final report

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Australian wool Innovation

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SGA Roadmap-Beyond 2009

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SGA Roadmap-Beyond 2009

October 2006, Philip Pogson

Director, The Leading Partnership

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the leading partnership

Project Brief

- To facilitate the development of AWI and MLA key principles for SGA business operations beyond 2009
- Develop potential business model(s) for consultation and evaluation by SGA executive.
- Work with AWI and MLA independently prior to the workshop to identify potential areas of agreement and conflict in developing an effective position for consultation with key stakeholders
- Facilitate a workshop of SGA executive on establishing key principles of SGA operations beyond 2009
- Prepare a final report on the outcomes of the project including the workshop to SGA executive

Consultation Summary

Prior to the SGA Executive Committee workshop on 24 October individual consultations were undertaken with each member of the SGA Executive as well as Ms Anne Ramsay from AWI. A brief summary of the results of these discussions is documented below.

Areas of agreement

- No model post 2009 will be perfect: each option will require tradeoffs for AWI-MLA and industry users
  - Now is the time to think issues through
  - Model must be sustainable
- RDCs must continue to be involved post 2009
- Breeders should continue to own their data
- General industry access to the technology must be maintained eg the Janus platform model
- The core "industry good" aspects of SGA are generally seen to be
  - QA & standards/standardisation
  - R&D on the data + R&D strategy
  - Database design/integrity & Ovis technology (although database management could be outsourced)
  - Technical Committee functions

What will change/not by 2009

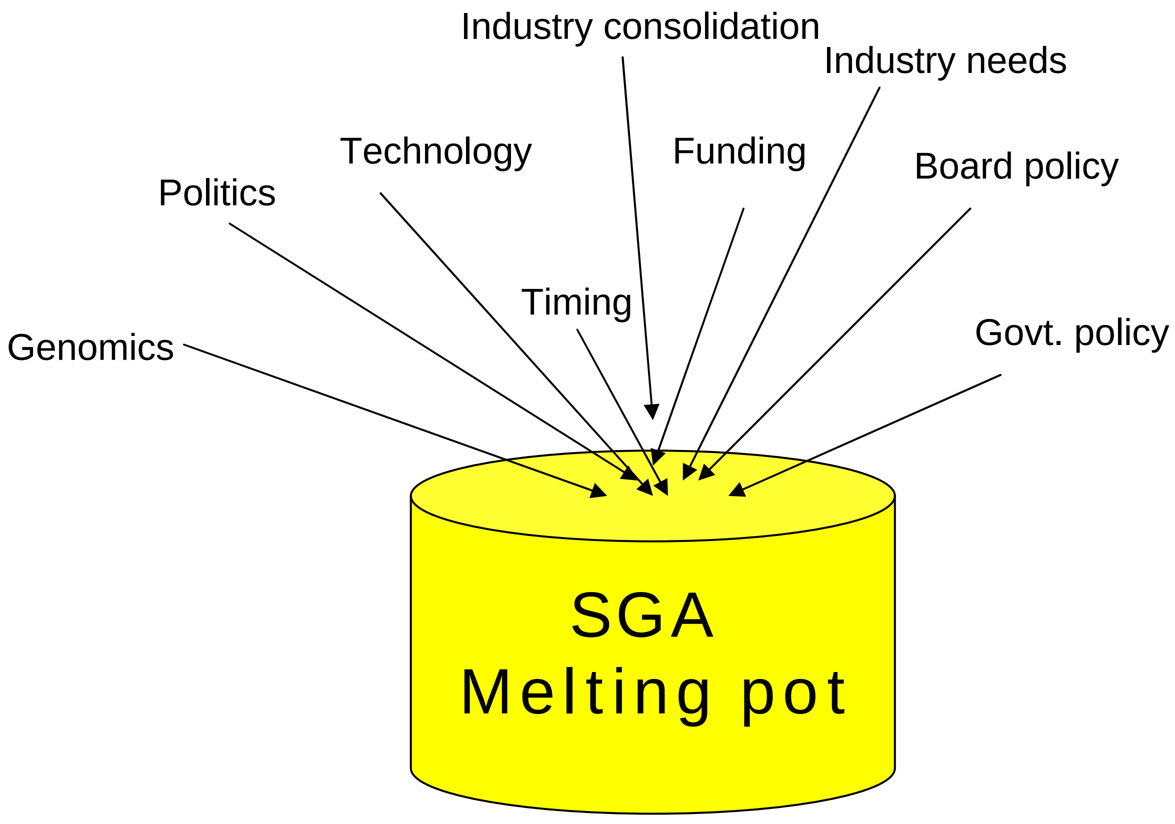
- Genomics – markers will be in play
- Genomics and increased uptake of SGA by industry will place upwards pressure on staffing levels
- Numbers of wool users should be up significantly but meat side of the industry less so
- Improved interfaces with users, easier data upload and quicker turnaround time for producers
- Not much from BLUP
- Industry will probably continue to have consolidated with the consequence there could be more large and corporatised users
  - More pressure for commercial levels of service delivery
- Pressure to commercialise SGA and/or increase transparency of process by which industry influences SGA will not have lessened
- All RDCs will be facing Federal review
- 2009 will see another wool poll

Consultation Summary (cont.)

What then is up for discussion?

