratio is low;
- Knowledge of the market, the final application for your technology and the potential demand for your technology is still very limited; and
- Analysis paralysis may unnecessarily delay the beginning of this project.

The decision to choose is almost more important than the actual choice.

### OPERATIONAL IMPACT ANALYSIS

The process of presenting a new technology to the market requires a combination of technical understanding and lots of engagement with potential customers.

- **Build technical understanding** – All team members must understand the technology well enough to explain it to a prospect. The business development representative must be able to discuss the technology in enough detail to obtain a first meeting with customer technologists. Building technical understanding among prospective customers requires several meetings with customer scientists; white papers describing the technology; and demonstrations of lab prototypes.
- **Assess several potential markets** – Since there is yet no live data from the market, the VCT must remain open to exploring many different markets. Each meeting with a potential customer should be viewed as another data point. The danger during this stage is listening to “hunches” from the team members or management, rather than listening to actual representatives of the market. The market will clearly identify a customer set.
- **Develop first-pass go-to-market strategy** – The go-to-market strategy requires a position statement that differentiates the technology and also addresses the needs of the target markets. This initial go-to-market strategy, although likely to be directionally correct, is also almost assuredly wrong in some aspects. Expect this initial go-to-market positioning to require several iterations.
- **Target engagement** – Talk to everyone. Listen to what the person is saying and not saying. Try to hear beyond the actual words. Seek a meeting with the technical people. Listen carefully to what resonates and what does not.
- **Fine tune go-to-market strategy** – Reflect on what you learned in the initial customers engagement period. Avoid pride of authorship; change the positioning statement and the

go-to-market strategy, if the initial approach does not resonate. In one case, an R&D organization had developed a product aimed at solving test and measurement problems with large and complex machinery. Initially, the company focused on a market it new well –telecommunications carriers – because it was identified as the best target market. Although verbal interest was strong from this market, concrete commitments were few. The company followed the VCT process; they cast a wide net and talked to everyone. They engaged with companies in the airplane industry, mining industry, and the baking industry. Only bakeries were willing to make concrete commitments in the form of technical meetings where product specifications were identified. Today, that organization has successfully entered the baking industry with a new technology and product. But, this required a change in the market position of their product and their go-to-market strategy.

- **Persistent customer contact and presentation** – By this stage, the Venture Commitment Team will have identified the best prospects. Although this period looks like it consists of pure “sales” calls, a lot of learning must still take place about the technology and the potential business model.
- **Obtain first revenue-generating contract** – This can be a non-recoverable engineering (NRE) contract to modify the technology to meet customer specifications; this can be a partnership agreement; this can be licensing agreement; this can be a pure sale. Typically, the first revenue sale will be small and seemingly unimportant or inconsequential. Use this contract as a tool with other customers and as validation internally.
- **Turn over to the internal marketing / sales team** – With a first sale closed, the Venture Commitment Team can hand over a market-vetted marketing and sales formula to the internal marketing and sales team.
- **Congratulate the VCT members** – Although undoubtedly proud of their achievements VCT members may prefer to leave the team and dedicate themselves to developing the technology into a finished product. If the team is good, it is worth incentivizing them to work on another project. Being on a VCT team is hard and exhausting, but rewarding work. Recognize the VCT team may not remain together. However, the fact is that only a few VCT teams remain together through several new technology cycles. Since that is the case, it is prudent to be ready to begin the process of identifying replacement members quickly.

### GAUGING MARKET INTEREST

The Venture Commitment Team will have talked to well over 100 people in over 50 companies. Members will have listened carefully to the reactions of these people – what resonates, what doesn't. They will have determined what kind of organization wants more information or will take a meeting. Over a period of three to four months, the Venture Commitment Team should have obtained some customer commitments – an NDA, a meeting with the customers' scientists, a meeting to determine technical specifications, or a meeting with their product people or marketing people.

Clearly, the most reliable market feedback is a revenue-generating contract.

Meetings with key people in several companies that occur with regularity are also good signs.

However, if, despite their best efforts, the Venture Commitment Team fails to obtain concrete commitments from target companies – or obtains very few – then something is amiss and the VCT team should revisit the way it has positioned the technology, the language being used, or the request and size of a customer commitment.

### **COMMON BREAKING POINTS**

- It would be a mistake to believe customers are not interested or too crunched for time to explore new technologies during bad economic times and thus never start the process at all. Although some target companies will balk at a new initiative, many key contacts may actually have even more time available for these types of conversations. Company scientists, although still employed, may have less money to spend on their projects; so a down economy may actually free up their time.
- This process takes a minimum of six months, and often closer to a year. Demanding quick results will push the team to cut corners on the diagnostic process that fine-tunes the positioning of the technology as well as the go-to-market strategy. In addition, it will push the team to seek the first available customer, rather than the customer with the highest longer term potential.
- Selecting the wrong people for the VCT team is an easy mistake to make during difficult economic times as the HR department and the whole organization will put significant pressure to use slack resources. Rather than create the team from available HR resources, it is strongly preferable to hire aggressively from outside or to use partners. Success of the entire process depends on a “dream team”.

### **TIPS FOR GETTING STARTED**

- Expand the CTO role to include active customer engagement activities with an eye to identifying new market opportunities.
- Recognize this new responsibility elevates the impact of the CTO and requires actions outside typical comfort zones.
- Focus on a technology that is close to market ready and has a strong scientific evangelist to support this effort.
- Recognize the technology decision is inherently difficult to make since the information to noise ratio is very low.
- Launch a Venture Commitment Team with people who have the necessary skills and frame of mind. The frame of mind is almost as important as pure technical, marketing or business development skills.
- Be personally involved in the VCT.
- Make the commitment to start a VCT team.

## **CONCLUSION**

VCT teams can help R&D organizations become more in-tune with market requirements and market developments. They can enable R&D organization to identify technologies that have near-term market potential. In the process, they can offer proof-of-concepts to traditional enterprise go-to-market channels, which can then take over with a market-vetted market introduction plan for successful commercialization.

In short, Venture Commitment Teams can help their entire company emerge from this economic downturn in a better and stronger position.

## **ABOUT THE REVLAUNCH COMPANY**

The RevLaunch Company provides business development execution services to companies facing management and implementation gaps in the areas of revenue growth and product launch. RevLaunch gets you your first couple of customers. RevLaunch specializes in implementation. We launch your new innovative products and services into established industries, or your existing products into new markets or target companies. We do the strategy planning and our execution results in signed contracts. RevLaunch reduces your risk of attaining your revenue goals, of launching your products into established markets or companies, of achieving a rapid return on your R&D investment. For more information, visit: [www.revlaunch.com](http://www.revlaunch.com)