2024 Results

State of R&D Benchmarks

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Source Data & Methodology

Full 2024 Results

**Audience: 526 C-suite professionals at Canada and US-based businesses; minimum 5 developers on payroll*

Full 2023 Results

***Audience: 183 Boast Customer Contacts (as of 2022/23)*

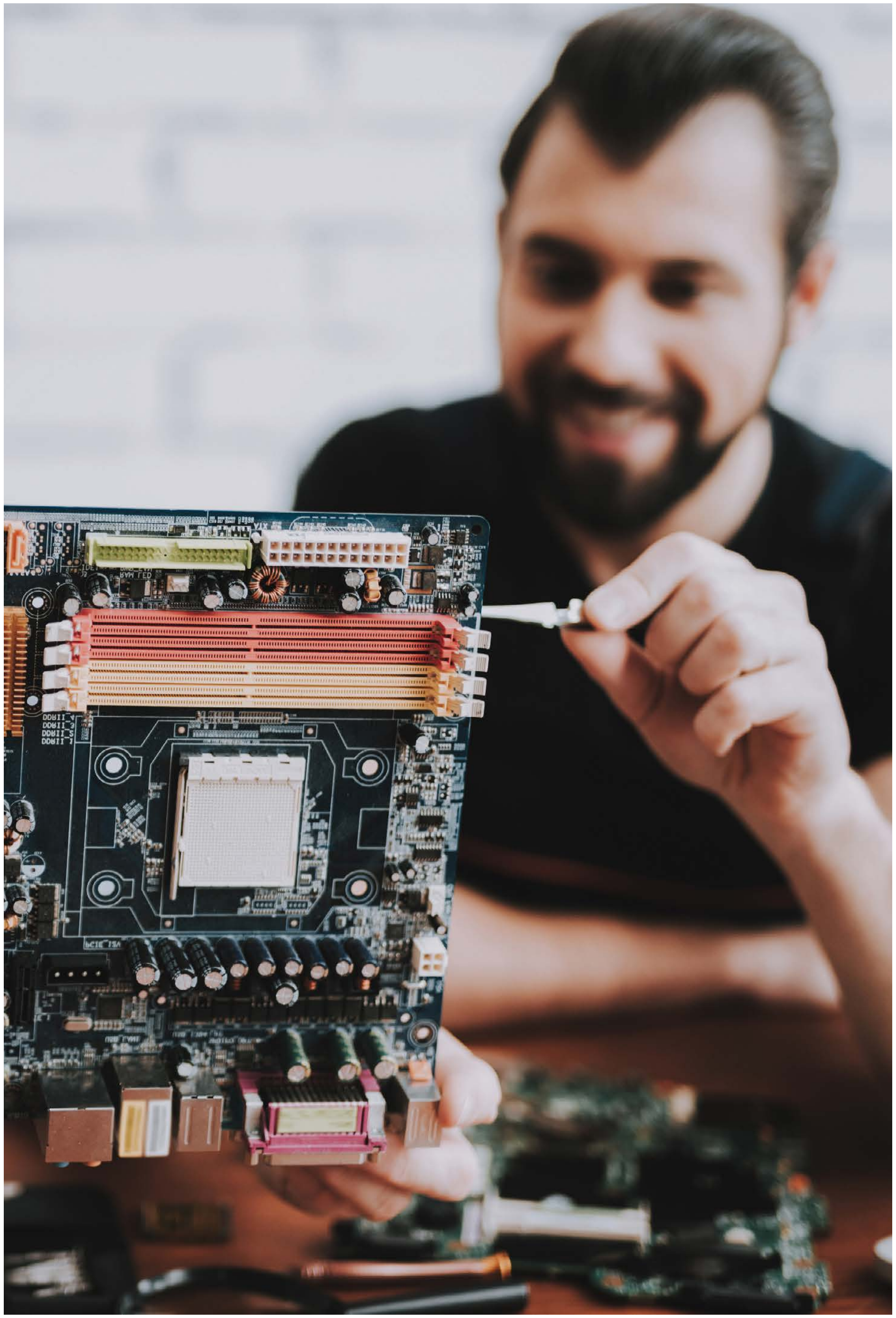
Brief

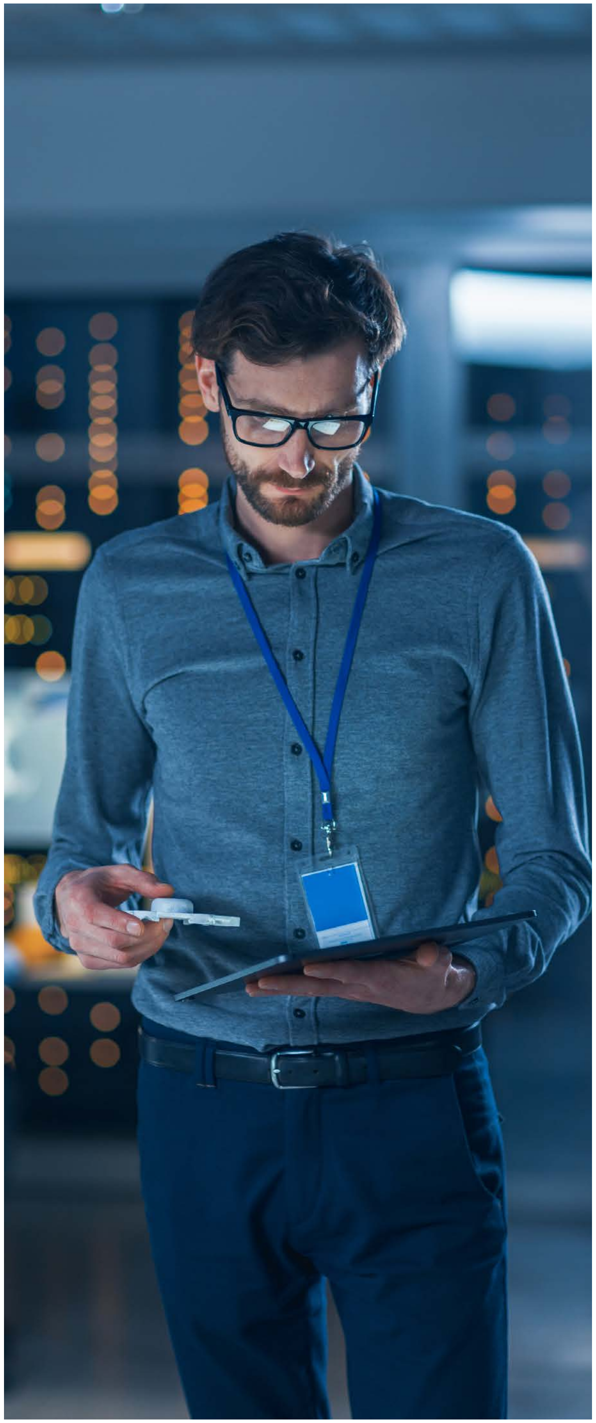
At the start of 2023, we polled 300 members of Boast's startup community and founder network to baseline R&D spending and planning behaviors, while also highlighting areas for funding and optimization among North America's most innovative businesses.

