

final report

Project code: P.PSH.0497 & P.PSH.0498

Prepared by: Tim Kastle & John Steen
Uniquist Pty Limited

Date submitted: December 2012

PUBLISHED BY
Meat & Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

Australian Country Choice Collaborative Innovation Strategies Program

This is an MLA Donor Company funded project.

Meat & Livestock Australia and the MLA Donor Company acknowledge the matching funds provided by the Australian Government to support the research and development detailed in this publication.

This publication is published by Meat & Livestock Australia Limited ABN 39 081 678 364 (MLA). Care is taken to ensure the accuracy of the information contained in this publication. However MLA cannot accept responsibility for the accuracy or completeness of the information or opinions contained in the publication. You should make your own enquiries before making decisions concerning your interests. Reproduction in whole or in part of this publication is prohibited without prior written consent of MLA.

Abstract

The following report provides coverage of the outcomes of the Australian Country Choice Collaborative Innovation Strategies Program. Specifically the report provides the outcomes of the following projects:

- P.PSH.0497 - ACC9 - Collaborative Innovation Strategy 2009-2011
- P.PSH.0498 — ACC10 — Innovation Manager's Professional Development

Note that while the Collaborative program run to completion (P.PSH.0497), the Innovation Manager agreement was terminated early (P.PSH.0498 — ACC10 — Innovation Manager's Professional Development). Therefore the outcomes of the Innovation Manager component are not reported in this report.

Australian Country Choice (ACC) has been a part of the collaborative innovation program since May 2008. Initially, (ACC) entered into a 1 year agreement with the possibility of extending that agreement by another 2 years if both parties agreed it had been a worthwhile program. The contract was extended in May 2009 for another 2 years.

In that time, ACC's appointed Innovation Manager has been challenged to gain traction within the business so that the program might advance towards its stated goals. Upon completion of the first year of the contract, it was agreed that greater effort would need to be put into developing an innovation strategy and building an innovation capability within ACC. It was agreed that a final version of the innovation strategy should be completed by Milestone 2, 6 months after the commencement of the second year of the program in November 2009.

An independent review of the Australian Country Choice Collaborative Innovation Program was conducted by Uniquist (refer to P.MDC.0024 UQ Review Stage 1 CISP).

ACC is an example of a successful innovator because there is good alignment between the innovation focus and the business model. ACC creates margin by developing customised goods for its supply chain. Innovation that helps to create better products or improve margin by lowering production costs will improve the financial performance of the business.

Through the interviews, we find evidence that the appointment of an innovation manager as part of the CISP initiative assisted the development of the innovation capability of the business. By being a field testing site for innovations sponsored by MLA the business has become proficient at trialling new technologies and processes. This is probably the lasting legacy of the CISP for ACC.

A Stage 2 of the Collaborative Innovation Strategies program is proposed.

Contents

		Page
1	Background	4
2	Project Objectives.....	5
3	Methodology	5
4	Results and findings.....	5
5	Conclusion.....	15
6	Opportunities arising.....	15
7	Recommendations	15
8	Appendix 1 – Independent review of ACC.....	17

1 Background

The purpose of this project is the development and implementation of a Collaborative Innovation Strategy between Australian Country Choice and Meat and Livestock Australia. This innovation strategy will be integrated into the company's overall business strategy and will include measurable performance indicators which identify the contribution of innovation to the bottom line and achievement of key business objectives. Ultimately the innovation strategy will contribute to the enterprises long-term profitability, competitiveness and sustainability.

The scope of the innovation strategy will be quite broad and may include (but not be limited to) initiatives in the areas of:

- new products and markets
- development and/or adoption of new technologies and production processes
- application of new science and knowledge
- new business systems and models (e.g. value chain innovation; new strategic alliances)
- organisational culture and capability, particularly in the area of building innovation capability.

The support time frame for development and implementation of the collaborative innovation strategy is initially three years, although agreed innovative R&D projects may be implemented and supported to address short, medium and long term time horizons.

