

MLA Response to the review of its systems for investment in on-farm R&D

Background

In early 2013 MLA commissioned an independent review of the systems we use for investing grassfed cattle and sheepmeat levies in on-farm R&D projects to get recommendations as part of our regular drive for continuous improvement. The purpose was to find ways to strengthen our systems to maximise the benefits from producer investment.

A key driver for commissioning the review was the changing nature of the R&D landscape including the cessation of the Beef CRC, the continued decline in state agency R&D resources and the implications of working under the National R,D&E framework.

Given these significant changes in the operating environment, it is critical that as the R&D service company, MLA ensures it is focussed on the efficient and effective investment of industry R&D funds.

MLA asked the review panel to identify areas for improvement in the framework for making investments in on-farm R&D projects and to advise what MLA should be doing to achieve international best practice.

The review sought to:

1. Clearly identify and document the current capacity, skills, policies, procedures and practices with respect to the R&D planning, investment, management and extension processes.
2. Have the capacity, skills, policies, procedures and practices reviewed by an external committee to ensure they are appropriate and best practice (benchmarked against other RDCs; R&D business units in commercial organisations, Australian Research Council) and to identify weaknesses, gaps and areas for improvement.
3. Suggest improvements to current capacity, skills, policies, procedures and practices to more effectively and efficiently manage the R&D process and recommend how these improvements are implemented.

Presentations have been made to both Cattle Council of Australia and Sheepmeat Council of Australia on the review and its recommendations. A committee has since been formed with representation from CCA, SCA and MLA to work through the recommendations with a view to developing a R&D Framework that will meet the future needs and expectations of the industry.

The 11 recommendations from the review along with progress to date are listed below. MLA will continue to update and report on progress against recommendations.

Systems Review for on-farm R&D investment – Progress against recommendations

Recommendation	Status	Comment
<p>1. MLA should publicly and unambiguously take 'ownership' of the National RD&E Strategies for Beef Production and Sheepmeat Production (the 'red meat strategies') including leadership of their ongoing review and revision of strategic priorities, and of the implementation of these Strategies in partnership with its co-investors in RDE. The research related aspects of MISP, BISP and SISP should also be included.</p>	<p>In progress</p>	<p>MLA is a founding member of the Red Meat Co-investment Committee (RMCiC) and is currently chaired by LPI's General Manager. Membership includes all state departments of agriculture, CSIRO, northern and southern University representatives and a representative from DAFF. This group was charged with the development of the National Red Meat RD&E strategies and is now responsible for their implementation. The RMCiC is has endorsed four specific plans which are now being implemented:</p> <ul style="list-style-type: none"> • Feedbase Investment Plan • Sheep Reproduction • Sheep Individual Animal Management; and • Southern Beef Compliance <p>The operating environment for RD&E investment has changed considerably even in the relatively short period of time since the RMCiC began development of the National RD&E strategies for red meat. The level of financial contributions from partner agencies, in particular State Departments of Agriculture is always under pressure.</p> <p>As the operating environment has changed, MLA recognises the opportunity for it to increase its leadership role with these strategies and sees working with RMAC and other stakeholders on the successful development of MISP4 as being a critical part of this process.</p>

		<p>RMAC, CCA, SCA, ALFA have been invited to participate in RMCiC meetings on an ongoing basis to help guide current strategy implementation and to ensure the development of MISP4 provides a single clear overarching strategy for RD&E investment that can then be segmented to the needs of each industry. The current situation of a proliferation of strategies is counterproductive to the effective implementation of the National RD&E framework.</p>
<p>2. MLA/LPI should adopt a formal process for stakeholder engagement in setting priorities, implementation of strategy and two-way industry communication, with the following elements:</p> <ul style="list-style-type: none"> • Establish Advisory Panels of credible, experienced industry leaders and other stakeholders that would recognise regional (e.g. north, south) and industry (e.g. beef, sheep meat) diversity across the red meat industries • Panels would: <ul style="list-style-type: none"> • Identify and monitor issues of national and regional importance; • Identify, develop and recommend on RD&E investment priorities and project selection via LPI to the MLA Board; • Interact with producer groups and other research advisory committees to exchange information; • Keep industry peak bodies, producers and advisors informed about MLA's strategic direction, investment portfolio and research projects; • Assist MLA managers in monitoring the effectiveness of the investment portfolio. 	<p>Under consideration</p>	<p>Industry stakeholders are currently involved in the MLA R&D investment decision process at several levels, however MLA is looking to build more comprehensive opportunities for livestock producers to engage in the development of RD&E investment decisions. The consultation process will need to be responsible to the MLA board for effective governance of industry funds.</p> <p>The R&D framework committee, consisting of a number of MLA's producer Directors, representatives from SCA and representatives from CCA, will look at what models exist in other industries (including the panel system in Grains) and determine a way forward to develop the optimum system for the cattle and sheep industries.</p>