For 2024, we've broadened our research to include feedback from more than 500 C-suite executives (at companies with a minimum of 5 developers on payroll) to get a better idea of how habits have changed over the course of an eventful 12+ months.

As it turns out, many executives have been "focusing on the essentials" for their business in the face of major macroeconomic uncertainties in 2024—namely, inflation—forcing many teams to reconsider their best laid plans, while leaving little budget for risk-taking.

For many teams, this included taking a more conservative approach to R&D in 2024, with fewer resources dedicated directly toward R&D, and





fewer companies tapping into non-dilutive capital sources like grants and tax credits. The data shows that these businesses are ultimately paying a premium for their conservatism when it comes to financing their R&D, pulling from sources of capital like credit or debit lines to finance product development because of a lack of credit- or grant-worthy activities to claim.

In a similar vein, CXOs are much more concerned with forecasting and talent retention in 2024 versus 2023. While this is likely also a result of inflation, fears around lending and interest rates—as well as venture capital and private equity lending trends across the past 12 months—are also likely contributing to the “shoring up” mentality among the CXOs polled.

Concerns around talent and training also align with data we’ve covered at Boast that indicates finance and product development teams are in the midst of a “talent squeeze” across industries, with CXOs showing less confidence in their ability to support and strategize for these units in 2024.

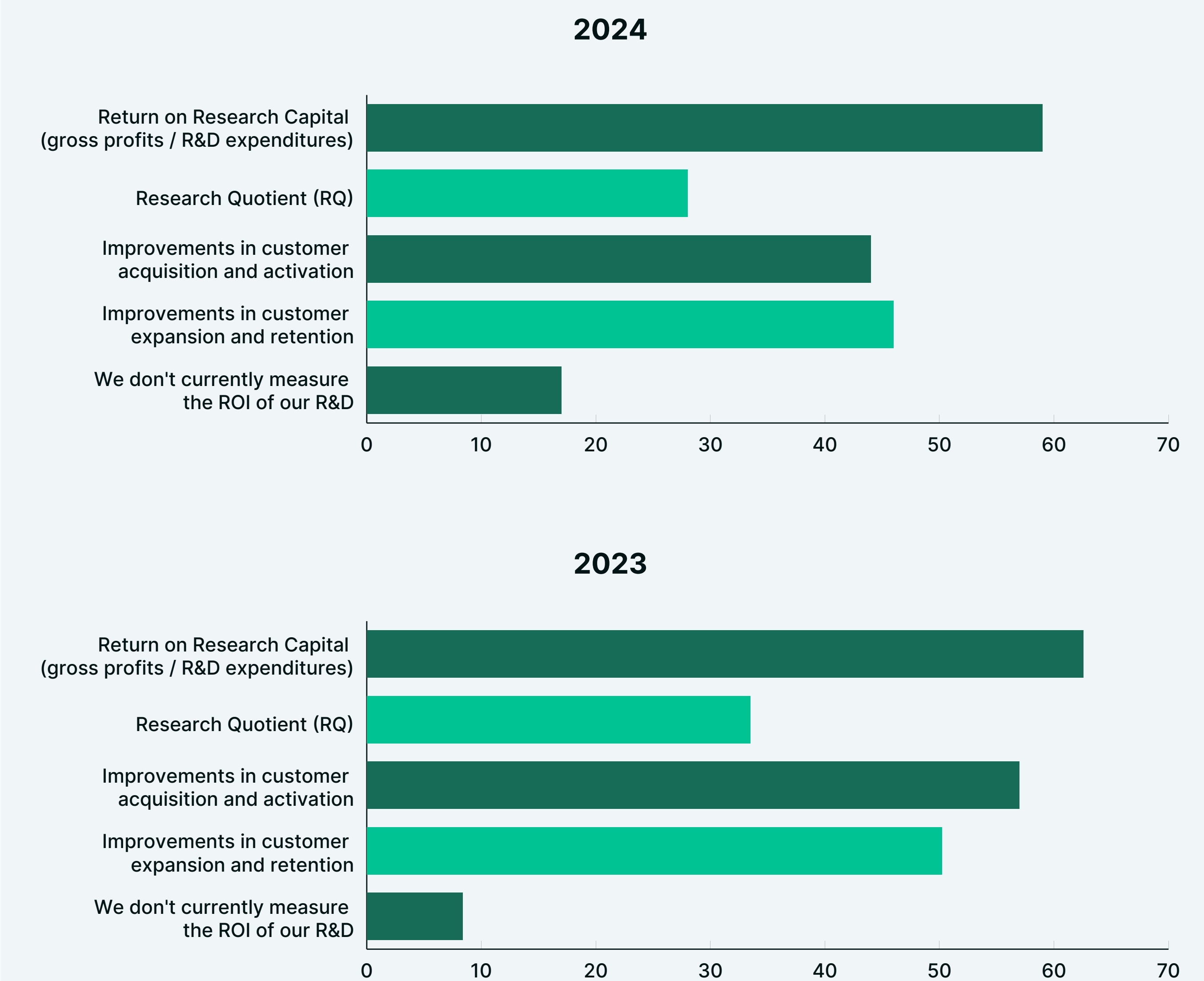
Interestingly, the solution to many of these struggles may actually lay in pursuing and funding even more R&D.

Not only can eligible, truly innovative activities unlock sources of capital that can extend operational runways (while of course fueling stronger products), but tools like Boast can help align key sources of data and impart immediate, actionable insights that allow teams to work smarter without extending resources.

See following pages for insights and analysis into each data point.

QUESTION 1

How do you measure the return on investment (ROI) of your R&D expenditures?



Initial take: Compared to 2023, "Return on Research Capital (gross profits / R&D expenditures)" remains the top measure of R&D success. However, "Improvements in customer acquisition and activation" as well as "Improvements in customer expansion and retention" have lost some weight among the CXO audience in 2024, with less than half of respondents (44% and 46%, respectively) tracking this data compared to a 50% and 57% in 2023.

At the same time, the number of CXOs who have indicated they don't currently track this data grew year-over-year, jumping from 8% in 2023 to almost 17% in 2024.

The big takeaway? With capital markets tighter than ever, businesses have been squarely focused on gross profits—read: liquidity—and are measuring their R&D investments accordingly. While improving experiences for existing customers remains a priority, creating new opportunities for immediate revenue gains is pulling more weight year-over-year.

