

final report

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Executive summary

Bindaree Beef Group (BBG) agreed to participate in the Young Food Innovator program which commenced in June 2016. At the time Bindaree Beef was an organisation undergoing rapid change. The group had recently undergone a merger of 3 businesses; Myola Feedlot, Bindaree Beef processing operation and the Sanger sales, marketing and trading business.

The goal in merging the 3 businesses together was to create an integrated value chain that could continue to grow its programmed and branded business into both a domestic and export customer base.

Under this transformation and through discussion with the MLA, BBG saw the opportunity to formalise an Innovation function within the business. Incentives were available through engaging with the MLA to participate in both the YFI program as well as the CISP program.

During this time the business also happened to be in the process of negotiating with an equity partner who would take a stake of the business in return for capital that would allow the business to grow. Unfortunately the deal with the first equity partner fell through and BBG went to the market to find another suitable partner. The deal with a Chinese owned investment company was struck in late 2017.

Through the duration of the program the YFI participant was responsible for working with the MLA and AMPC to initiate and manage PIP projects. Projects engaged in included; PIP. 0540 (Dairy Steer feed research program) and PIP. 0554 (Interactive value chain research).

BBG looked to further engage in with the MLA through innovation initiatives during the program, however tough trading conditions provided a barrier to access to capital to initiate projects.

The participant was involved in several innovation projects that were non eligible for innovation funding. The largest being the building of the business case to implement a \$2 Mil spray chilling project which will seek to improve the red meat yield in the processing operation by an anticipated 1.5%.

Beyond the capital projects as described above other major projects that were initiated included; the processing mapping of the processing operation (to be used as a basis for the business case for future capital projects) and the building of a financial modelling tool to better forecast, review and understand the profitability of the value chain.

It would be fair to say that the project work engaged in by the participant (as described above) was at a relative disconnect to the course content taught through the program (being primarily market and customer focused).

For the teachings of the course to be properly leveraged by industry more work would be needed to clarify roles and responsibilities of the participant, the host company and the MLA. If the MLA is to consider future cohorts through similar programs, it is my recommendation that this needs to be clearly stated up front and not left to chance. There also needs to be further measures put in place to make sure that all parties are held to account for the outcomes of the program.

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1 Background

The YFI project was initially described by the program director as ‘an experiment’ to see if Australian agriculture business could be influenced to change their method of exploring business opportunity and innovation through design led innovation methodology (DLI). This was to be conducted in a ‘bottom up’ approach of inserting a participant into an established business and asking them to influence the leadership team of the business through the learnings of the course.

The content provided during the initial stages of the course indicated that Australia is a high cost producing nation which competes on the global stage in exporting agriculture commodities into both established and emerging markets. If we cannot compete on price against other low cost producing nations, then our focus should be on finding ways to differentiate ourselves from the world.

Work to date to market Australian meat, dairy and agriculture produce to the world has been focused around our ‘clean and green’ image, however other nations may also stake claim to this image and our competitors are improving their agriculture process to dilute this traditional competitive advantage that was once held.

The course aimed to take a customer focused approach to innovation and business design. The DLI approach focuses on finding a deep and personalised understanding of customer needs rather than relying on wholly on statistics and demographic information to justify business decision making. It also empahsises the need to test assumptions in quick and non capital extensive experiments as a means of de risking decision making and promoting innovative business culture (rapid prototyping).

As I understand it, the course has looked to turn the traditional Australian agriculture approach of pushing commodities into a market (and focusing on how efficiently we can do this); to a customer focused approach of understanding what the market (and more importantly individual customers within the market) want and need to drive profit within business.

2 Project objectives

As described above the program sought to teach DLI methodology to a cohort of participants from various sectors of the Australian agriculture industry.

The project aimed to have the course participant bring the learnings of the course back to host company through a major project. The main objective of the course was to use DLI methodology in the project work as a means of influencing the way the host company conducts its business and its approach to business design and innovation.

The course also had the objective of providing the course participant with a new skill set and approach to understanding business model and value chain design.

It was hoped that participant would build strong networks with like minded people to assist with taking this learning to industry.

3 Methodology

The course was taught through a series of 1 week residentials facilitated by various universities in both Australia and New Zealand.

The course content centred on DLI approach to innovation. The DLI teaching looked at customer needs as the catalyst for designing new value chains and value propositions for both new markets and customers as well as existing markets and customers.

As the course was a 'prototype' in its design, the method of delivery changed throughout the 18 months in which it was delivered. Participants were told that we could play a role in the co design of the course.

Cohort 1 of the course were selected from processing organisations within diary, horticulture, seafood and red meat. The red meat participants began employment with their host businesses at the commencement of the course in Innovation roles part funded by the MLA. The participants from other sectors were established in their businesses at the commencement of the course. The newly created roles were to be supported by existing Innovation roles within the host companies also part funded through the MLA CISP arrangement.

Midway through the course a new program director (Hamish Gow from Massey University) was bought on to take a lead role in the program design. This coincided with Stuart Quigley coming on board as the course project manager.

Around this time a second cohort was bought into the program. Participants in cohort 2 were selected from horticulture and red meat with a focus on the producer sector. Participants were encouraged to network with people from other sectors and other parts of the value chain throughout the course.

Both cohorts merged together for the balance of the course and opportunity was provided to engage with real life business case studies as well as being provided theory through various education providers.

The project focused on using a major project as the primary vessel for delivering the learnings of the course back to the host business. Site visits from the course facilitators were conducted to try and seek engagement and support from the host companies in selecting a major project that could engage in the learnings of the course while providing benefit to the host company.