Australian Country Choice (ACC) has been a part of the collaborative innovation program since May 2008. Initially, (ACC) entered into a 1 year agreement with the possibility of extending that agreement by another 2 years if both parties agreed it had been a worthwhile program. The contract was extended in May 2009 for another 2 years.

The anticipated benefits for ACC from this program include:

- Development and implementation of a comprehensive innovation strategy that is integrated into the company's overall business strategy
- Development of measurable performance indicators which identify the contribution of innovation to the bottom line and achievement of key business objectives
- Long term contribution to the enterprises long-term profitability, competitiveness and sustainability
- Streamlined access, on a regular basis, to MLA's knowledge base and people

Benefit expected for MLA and the Australian red meat industry include:

- Enhanced industry innovation capability
- Better understanding of the critical issues impacting on the competitiveness of the processing industry which can be extended more broadly to other enterprises within the industry
- Generation of generic industry reports detailing up-to date and relevant

2 Project Objectives

The overall program objectives are to :

- Enhance the value proposition for ACC customers
- 2. Drive business growth for ACC
- 3. Enhance the capability of ACC and its people.

Specific key performance indicators against each of these objectives will be agreed on by both parties by the six month review.

3 Methodology

The scope of the Innovation Manager's role will include but not be limited to the following:

- the development and implementation of the Innovation Strategy
- the documentation of proposed innovative ideas
- participation in the MLA Innovation Managers Network

The agreed activities for this role will include:

- 10 concepts/ideas documented annually
- 2 concepts trialled as a proof of concept
- development of topics to be explored at MLA CEO forums
- participation in a minimum of 2 Innovation Network Meetings
- development and delivery of 2 themed workshops annually. The theme topics will be chosen by ACC

The agreed activities for MLA are:

- a dedicated MLA resource to be working on ACC initiatives a minimum of 3
- days/month. 2 days of this will be on a ACC site
- extend an invitation to ACC to participate in 5 MLA initiated concepts:
- development and delivery of 4 themed workshops annual

A milestone will be deemed complete upon the provision of a quarterly update report from the ACC's Innovation Manager. The format of each quarterly report will be agreed by ACC and MLA no later than the first week of each quarterly period as defined below.

4 Results and findings

4.1 Overview of the Collaborative Innovation Strategies program (CISP)

The Collaborative Innovation Strategies Partnership program (CISP) involves the co-development of comprehensive innovation strategies with individual enterprises. Initiatives under those strategies will meet that enterprise's commercial imperatives, in addition to focusing on the implementation of key industry and government innovation priorities. The aim of this program is to facilitate the development of broad innovation capabilities throughout the whole supply chain. This leads to accelerated adoption of R&D outcomes, a more strategic focus in innovation initiatives, and greater impact derived from investment in innovation by companies.

The initial target for this program has been the processing sector. The processing sector is the ideal target sector because of its important role in the Australian red meat industries and its ability to influence change throughout the entire supply chain.

A key part of the program involves the appointment of an Innovation Manager within each participating enterprise to help drive the innovation capability building process.

A formal Innovation Manager's Network has been established to assist these Innovation Managers to acquire the skills required to execute their new role and to improve the collaboration between industry participants. This network meets at least twice a year to conduct professional development activities and to facilitate collaborative efforts between industry participants and MLA in a non-competitive environment. The Innovation Manager's Network will provide multiple opportunities to facilitate increased collaboration between participating companies as appropriate. In addition, members of the Network will be assisted to form linkages with other innovation networks and organizations which are relevant to their specific needs.

4.2 Innovation Managers Network

Building the skills and knowledge of individuals and enterprises throughout the value chain are the key to sustaining productivity and competitive advantage. The Innovation Managers Network was created as a supportive mechanism to enable industry and MLA Innovation Managers to develop the skills and experience required to undertake this new role. Membership of the Network is included for all companies participating in MLA's CISP program.