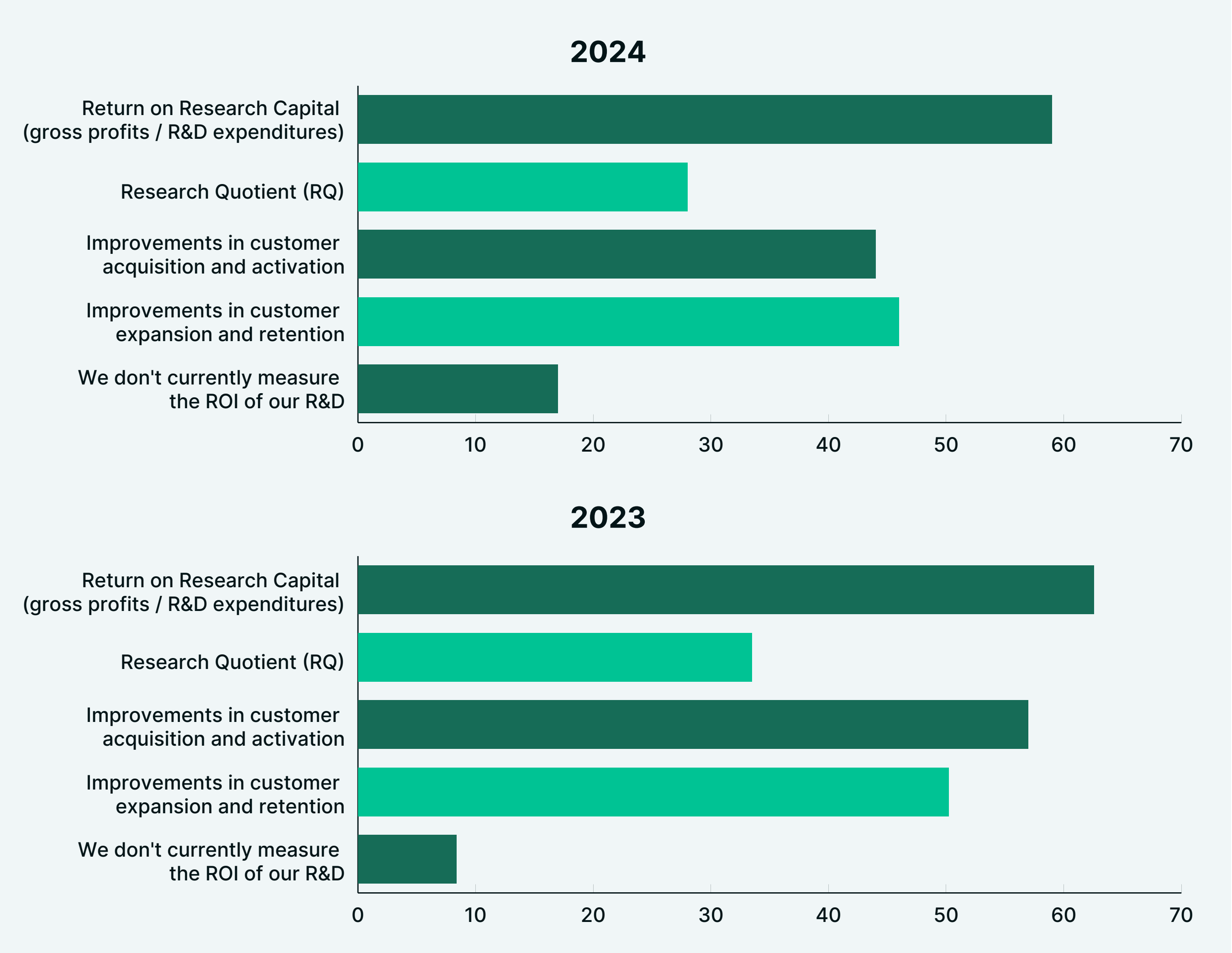
QUESTION 2

What are the ways you fund your R&D today?

Initial take: *Working capital* remains the main source of funding year-over-year, but debit/credit lines have emerged as the secondary avenue among the majority of CXO respondents—with 42% of respondents leveraging debit/credit in 2024 vs only 38% in 2023.

Last year, dedicated R&D *financing* was more readily available, as it was the #2 source of R&D funding. In 2024, however, this source of capital has fallen behind debit/credit and R&D tax credits (*42% and 36% respectively*), indicating that fewer teams are putting R&D at the center of their product strategy over the past year.

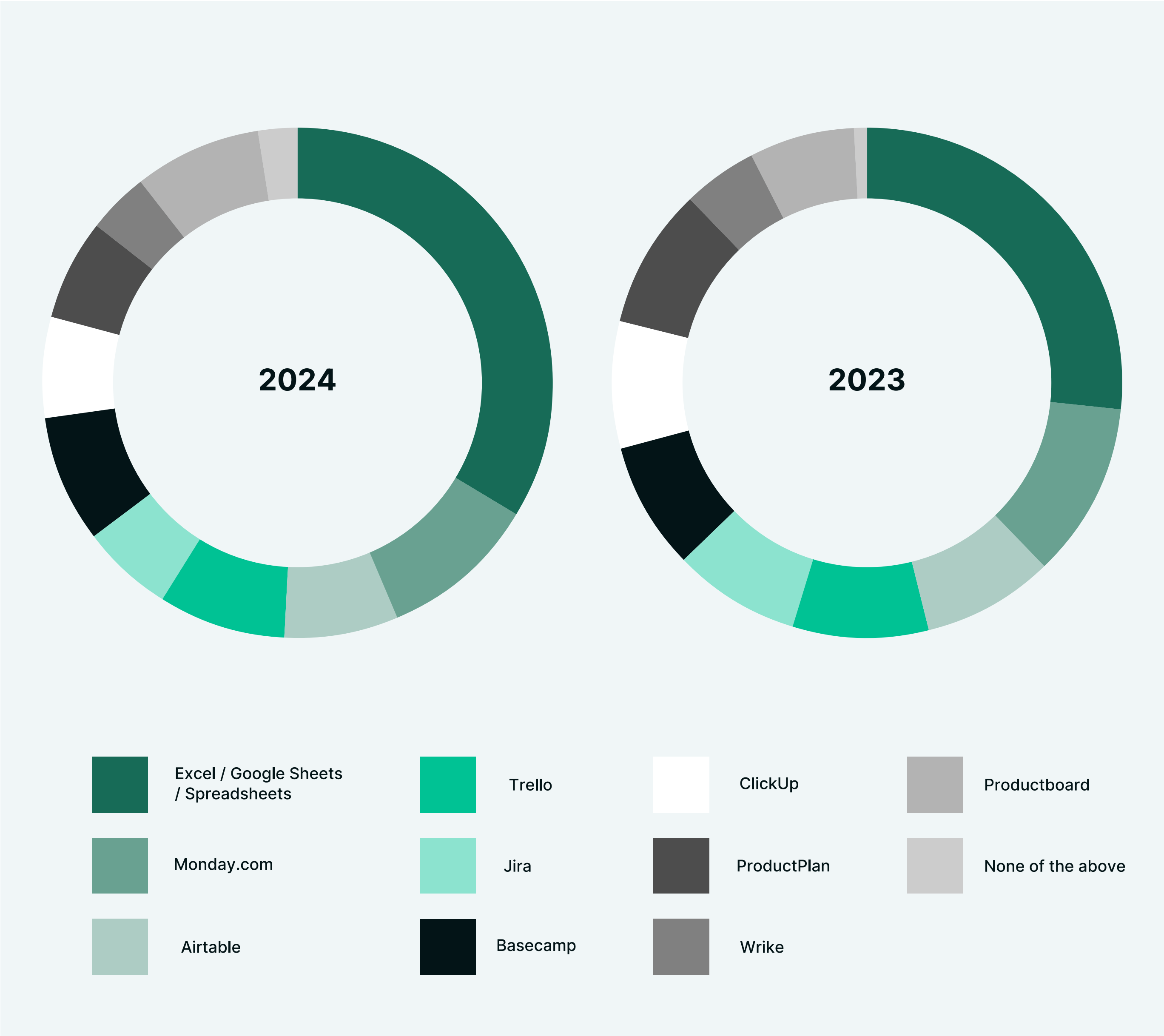
This is further reflected as non-dilutive funding in the form of *Tax Credits* and (especially) *Grants* saw the biggest dips YoY, with *Tax Credits* falling from 39% (#2) source of funding in 2023 to 36% (#3), and Grants dropping from 32% (#5) to just 27% (#5) in 2024.



