

# **Inquiry into Business Commitment to Research and Development in Australia**

## *Terms of Reference*

I shall confine my comments to addressing some issues related to impediments and steps that need to be taken to better demonstrate the benefits of higher R&D investment.

The basis of this submission assumes that:

“Business Commitment” in reality, reflects the commitment by senior managers and directors of companies, and R&D is an outcome of management decisions arising from an integrated business strategy.

Business commitment to R&D can only be achieved through demonstrable levels of commitment to addressing change, particularly technology change, from CEOs and Directors of companies. My comments, then, relate to the role of senior managers and directors in any corporate decision to commit to R&D.

## *Business Context.*

The choice of technical areas in which to develop a sustainable competitive position is among the most critical that organisations must face. Most formal planning systems and financial approaches do not adequately address this critical choice as technology is regarded as a sub-set of the business rather than a driver of competitive advantage.

The decision to invest in R&D should be determined through an analysis and evaluation of the management of technology in the context of business and technical options. Technical decisions with a major impact on a company's business success without a strategic focus can be disastrous for business.

A component of the strategic management of technology is the technology “make/buy” decision. The implementation of a high quality R&D program is the outcome component of the strategic management of technology as an integral component of the business strategy. Directors and CEOs, should address two strategic outcomes – the achievement of both a technical success and a business success.

A technical success, without the realisation of ensuing benefits to the business is of limited value. In a business context, R&D is a strategic management decision to create value in the context of commercial market considerations and outcomes.

The strategic importance of technological innovation is that it can lead to sustainable competitive advantage, improving products and services, reducing costs, or improving operating procedures. Without an appreciation of the strategic importance of technology management for competitive advantage, firms will always be in “catch up” mode rather than at the leading edge.

### *The Role of Executives and Directors*

From our experience, there is little information available on the development of, and responsibility for, the strategic management of technology in an Australian business context.

A key role for business leaders is to manage the interface between the research/ technical focus on the one hand, and the business focus on the other. This requires a different skill set to that needed for the management of research and development. Competency in the necessary technical disciplines to undertake R&D is generally not an issue.

More important is the critical management skills to see beyond technology as an operational factor and to appreciate the critical technology choices and benefits that arise from pursuing a particular technology option.

Management programs do not adequately address the strategic importance of these issues.

### *Conclusion*

From our experience, and from anecdotal evidence, very little time is spent at board meetings and senior management team meetings on strategic technology issues. However, business success increasingly depends on a firm's ability to identify and apply new technologies.

Commitment to R&D ought to be an outcome of a strategic business process. Senior managers and directors of companies need to be competent in the strategic skills required to deliver the management of technology as a critical business input.

There appears to be an inadequate appreciation of how strategic management of technology is a crucial management competency. Only with effective management can new technology directions be used to create products and services for which market demand exists.

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