The network delivers information and idea development to the Innovation Managers to ensure they have access to cutting edge technology/tools, personal and professional development and the ability to interact with the idea generators throughout Australia and the world.

The network meets twice yearly for 2 day conferences. Meetings include guest speakers and site tours from a range of industries including mining, banking, dairy, IT and manufacturing. Topics covered include:

- Communities of practice
- Customer led innovation
- The psychology of innovation
- Structuring innovation
- Reward systems
- Building capability for innovation
- Generic skills required in an innovation manager or champion
- Defining Strategic objectives for innovation
- Elements of an innovation strategy
- Systematic innovation
- Developing a successful value proposition

To date all CISP partner companies have been represented in the network meetings with eight conferences held in various locations around Australia. Feedback from participants has been positive with the components involving exposure to other industries and their approach to innovation particularly popular. The network has also encouraged ongoing contact between innovation managers on a more routine basis assisting each other to solve operational problems.

Guest speakers, presenters and site visits included:

- Greg Biddle, Pitch Club
- Darryl Mann, Systematic innovation
- Jason Cotton, Dynamic Horizons
- Mark Bennett,
- Armstrong Flooring and Ceilings
- Fonterra
- Powercorp Citipower
- CSC
- Mars Petcare
- Hargraves Conference
- Michael Baldwin, Westpac Institutional Bank
- John Maclay, Hargraves Institute
- Tess Julian, Ratio

4.3 Program objectives

Program objectives were designed to be aligned and integrated with the company's corporate strategy as presented in Figure 1, and will be integral in enabling the partner company to successfully achieve their business objectives.

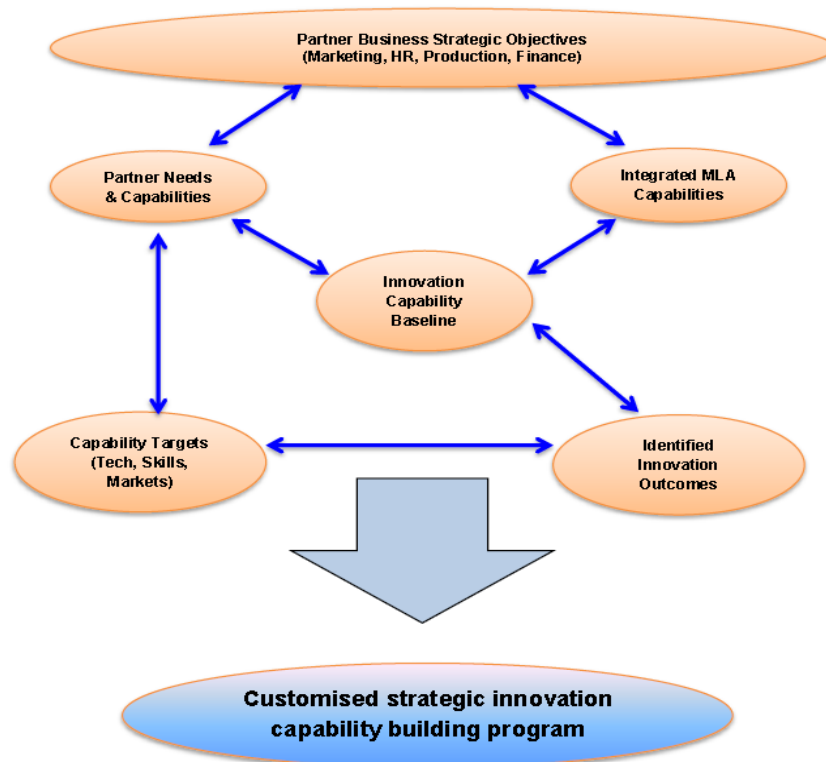


Figure 1: Example of how a partner company's corporate strategy is interrogated to inform the development of the innovation capability process and subsequent customised program

The program may include initiatives in the areas of:

- New products and markets.
- Development and / or adoption of new technologies and production processes
- Application of new science and knowledge

- New business systems and models (e.g. value chain innovation; new strategic alliances).
- Organisational culture and capability, particularly in the area of building innovation capability.

