



AgrEvo Canada, Inc.¹

Calvin Sonntag, Manager of Strategic Planning for AgrEvo Canada Inc. is leaving Frankfurt-am-Main, Germany and the headquarters of Hoechst Schering AgrEvo GmbH, the parent company of AgrEvo Canada Inc. As he settles in to his airplane seat, he reflects on the series of meetings he has attended. Global competitive pressures are increasing, and he wonders what he is going to recommend to senior management in AgrEvo Canada's headquarters of Regina, Saskatchewan regarding AgrEvo's portfolio of R&D projects.

AgrEvo Canada Inc. is a crop protection and biotechnology firm that manufactures and sells crop protection products (herbicides, insecticides, fungicides, etc.) and has a rapidly growing business in the development and sale of the products of plant biotechnology. Sales currently exceed C\$75 million in Canada and C\$2 billion worldwide. (C\$1 ~ US\$0.72.)

Their business is characterized by increasing competition and rapid technological change, and requires substantial investment in research and development of new technologies and products. Over the past two decades, AgrEvo has introduced several innovative technologies which have allowed farmers to produce crops in a more sustainable manner. This commitment to developing and marketing environmentally

¹This case study was written for classroom discussion by Professor Thomas. A. Grossman Jr. of the Faculty of Management, University of Calgary. It is based on a real situation. ©1998, all rights reserved.

responsible crop protection technologies has formed an important component of the company's competitive advantage.

Since increasing competition is causing sales margins to decline, and increasing regulatory requirements are causing costs to rise, AgrEvo has recognized a need to more thoughtfully manage their R&D portfolio. In particular, they want to focus their R&D investment on a portfolio of projects that deliver the highest net present value.

As Calvin had explained in his presentation in Frankfurt, different R&D projects require different amounts of departmental resources over time. AgrEvo has instituted a *Strategic Project Management* (SPJM) system that has accurately determined the necessary resources and NPVs for each project. There are 12 projects that AgrEvo could include in their project portfolio (see Tables 1 and 2). Each department has its own director and its own budget, summarized in Table 3.

Calvin is wondering what he should recommend to the firm's senior management. Which projects should be funded, and which canceled? Some senior managers have expressed the opinion that R&D is underfunded at AgrEvo, and Calvin is wondering if this opinion is correct. If it is, he will have to carefully build a business case for additional funding before recommending to senior management that they go back to Frankfurt seeking additional resources from an increasingly tight-fisted parent company.

Shortly after takeoff on the connecting flight from London to Calgary, Calvin opens his laptop computer and reflects that he is fortunate that the SPJM system has generated hard numbers that are highly credible within AgrEvo. As he opens the Excel file containing these data, he wonders what insights he can get into the R&D portfolio and the manner in which AgrEvo Canada manages R&D resources, and what he is going to recommend to his superiors when he gets home.

		Project Identification Code											
Department	Year	A1	A3	A4	B2	B17	B18	B19	B21	D11	D12	E	F
Research	1997	266	239	11	96	15	14	32	12	41	50	6	24
	1998	68	132	2	0	0	0	32	4	50	75	0	0
Scientific Affairs	1997	81	239	5	5	15	17	5	7	23	10	17	1
	1998	68	56	5	0	0	0	5	9	32	11	0	0
Field Development	1997	145	125	42	16	34	7	10	28	15	18	5	1
	1998	60	82	23	0	0	0	6	4	12	18	0	0
Regulatory Affairs	1997	81	56	11	2	3	12	3	17	3	1	1	1
	1998	15	48	19	0	0	0	3	24	6	4	0	0

Table 1: Project Resource Requirements (\$thousand)

Project Identification Code											
A1	A3	A4	B2	B17	B18	B19	B21	D11	D12	E	F
25	33	2.3	5.0	10	6.1	3.5	0.5	8.4	9.4	3.4	11

Table 2: Project Net Present Value (\$million)

Department	1997	1998
Research	600	240
Scientific Affairs	760	250
Field Development	340	250

Regulatory Affairs	292	220
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Table 3: Departmental Budgets (\$thousand)