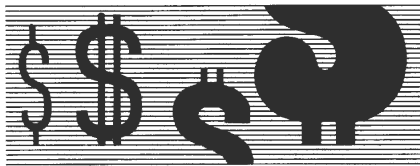


successful products is complicated,” Cusumano warns. But with its two new centers Microsoft intends to overcome the complications, to the benefit of both its shareholders and global scientific understanding.

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Innovation Pays Off, Research Shows

There's new evidence that R&D/innovation pays off where it may matter most—with the shareholders. This evidence comes from a study by Ashish Sood and Gerard J. Tellis, marketing professors at, respectively, Emory University and the University of Southern California.

In a forthcoming paper in *Marketing Science* titled “Do Innovations Really Payoff? Total Stock Market Returns to Innovation,” Sood and Tellis assert that the best way to assess the true benefits of innovation is to measure the market returns to all events in an innovation project. This is in contrast to previous research that has appeared in the literature, including *RTM*, which examined the effect of R&D investment on measures of firms' performance such as sales, profits or market share. “These measures are subject to many other strategic and environmental factors so that the path of causality is not clear,” Sood and Tellis write.

They define an innovation project as “the total of a firm's activities in researching, developing, and introducing a new product, from the initiation of a new technology to about a year after introduction of the new product.” Events are defined as “some progress in the project (e.g., patents or product launch).”

To measure total market returns, the investigators examined 5,481 announcements (availability of information regarding an event) of 219 R&D projects from 69 firms in 5 markets and 19 technologies, between 1977 and 2006. They found these returns to be \$643 million, more than 13 times the \$49 million resulting from an average innovation event. Moreover;

- Returns occurred immediately after the announcement—years before commercialization.
- Returns to negative events were higher in absolute value than those to positive events.
- Returns were consistently higher for small firms than for large firms and for those that focus on a few rather than many technologies.
- Returns to the announcing firm were substantially greater than those to competitors across all stages.
- Number of prior announcements or time since the last announcement had no effect on the market returns to innovation.
- Returns to the first announcement of an innovation project were not different from returns to later announcements. Similarly, results for older technologies and projects were not different from those for newer ones.
- All events had higher returns than did commercialization.

In light of these findings, *RTM* asked Sood what a CTO should advise his CEO. “Do not delay investments in R&D as stock markets substantially reward firms with strong commitment to innovation,” he says. “Keep investors informed about the progress of innovation projects as the returns for all pre-launch events are higher than for the launch event itself, and finally, use our method to accurately assess the total market returns to innovation.”

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Looking Ahead

Deep Problems In Our Future, AAAS Hears

Anyone who spends even the fewest of minutes scanning the headlines or—more often these days—surfing the Web, knows that the first decade of this new millennium is hardly the most joyous of times. Worries global in scope and local in impact converge on practically everything: climate change and disruptive weather patterns, energy shortages, vast coastal urbanization of the poorest countries, widespread economic insecurity, terrorism, hunger, the declining U.S. influence in the world, and most any other topic that comes to mind.

Few solutions that join comprehension with practicality have come forth from the policy experts, financial titans, or the diminished titans of any other kind. But most are hoping, or scheming, to hold on at least to what they have, while others with more altruistic purposes aspire to head off every worst case scenario possible. Thus the search for solutions is increasingly rising in urgency because the stakes are enormous, involving disruptive changes at every turn along the way.

In May, the American Association for the Advancement of Science (AAAS) arranged a special session during its annual Forum on science and technology to give the R&D community some concrete sense of what lies obscured by the future's murk. Ahead, the three invited speakers agreed, is the need for a drastic change in consciousness over what it will take to understand, much less solve, the deep problems ahead.

Giving the meatiest of the three views was James Canton, CEO and chairman of the Institute for Global Futures, a San Francisco, California, think tank that does futures research and consults

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