As the program is customised to the partner’s capability development priorities, it can traverse the whole spectrum of MLA initiatives, corresponding to key components along the red meat supply chain, as depicted below. Primarily the program was focused on processing companies, and one breed society also participated in the program. MLA aims to increase the scope of collaboration with companies across the supply chain.

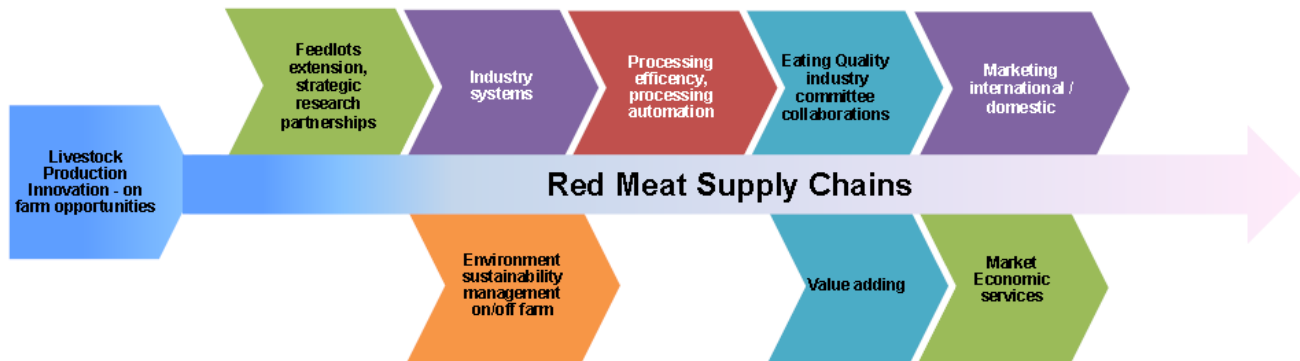


Figure 2: MLA involvement in red meat supply chain.

The primary objective of the program is to develop a documented innovation strategy. Below is an example of a ‘Strategy on a page’ template, which can aid in the development of an innovation strategy.

