

## **PLANNING FOR RESEARCH AND DEVELOPMENT**

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### **Group 3: CONTRIBUTION OF THE R&D FUNCTION TO BUSINESS PLANNING**

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- Does your R & D function have adequate opportunities to contribute to the strategic and operational plans of the corporation and of its main operating units?
  - In what situations should the R & D function be expected to create at least some of the more important strategic business options?
  - In which specific steps of the strategic business planning process does or should the R & D function participate?
  - Does the feedback of R & D results lead to changes in strategic and operational business plans?
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The business planning process can be divided into two main themes:

First, the process to provide the information base to prepare and to evaluate the projects we are including in the plan, and second, the project itself, and here I wish to distinguish between current projects and new projects.

What is the contribution of R & D function to these different components in the business planning process? First, let us talk of the information base. I believe that there is an increasing need to enlarge the information base, because of the importance of alternatives in technology and the importance of second and higher order interaction of technology with other environmental factors. There is a need for a systematic and formal participation of the R & D function in the preparation of this information base. The prevailing opinion of the Group was that it does not seem to be a standard practice in all companies to have this formal and systematic participation, and this situation has to be improved.

What about the contribution to the preparation of the planning of current projects?

There is, of course, a vital role of R & D in the innovation of manufacturing processes, in material and product design. However, the transfer of innovations - of the innovative proposals - from R & D to the operating function is usually gradual and continuous, so that the contribution of R & D does not appear formally in the business planning process. It was the opinion of the Group that this is desirable, and that there is no need for the R & D function to try to be in the front line in this respect.

On the other hand, we felt that there is an increasing need to systematically involve the R & D function at the divisional level in contributing to the plan at the corporate level by evaluating the projects - especially in order to guard against technical obsolescence and threats, for instance, due to regulatory changes.

Turning to new business projects, and the role and contribution of R & D in pointing out new opportunities to the corporation, we recognised that new projects stemming from R & D activities have a greater chance of being accepted if they are promoted by an operational function rather than being presented directly by R & D. Here again then, we could perhaps recommend that the best approach is for R & D to stand in the wings and to transfer ideas modestly to the operating functions. It is the latter who will, after all, eventually take responsibility for the success or failure of the project.

There are, however, an increasing number of R & D projects which depart radically from today's technology and are evaluated and accepted as part of a defensive strategy - as insurance for the company against the risk of alternative technology developed by others. Calling attention to the technical successes and opportunities of such research work needs a different approach to that previously outlined. Smooth transfer into an operating function may not be easy because of the divergence of the alternative and current technologies and here R & D might need to push the project opportunity on their own and appear in the 'front line'. Obviously, the chances of acceptance are enhanced with good support and perhaps there is scope for co-operation between the different functions of the corporate staff, and, of course, the backing of an individual at top management level is a big advantage.