The big takeaway? Akin to the findings from Question 1, businesses were focused more on “sure things” in 2024 rather than engaging in experimentation/R&D to ride out the many market and industry uncertainties While businesses were still allocating budget to R&D, they **weren’t engaging in as much grant- or credit-worthy activities**. While this may have seemed like a “penny-wise” strategy to ride out the markets and news cycle, these businesses missed out on non-dilutive funding opportunities (and had to tap into debit/credit to a certain extent) to stretch their runways.

QUESTION 3

What tools do you use for project management?

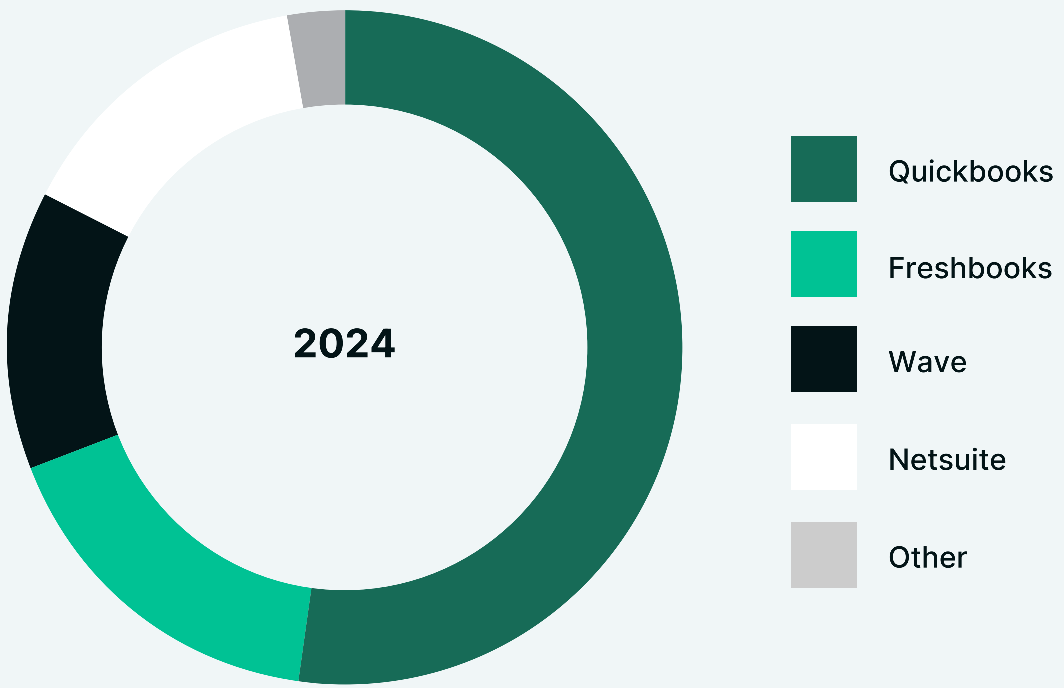


Initial take: Excel/spreadsheets remain the primary tools that teams are using to map out their product strategy and align stakeholders. While there are even more solutions available today to help teams execute, roughly three quarters of all executives are still more comfortable—whether for security reasons, compatibility with other programs, or just habit—leveraging spreadsheets for project mapping.

The big takeaway? Few tools on the market today that are designed to offer holistic product strategy resources are checking the boxes for CXOs today. They're still leveraging a web of tools, or using spreadsheets. Looking forward, there will inevitably be a hunger for more robust solutions with tool-agnostic integrations to step in and offer a more holistic way for CXOs to tie these moving parts together (see the "top concerns" below for further proof).