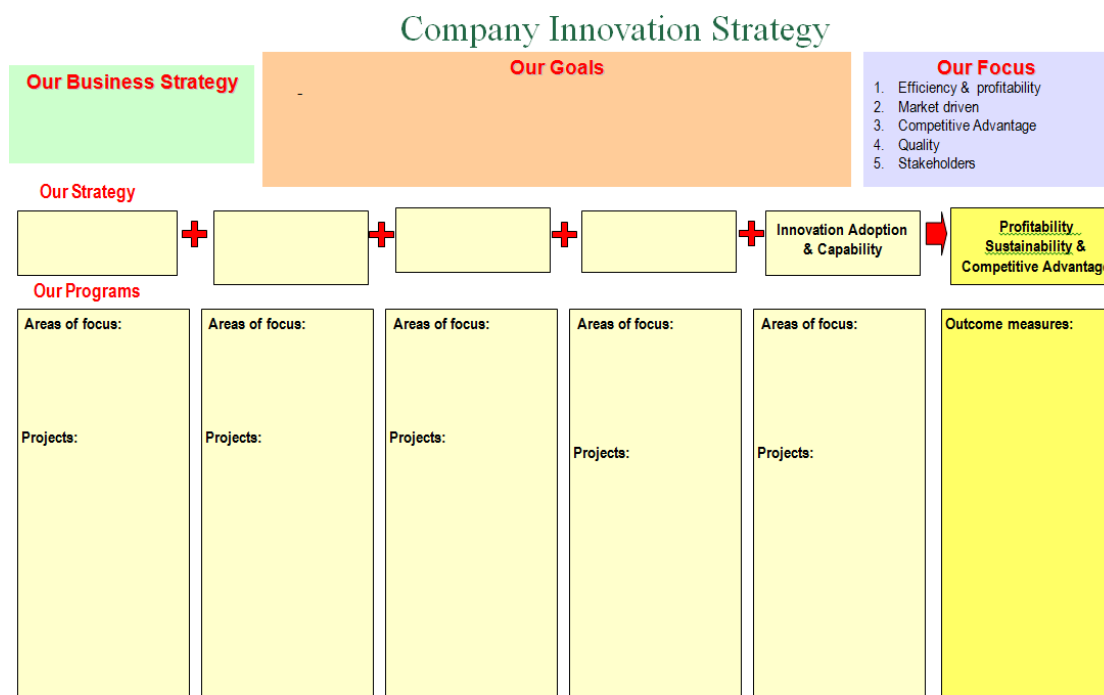


Figure 3: Strategy on a Page template

- Develop plan for innovation projects over next 3 years
- Identify strategic opportunities for research and development projects.
- Identify gaps in company's capability to manage / plan and achieve results
- Develop action plan to address capability gaps
- Identify additional resources e.g. Innovation Manager / cross functional innovation teams.
- Establish baseline measures and new processes
- Development of a successful enterprise level innovation system

4.4 ACC & MLA Engagement Process

The process of engaging, developing a proposal and implementing the program with a partner company are outlined below and in Figure 4.

- 1) MLA will facilitate a collaborative workshop involving the partner's senior management team to establish and document the strategic objectives of the business and develop corresponding objectives for the innovation capability program.
- 2) MLA innovation team members and technical experts in collaboration with the partner company's management team will assess the organisational capability needs against the agreed capability development objectives of the program determined during the initial engagement workshop.
- 3) A customised innovation capability development program proposal will include a comprehensive schedule outlining proposed components, agreed internal resourcing requirements, external professional service providers, the initial identification of research and development projects that are to be undertaken during the program period, baseline and desired state measures for the strategic focus areas and the agreed program performance KPI's will be presented to the partner company's management team for consideration.

