

	Resource Allocation for Product Development
David Frankil Gates and Company	<p>Every company struggles with the issue of resource allocation in product development, for existing products, ongoing development projects, and potential new products. If done correctly, the process is rigorously integrated with corporate strategy and growth goals.</p> <p>In today's rapidly changing business environment, firms are under intense pressure to quickly and successfully bring products to market. Capital allocation decisions must be made for R&D and marketing, human resources, prototyping, testing, and promotion, regardless of whether the product is in software, life sciences, consumer products, chemicals, medical, manufacturing, or other.</p> <p>Savvy companies augment traditional product development strategies with external opportunities. Rather than assume the full risk of organic growth and internal product development, these firms actively seek opportunities to purchase and/or license products and technologies developed elsewhere. Equally important, these firms constantly evaluate their internal product portfolios, looking to sell or license non-core products and technologies to other firms.</p> <p>Questions that need to be considered include:</p> <ol style="list-style-type: none"> <i>1. Organic growth (i.e., internal product development) v. acquisition (i.e., outsourcing risk of product development and market acceptance to venture and other capital markets)? How do I decide what kind of company or product to look for? How do I finance it? What are the risks and how can the deal structure address those risks (earn-out, employment agreements for key employees, etc.)?</i> <i>2. Merger (cease internal development and license/sell) v. continued internal product development? What should I be doing to package my product/technology to maximize its value (IP protection, long-term customer contracts, business plan, financial projections, etc.)?</i> <i>3. Accelerating product development by seeking external capital (capital formation)? What triggers the decision to seek outside capital? What will the process look like? How are these deals typically structured?</i>
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