4 Results

The course provided the participant with a new way of thinking and a new skill set for looking at and analysing business models and value chain design. The participant was provided with exposure to parts of the business that he had previously not had exposure to.

The course had a strong focus on marketing and customer interaction. Unfortunately opportunity to access this space through work with the host company was limited. Most of the work engaged with through with the host company centred on processing efficiency.

As a result when selecting a major project to complete for the course the ideation focused around how we might use rapid prototyping (a key philosophy in DLI) as a method of de risking new capital investment into the processing operation.

Unfortunately part way through the project, due to the tough operating environment in which the red meat processing was operating in, it became evident that major capital investment would be put on hold for the duration of the course.

My focus shifted in working on financial modelling tools to better understand how and where profit was driven throughout the value chain. The business has a reasonable understanding of process and profit flow prior to and after the primary processing operation, however due to the complexity of the primary processing operation much of this understanding is lost through the grading and boning room processing operation.

The core focus of this project has centred on understanding and providing financial clarity on process flow throughout this part of the operation. The reasoning for this focus being that if we don't understand this part of the puzzle it becomes very difficult to understand profit over the balance of the value chain.

This project has tied into the course work through unpacking and understanding the value chain. It is also using Excel as a rapid prototyping tool. It is the goal to use findings from this project as the catalyst for future decision making on business strategy and capital investment.

5 Discussion

The course has provided the participant with a different perspective understanding markets, value chain design and customer needs. The opportunity to work with real agriculture companies to apply the course work is a unique and valued opportunity.

The idea of bringing a participant fresh into a new business in a role to challenge and disrupt current business ideas made it very difficult for the participant to find traction with the host business. The host business also struggled to understand the newly created role and how this role might be applied through the business.

While the learning from the course will provide the participant with a new skill set to apply to problem solving throughout his career, it is questionable as to how much of the learning from the course has been absorbed by the host company.

The course at times lacked direction and clear objectives (as evidenced by the change in program management midway through the course). This vague direction limited the efficacy of influencing the host company through the course work.

Finding traction in bring the learning of the course was also probably limited by the participant finding himself reporting through to 4 different people in different streams of the business (sales, operations and finance) within the 18 month course period. This is further evidence that the host company has struggled to understand how a standalone innovation function can be implemented into a fairly traditional agriculture company structure.

6 Conclusions/recommendations

It is recommended that if the MLA is to pursue further cohorts through this program that the following is considered:

- **Top down support is required to initiate change within an organisation.** Basic change management methodology relies on the leadership team experiencing the uncomfortable feeling of change before the rest of the business is bought on the journey. The leadership team needs to be able to provide support and direction through periods of change. Inserting course participants into fairly junior roles in a new businesses without leadership support as a means of initiating change within the organisation is a flawed concept. It is extremely difficult to instigate change from the bottom up without leadership support.
- **The course needs to be structured and clear in its expectations.** The host company, the participant and the MLA need to be clear in the expected outcomes. There needs to be more rigid accountability around how project outcomes are managed throughout the program. The program needs to begin with clear structure that all stakeholders can understand and work to.
- **All stakeholders need to have some skin in the game.** While it is great that industry funding is available in our sector to promote research and innovation; to ensure benefit to industry the MLA needs to have a greater emphasis on measuring the return on this investment against project objectives. In this particular scenario this means that all stakeholders need to have some skin in the game. Providing a processing business with a funded resource for 18 months with limited accountability for program objectives is never going to be an effective method for influencing the industry under the program teachings. For the program to be effective it needs to be able to stand on its own feet without the need of incentive (in the means of salary subsidy) as a method of engagement. For the program to delivery to industry it needs to be able to sell the benefits of the learning of the course and have participants willing to engage on the basis of professional development. The host companies need to see this as valued development that will help build its business.
- **More interaction with real case studies, stay away from the abstract.** It was almost universally stated by course participants that applying the theory in real life case studies was the most valuable aspect of the residential. Being able to come back to the host company with real life examples of how other businesses in other industries are initiating and managing innovation, change management and continuous improvement was most valued. The course at times tried to teach theory without the backing of real life case studies. It is easy to loose people working in industry (not academia) when the teachings cannot be related back to real life application.

7 Key messages

The course highlighted the need for commodity based agriculture enterprises to think beyond the farm gate or the loading dock when considering the business model. It showed us how to break down business models and value chains and consider how greater value might be achieved through understanding the customer or consumers deep needs.

The course happen to coincide with a particularly difficult period for the Australian red meat processing industry. We have gone through a period of record high livestock prices (due to more favourable farming) and fairly subdued export trading conditions due to increased processing volumes from low cost competing nations.

Due to the tough trading conditions it was particularly difficult to be working in a newly created innovations role. The first reaction of business in this trading environment is generally to pull back on non-essential spending. At several times over the 18 months this led the course the participant to wonder why he forgoing other career opportunity to participate in this program.

That being said; have lived through this tough period of uncertainty has provided real life learnings. It has highlighted the shortfalls of being involved in a business reliant on commodity trading as its primary source of revenue. On reflection living through this tough period in red meat processing has bought the learnings of the course into the participants work life.

It would not be unfair to say that there was limited interest in the course content from the host company. There was limited interrogation of the participant on return from residential. Any influence of course material on the host business would need to have been picked up through change in behaviour in the participants work method. As a result of this I would say the immediate impact of the course teachings to be fairly limited to the processing industry. Benefit of the course to industry would be through the participant influencing colleges thought over the course of his career.

It should be noted that while the participant has been fairly critical of the level of engagement between the host company and the MLA throughout the program, this course occurred at a time of dramatic change for the host company. A large focus of the business at the time was the completion of an equity deal with a Chinese equity partner.