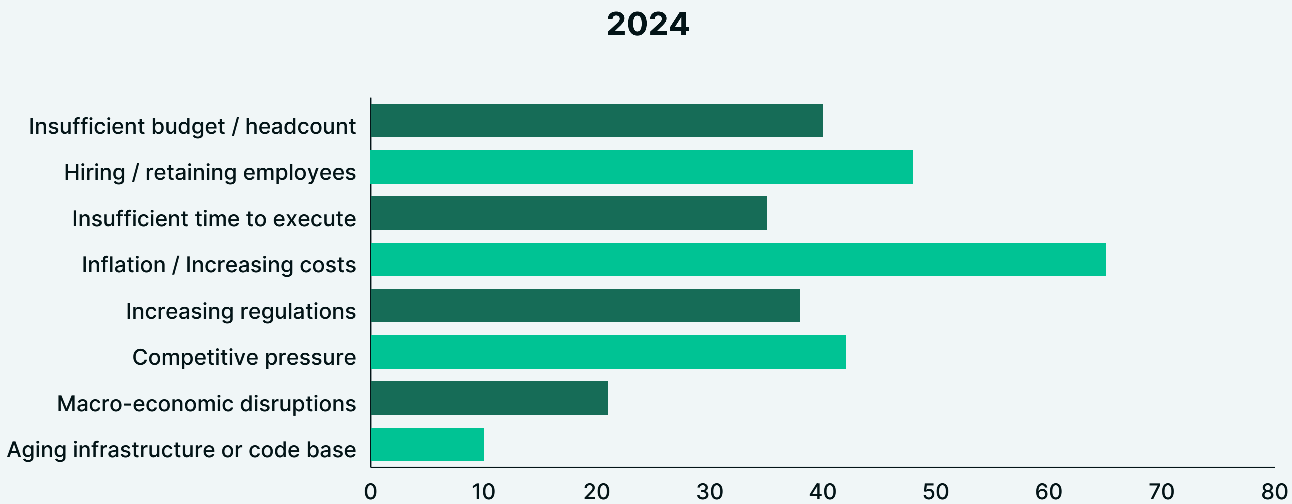
QUESTION 4

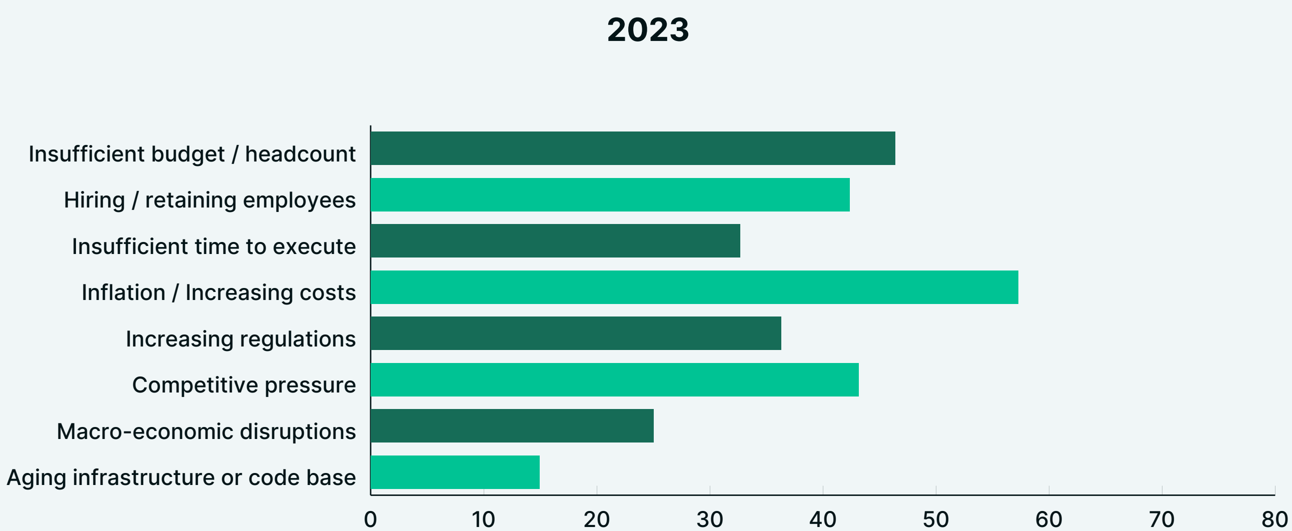
What tools do you use for accounting/finance management?



QUESTION 5

What are your top 3 concerns for budgeting product development this year?





Initial take: Not surprisingly, **inflation and increasing** costs remain the top concern among CXOs polled, ranking as the top concern for R&D among more than 65% of CXOs in both 2023 and 2024 (given interest rates remaining stubbornly high global throughout the past year alongside other political/ economic conditions)

Hiring and retaining talent has emerged as the second top concern for 2024 (tied for third along with Competitive Pressure in 2023), which speaks to rumblings across the startup and tech ecosystem around a "talent squeeze in the AI arms race.

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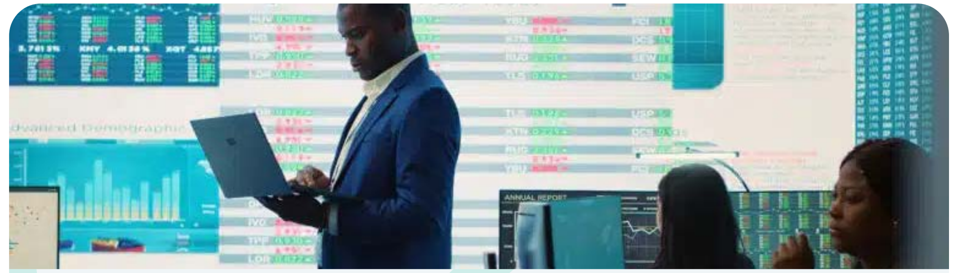

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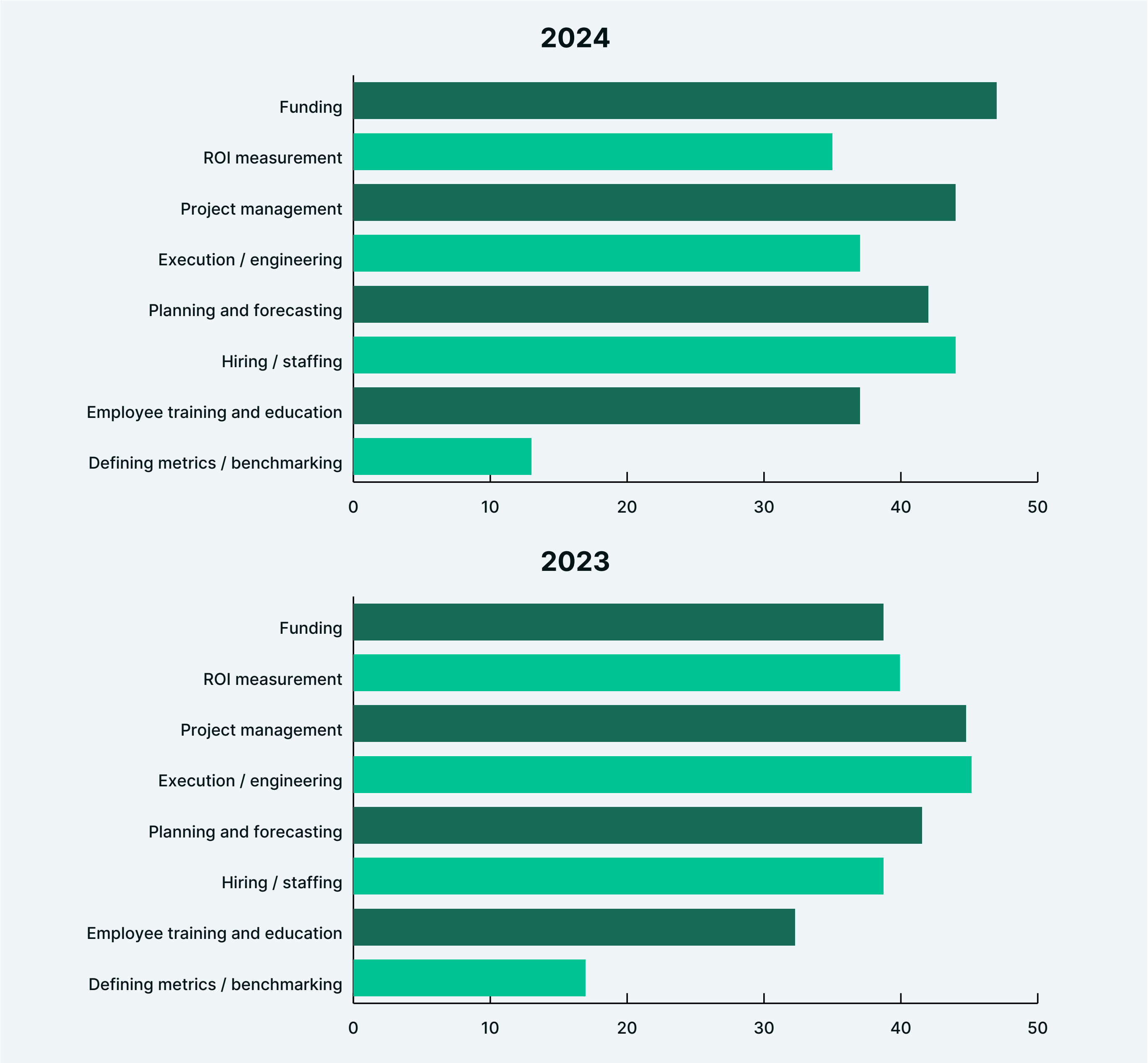
Big takeaway? Business leaders have been following the headlines, and whether it's anxiety around global elections, lending markets, or even racing for AI supremacy, CxOs prioritized the essentials in 2024.

QUESTION 6

What are the top 3 areas your teams needs the most help in this year?



Initial take: After being "in-the-mix" last year (tied for 5th place), *funding* has emerged as the top R&D area in need of help in 2024 among CXOs polled.