<p>3. Given the key role of extension agents in the research continuum, from engaging stakeholders, to advising research priorities, and brokering knowledge from R&D, MLA/LPI should reconsider the move of its extension capacity to the communications area.</p>	<p>Actioned</p>	<p>This has been considered by MLA and PICs and determined to be matter for MLA to manage internally. MLA agrees with the review team that extension plays a critical role in the RD&E continuum but believes this is unrelated to individual staff reporting lines in the company structure.</p>
<p>4. MLA/LPI should focus a substantial proportion of its R&D portfolio on fewer, larger projects through strategic partnerships (including longer term funding arrangements to support capacity building and maintenance) with appropriate organisations that would change the portfolio balance in favour of higher-risk, longer-term research and include commitment to capability development and maintenance.</p>	<p>In progress</p>	<p>This recommendation highlights the difficult balance that exists between needing to invest in long term capacity building and maintenance, and needing to ensure industry is able to invest in other, perhaps short-term projects, that will address an identified need. The RMCiC has a critical role to play in this space as funding for long term capacity building and maintenance is beyond the capability of any single RDC or indeed the RDCs as a whole. All investors in RD&E have a part to play.</p> <p>MLA conducts an annual review of its RD&E portfolio balance against Strategic Imperatives and the ABS Reporting Categories to ensure the right balance of strategic and applied R&D, development activities and capability building.</p> <p>The review's recommendations highlight the need to engage in strategic processes which are longer term than the current 5 year planning cycles, and take a 2030 timeframe. New CRCs and long term institutional approaches will be part of the larger bodies of long term research.</p> <p>It is important to note that developing longer term, higher risk research projects, cannot mean that under-performing projects are not closed, or that assets are supported simply because they have been supported in the past. Higher risk should imply higher churn, as a</p>

		great number of potential options are tested, and the weaker options excluded. This churn is fundamental to innovation.
5. To complement the establishment of these larger strategic partnerships and to help retain responsiveness and agility, MLA/LPI should adopt a clearly-defined and well-publicised annual cycle for setting priorities – including industry input – and solicitation, evaluation, selection and funding of projects, that clearly address aspects of the ‘red meat strategies’. A small portion of funding should also be set aside to deal with emergencies and other contingencies.	Under consideration	MLA believes that there is opportunity to improve alignment of the application process with MLA’s annual budget cycle. The opportunities for improved transparency of process are desirable. MLA will seek to work with the R&D framework committee on this recommendation including how to align this process with any structure developed for improved stakeholder engagement opportunities in R&D as an outcome of recommendation two.
6. MLA/LPI should reduce its reliance on formal ex ante BCA for initial project evaluation and selection and increase its reliance on the experience and judgement of credible industry stakeholders, including the Panel system, and MLA/LPI senior staff.	Actioned	<p>MLA has recently developed a revised process for assessing R&D projects that incorporates economic evaluation (benefit cost analysis) but within a broader framework, so that projects are assessed against:</p> <ul style="list-style-type: none"> • Meeting Strategic imperatives – eligibility, market failure etc • Technical Risk/Success • Commercial Risk/Success • Impacts • Ease of project execution • Identified pathway to adoption (where applicable) • Leverage <p>The ex-ante BCA for projects over \$100,000 is just one of these criteria but MLA believes it a critical one.</p> <p>MLA also reserves the right to assess the performance of the institutions which receive funding</p>