- ✓ Everything is possible given enough notice
- ✓ Organisational structure & management models as long as they meet key principles
- ✓ Ways of working with independent businesses and advisors in & around SGA
- ✓ Extension/education models & capacity building
- ✓ New ways of improving the efficiency of conversion of R&D into industry benefits

Decision-making Inputs



There are many issues to be dealt with and weighed up in creating a viable Roadmap.

Research, analysis, consultations and further discussions

Roadmap

Service Delivery Model for SGA

AWI/MLA

Admin Support

SGA Manager

Various SGA Advice Bodies

AGBU

This is a conceptual model, not a management structure. The "front-back" organisational design is often used in complex, consumer –driven businesses such as mobile phones where customers do not want or need to know the technical details of the "back office" but require excellent customer relations. SGA's front office has three main functions – supporting and developing external service providers of all kinds, industry extension, and direct client contact. This structure is based on the computer industry where most companies maintain both a direct sales workforce, and also use independent sales "channels". Coordination between the two is essential. This model will help avoid head to head competition with commercial entities and make use of service provider "ownership" of their individual clients in order to grow SGA.

"Back Office"

- Database/IT
- Research
- ASBV production
- Hardware
- Suppliers – (eg AGBU)
- Policy & standards Development
- New product Development
- etc

NB staff can and do work in both the front and back offices

Co-ordination

"Front Office" (customer facing)

- Marketing
- Relationship Management
- Coordination with Service providers
- Client services
- Data distribution
- Advice to service Providers, industry, Extension providers

A. Support for independent genetic advisors and industry services

- standards
- education
- coordination

B. Industry Education & Extension

- direct provision of extension
- coordination of extension by others

C. Direct client services

- defined level and type of industry client interactions

Input from industry "super users" to drive SGA's technological and product development

Possible Organisational Models

<u>Note:</u> There are any number of organisational models that might be adopted or modified for SGA post 2009 including maintaining the status quo. These options are presented as "thought experiments" only.

?

<u>2009:</u> SGA = business unit owned by industry through MLA-AWI. Advisory Committee only

<u>2006:</u> SGA = business unit owned by industry through MLA-AWI. Advisory Committee only

<u>2009:</u> SGA = company limited by guarantee 100% owned by industry through MLA-AWI. Ovis owned by existing parties. SGA governed by Board of Directors (2x AWI appointed; 2xMLA appointed; 3 industry; Independent non-voting Chair)

<u>2014:</u> Model A – no change SGA = company limited by guarantee 100% owned by industry through MLA-AWI.

<u>2014:</u> Model B - Ovis technology, database & QA function etc put into a holding company on RailTrak model still owned by AWI-MLA. **<u>Model B.1</u>** - SGA "client services" spun off as a full cost recovery venture with new competitors attracted into the market each with equal access to single database. **<u>Model B.2</u>** - SGA ceases to compete in the services sphere and runs the database, QA, R&D etc only.

<u>2014:</u> Model C - SGA = limited liability company. 51% owned by AWI/MLA and 49% held privately (eg Telstra pre T3). Directors appointed by ownership proportion. MLA-AWI hold a majority of directorships.

<u>2014:</u> Model D – 100% sell off to commercial interests. AWI and MLA continue to set standards for Q&A & data integrity through Technical Committee. Eg a privatised public hospital (Port Macquarie model – now defunct)

Drivers of Change for SGA

1. Medium to long term uncertainty of the availability of levy and government funded R&D funds
2. Ongoing demands from some in the industry for greater transparency and accountability in the way SGA is managed – a trend that is now often reflected in the broader community as well
3. The need to maximise flexibility so as to allow SGA to deliver genetic information and other services in a rapidly changing, complex environment
4. Projected growth in the maturity of the animal genetics industry – the tools to manage genetic gain should continue to become cheaper and easier to use as is case with other innovative technologies
5. Generic business skills and approaches will continue to be applied in the livestock industries lifting the expectation both for service and ROI – this trend will increase as livestock industries corporatise & vertically integrate supply chains
6. A strong, flexible SGA is essential to ensure efficient & equitable delivery of genomic technologies such as markers to industry end-users

Draft Principles underpinning the selection of the Roadmap

1. Continuity of SGA's purpose/mission is a given – returning a profit or surplus is secondary to maximising genetic improvement
2. Industry must continue to own their own data which should continue to be held in a single database
3. Drawing on the Railtrak model, the SGA "core" – Ovis technology, R&D & R&D strategy, QA and standards – should remain in industry ownership after 2009
4. No model will be perfect – each will involve some tradeoffs in cost and benefits
5. Models should minimise incidents of "head to head" competition with private providers
6. A balance must be struck between the status quo, evolution and revolution – each of which will have its proponents
7. The proposed models must be backed by data and clear criteria for measuring and predicting ongoing viability
8. Decisions about the model and the roadmap must be taken with a long term perspective in mind due to the relatively long intervals necessary to obtain genetic gain

Timetable – order to be agreed

- Briefing for SGA Advisory Committee re drivers of change and principles
- Position paper for Boards March 2007
- Discussion with other key groups such as Merino Advisory Committee, Sheepmeats Council etc
- Consultation process agreed:
  - Principles and timetable communicated
  - Genetics meeting planned by SGA for 2007
  - Workshops
  - Etc
- Possibility of scheduling a further half-day to discuss the overall sheep R&D strategy including Genomics Mark II and Sheep CRC Mark II and interrelationship with SGA