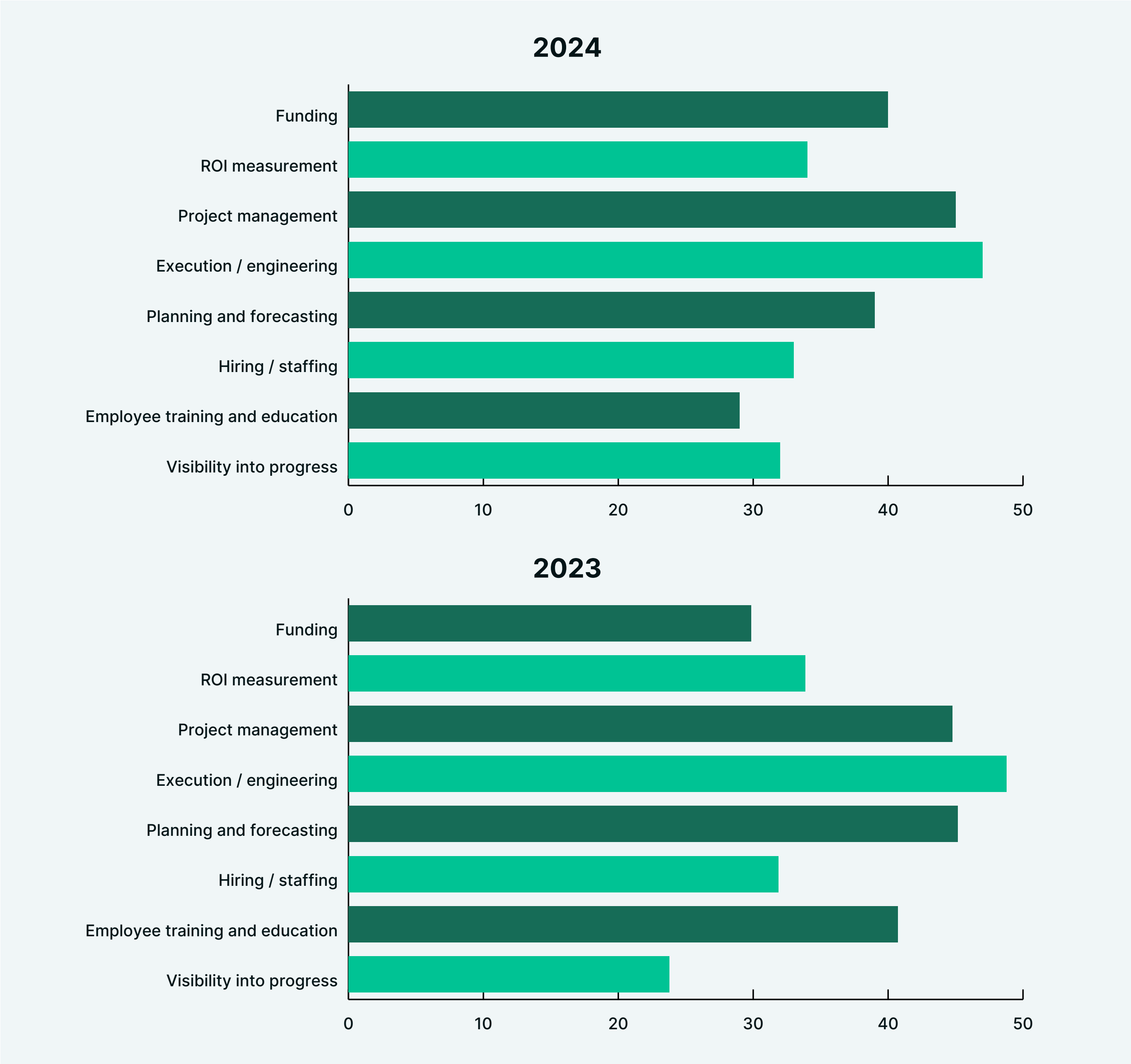
Piggybacking off of the findings from the previous question, *hiring staffing* has also emerged from the back of the pack to the fore in 2024 as talent redistributes across the tech ecosystem (might be a good place to plug some dev shop partners?).

We've also seen elsewhere that fewer CXOs are dedicating funding to R&D specifically (leveraging gross profits and credit/debit), and are missing out on tax credits and grants that may actually improve their liquidity as a result.

The Big Takeaway? As with above, "the essentials" or core functions of R&D are in the spotlight this year—funding, staffing—while these issues were less of a burden in years past when the main area of concern was around execution. Businesses are really trying to fortify themselves in the face of market uncertainty, and shoring up talent and funding are key to this mission in 2024 and beyond.

QUESTION 7

What are the top 3 areas you are the most confident about for your teams this year?



Initial take: The most interesting takeaways from this question around Confidence year-over-year relates to the areas that saw the biggest drops. While 40% of respondents were confident about *Employee Training & Education* in 2023, for instance, only about 29% of respondents shared this view in 2024.

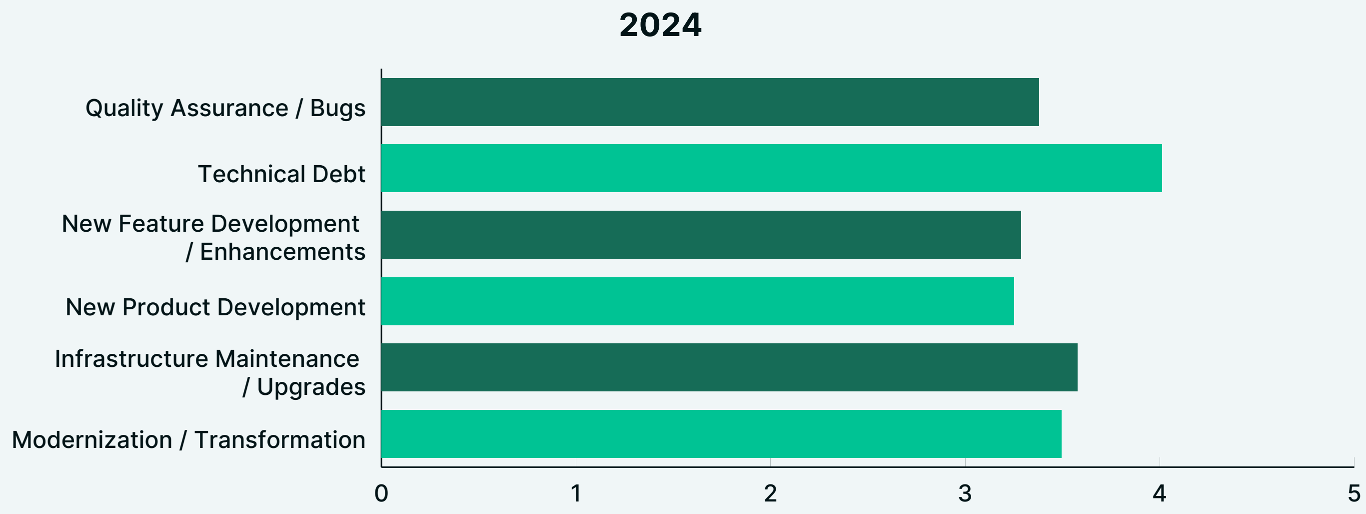
In a similar trajectory, *Planning & Forecasting* was a top 3 source of confidence among respondents (45%) in 2023, versus only 39% in 2024.