		<p>through its programs and projects. The criteria will include:</p> <ul style="list-style-type: none"> • Project management excellence • Scientific excellence as measured by patenting activity and publications • Financial transparency <p>The Australian academic community is increasingly measuring and confirming the performance of its publicly-funded institutions. While agreeing to adopt a leadership position in relation to the National RD&E framework, this cannot be at the expense of good governance of levy and public money.</p>
<p>7. MLA/LPI should develop and implement a policy on strategic engagement with selected international R&D agencies with expertise that complements the capability of Australian research providers in order to leverage the best global research capacity onto the challenges and opportunities for the Australian red meat industry.</p>	<p>In progress</p>	<p>MLA has a strong existing relationship with the International Meat Secretariat (IMS), is on the mirror group for the ISO working group on animal welfare standards, and engages in the OIE processes through DAFF. MLA also has regular interactions with Beef and Lamb New Zealand. MLA engages with international research organisations in areas such as exotic disease R&D and weed biocontrol, which are unable to be conducted in Australia. There are also strong within project international collaborations across the R&D portfolio from which MLA programs derive benefit. However, a strategic policy for engagement with international R&D agencies to provide a framework for MLA's involvement will be developed in response to this recommendation.</p>
<p>8. MLA/LPI should develop a proactive plan to engage with commercial companies within Australia and overseas to ensure that relevant new technologies in the red meat sector are available to Australian producers.</p>	<p>Actioned</p>	<p>The \$18.2million investment portfolio through the MLA Donor Company (MDC) includes significant international and private sector collaboration including with the pharmaceutical industry, processing</p>

		<p>automation and exotic disease R&D. The MDC open innovation partnership with Intellectual Ventures model is a doorway to a significant proportion of Science and Technology capability around the world and includes, but is not limited to, experts in Australia or in the Red Meat R&D research community.</p> <p>Beyond the MDC work, MLA engages with commercial companies on a regular basis including the Animal Health Alliance – which is made up of leading pharmaceutical company CEOs.</p>
<p>9. MLA/LPI urgently needs to develop a more inclusive culture that is also more outward looking and cognisant of the needs and concerns of all of its key stakeholders, including producers and all research partners whether from CSIRO, other national organisations, State-based agencies, universities or the private sector. This necessary change will be facilitated by:</p> <ul style="list-style-type: none"> • Adoption of a contemporary best-practice performance management system that included 540 analyses – involving key external stakeholders – as part of employee evaluation. This is seen as key to supporting the changed behaviours required. • Movement to a cascading approach to objectives-setting and performance management that also reflects the cultural changes necessary for new approaches and directions • Development of a thorough understanding within MLA that the company’s values and business objectives must be the key drivers of any new PMS • MLA’s approach to employee development achieving a greater balance between self-identified needs and the means to meet them; and the capability needs of the company. 	<p>In progress</p>	<p>The development of a thorough understanding within MLA of the company’s values and business objectives must be key drivers of any performance management system (PMS). MLA has been working for several months on the development of a new company wide performance management system which includes cascading measures throughout the organisation, providing clear linkages between an individuals performance and how it links to the achievement of overall strategy and objectives.</p> <p>Each individual will also have their performance evaluated against their delivery of the company’s values and behaviours, including “respect where the money comes from”, which must be to the forefront.</p>

<p>10. MLA should adopt contemporary best practice in succession planning, for which the key driver should be the company's business objectives.</p>	<p>Actioned</p>	<p>MLA has a robust succession planning process in place.</p>
<p>11. MLA should consider adopting a robust approach to Thought Leadership. Many leading professional services firms are exemplars in this area. The new knowledge management system provides the ideal platform for enabling MLA to capture, codify and disseminate its Thought Leadership.</p>	<p>In progress</p>	<p>The adoption of the new knowledge management system has been a major project within MLA and we are pleased the review panel has identified the merit in its adoption. On the broader issue, MLA is considering new processes for Thought Leadership that will assist it to have a more systematic approach.</p>