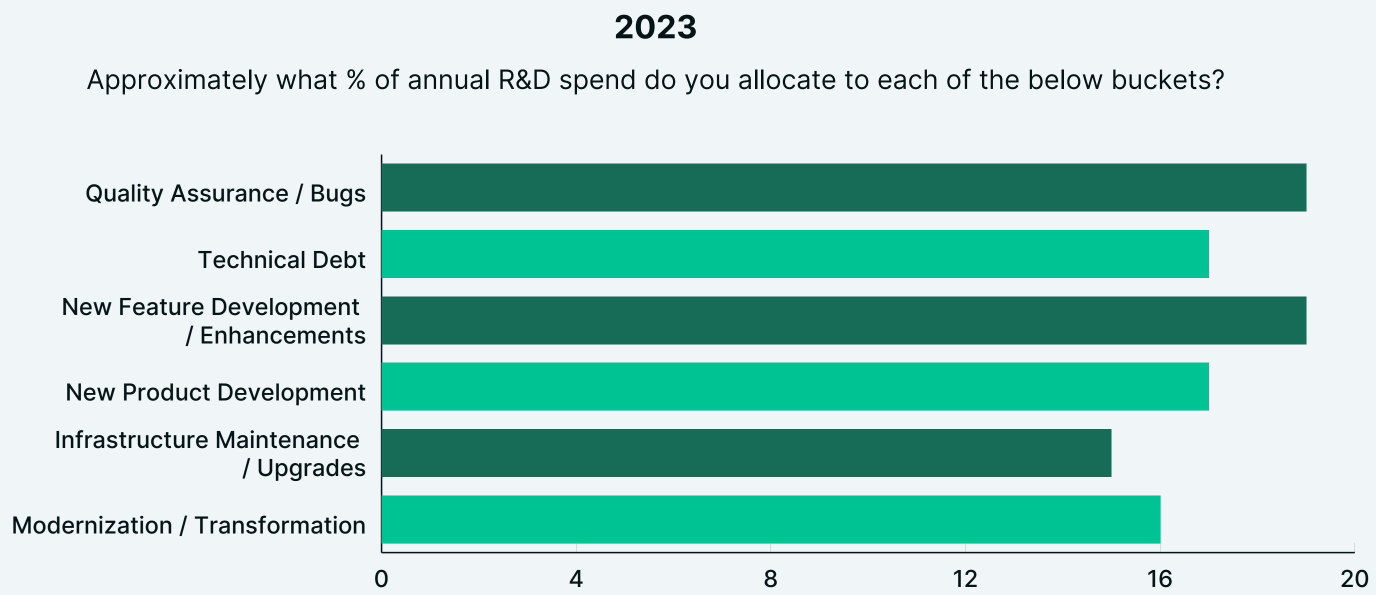
While *Funding* actually gained ground year-over-year (30% in 2023 vs. 40% in 2024), the slipping confidence around forward-looking activities reflects the macro and micro-economic trends that have likely influenced CXO attitudes elsewhere, as talent gaps and uncertainty around interest rates/lending markets have made the future harder to gauge.

The Big Takeaway? While teams are able to tap into short-term funding to drive key processes, businesses are still wary about macroeconomic conditions (interest rates, elections, etc.), with fewer business leaders confident in their ability to plan, forecast and staff year-over-year.

QUESTION 8

Please rank in priority order the top projects or initiatives for your product/R&D teams based on allocation.





QUESTION 9

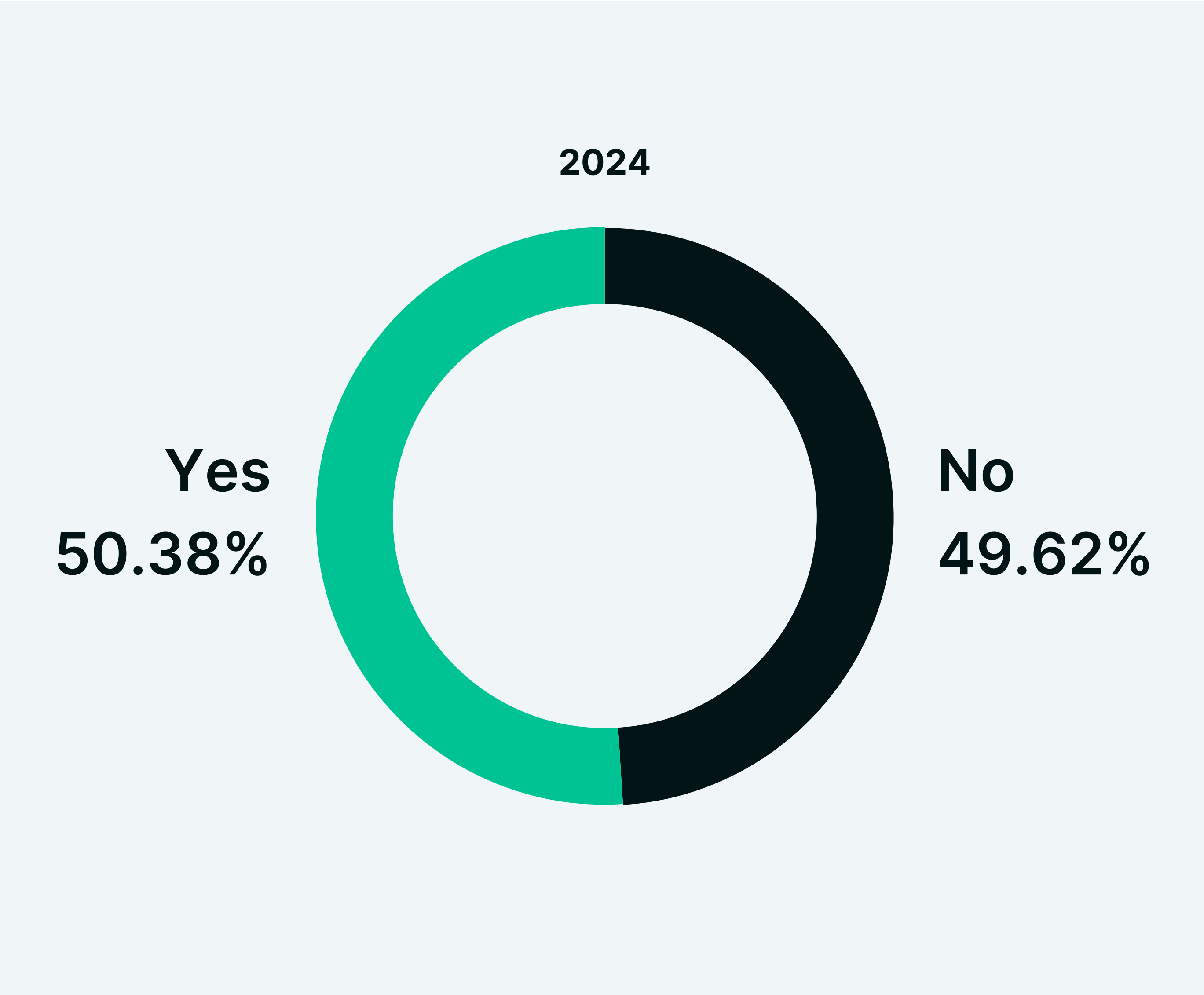
What do you use to benchmark your product/R&D investment and performance?

Initial take: CXOs consistently reference 3 key trends (long-term) to benchmark the performance of their R&D—Public company financial data, Industry benchmarks, and competitor data. While some straight-up don't track this progress (a jump of 7% in 2023 to about 14% in 2024), the ones who use a different source to gauge their R&D performance are miniscule.

The big takeaway? Teams are pulling data from an array of disparate sources to gauge the performance of their R&D. While this is serviceable from the POV of "competitive advantage," tracking more internal data could derive more actionable insights driven by both active and passive tracking of R&D activities. By leveraging tools that bring all of this performance data into a single source of intelligence, teams can align disparate sources of data to get a more holistic view of R&D performance to date, while highlighting areas for optimization and improvement.

QUESTION 10

Have you received a government-sponsored R&D tax credit or offset in the last 2 fiscal years?

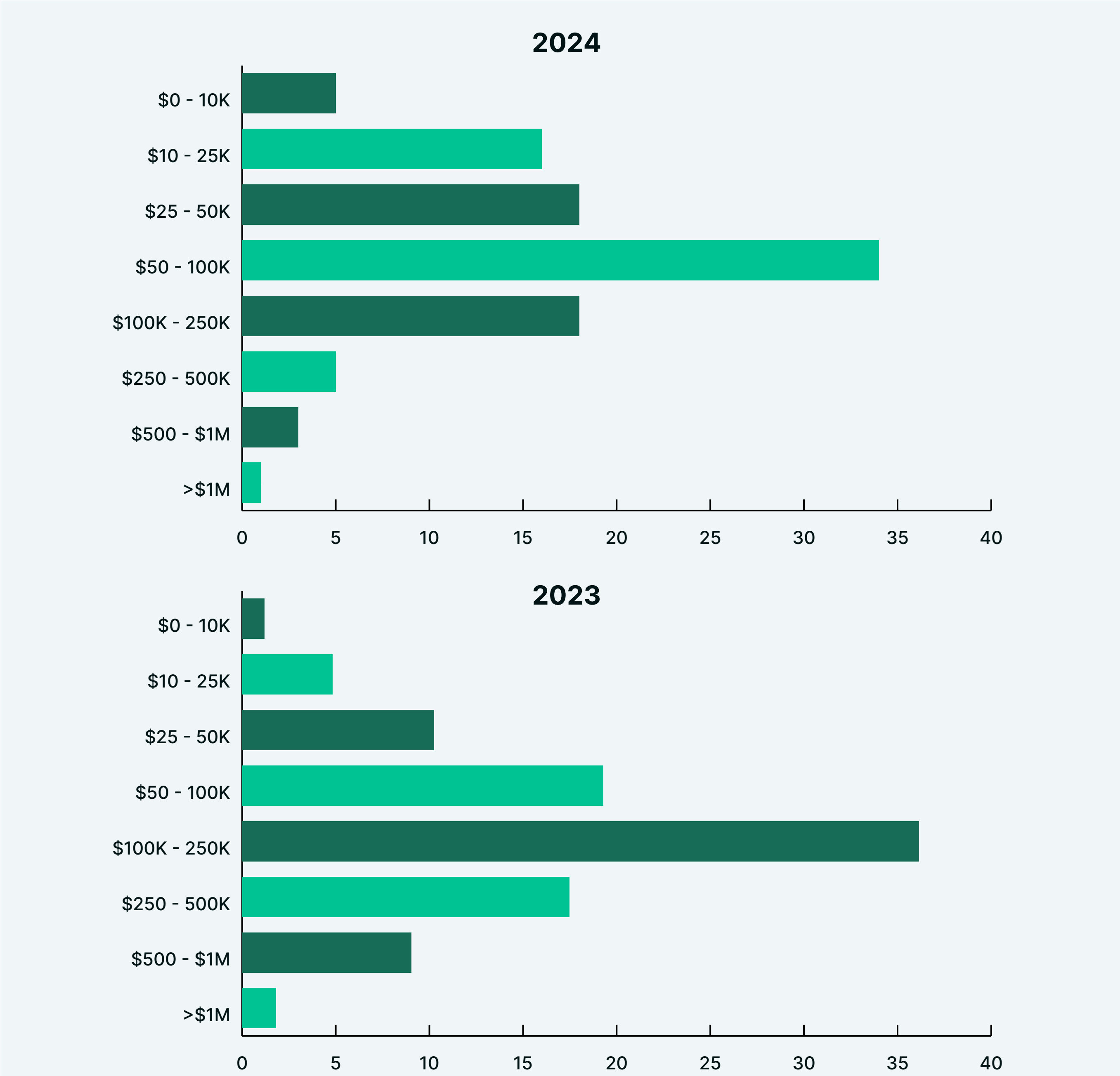


Initial take: Almost half of respondents—for one reason or another—aren't receiving R&D tax credits, despite identifying as working in an organization with an R&D/ product development focus. Outside stats support this *(ie. McKinsey's old "only 5% of eligible businesses are taking advantage of the $20 billion opportunity")* but even anecdotally, the process for successfully applying or claiming R&D tax credits dissuades many would-be claimants from even diving in.

The Big Takeaway? There's got to be more education/understanding across North America about the R&D tax credit opportunities available locally to businesses, as well as the tools/ services that are available to streamline the process, improve R&D functions through actionable insights, and unlock opportunities for innovation funding.

QUESTION 11

How much did you receive in your last R&D tax credit or offset?



Initial take: The spread was pretty consistent year-over-year, showing that despite macroeconomic concerns impacting CXO attitudes throughout 2024, the businesses that do successfully take advantage of R&D tax credits annually can more-or-less "set their watches" for a consistent payout that they can consider as part of their capital strategy.

QUESTION 12

What service did you use to file your R&D tax claim?

Initial take: While almost 35 percent of respondents turned to the Big 4 last year, that number is contracting (28%) as more dedicated and sophisticated services come online, delivering larger claims, for less work, and (in Boast's case) complete audit defense.

The Big Takeaway? While the Big 4 offers convenience, it comes at a cost, as these are experts in broad-based accounting/bookkeeping, but not dedicated to R&D tax credits. Dedicated expertise is critical to creating a claim that communicates that specific activities meet the high technological standard of claim qualification, in the legal language of the IRS and CRA. As a result, fewer CXOs are turning to the Big 4 for ITCs, while software-enabled solutions gain in market share.

Boast specializes in helping organizations claim and access every eligible R&D tax credit, minimizing audit risks and time-consuming processes in Canada and the United States.Boast combines in-house technical and R&D tax expertise with the latest AI technology to help companies effortlessly navigate the complexities of tax credits, enabling them to focus on what they do best: Innovate.

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