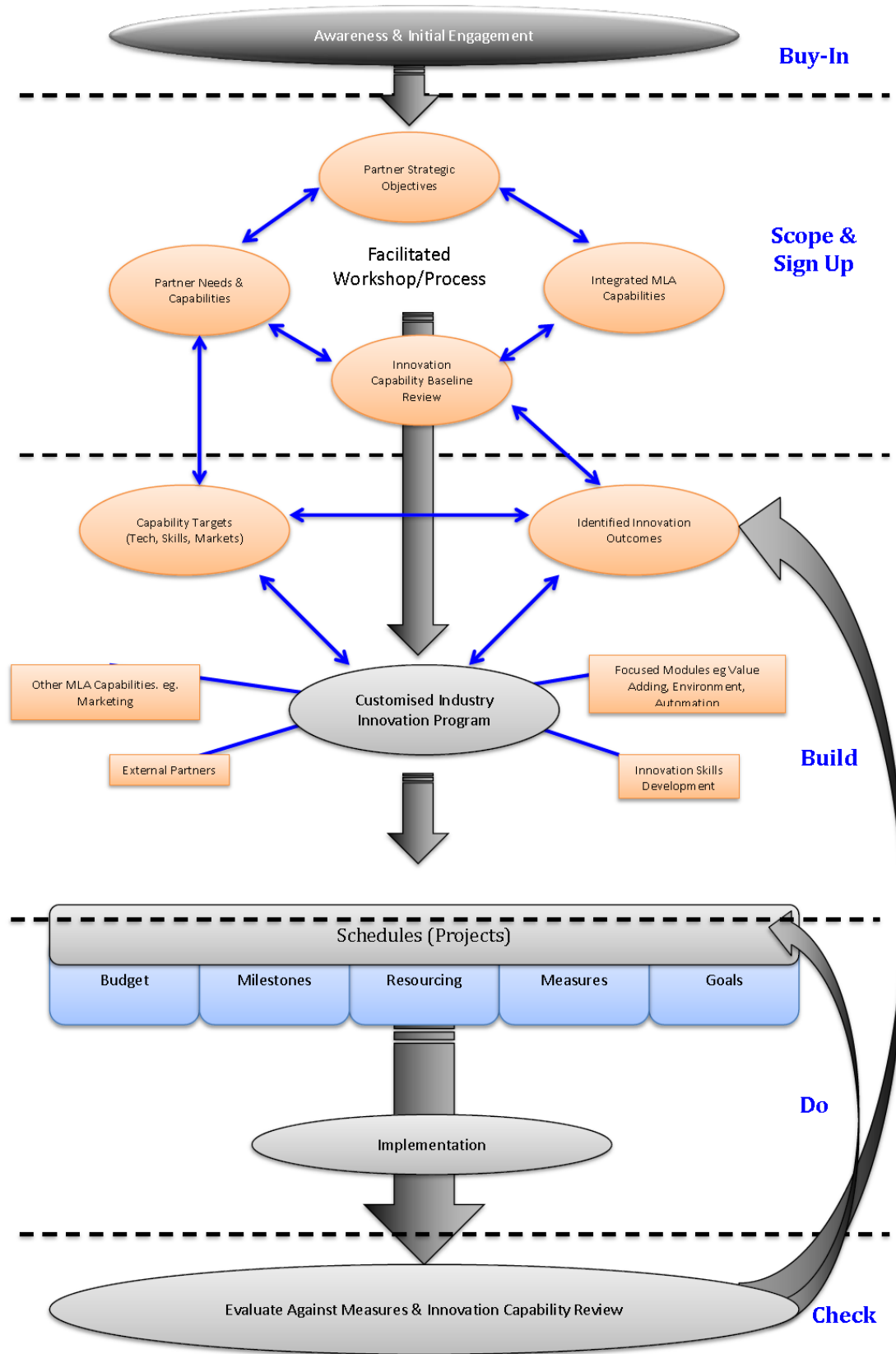


Figure 4: Program engagement process.

4.5 Measurement

A fundamental component of the program's development will be an initial measurement of baseline innovation capabilities within the areas of interest to ensure the program impact can be measured and managed as it progresses; ensuring expectations and agreed KPI's are achieved.

Measureable performance indicators will identify the contribution of innovation capability to the partner company's achievement of key business objectives.

4.6 Innovation resources and skills

A key component of the CISP is the development of an integrated skills and resource plan to support and drive the Partner Company's innovation program. MLA is able to facilitate the development of an innovation skills and resource plan if required.

An MLA Innovation Development Manager (IDM) will support the development and implementation of the company's innovation strategy. This IDM will co-ordinate access to a full range of information and specialist resources including MLA program managers (from across the whole spectrum of MLA programs as applicable to the partners interests and priorities) and external providers of innovation services (R&D providers, technology companies etc).

Based on the complexity of the company's innovation system, their innovation focus areas and their experience in the area of innovation, MLA may offer salary support funding, particularly for a new role that is 100% focused on the innovation program. Further financial support that may be offered to develop required innovation skills and capabilities within the partner's innovation program could include;

- Financial support for agreed learning and development
- Assistance in the development and ongoing support of the innovation resources
- Support for agreed costs associated with innovation resources
- External mentoring of the team by technical and professional experts in relevant fields
- Support for the development and delivery of agreed in-house training courses
- Support for participation in approved industry study tours
- Support for participation in agreed conferences and networks

The types of innovation skills the partner will need to develop will be determined by the focus areas of the innovation strategy. There will generally be a mixture of generic innovation skills coupled with specific technical skills. (see Figure 5) There are a number of options available regarding the type and level of skills which can be developed, where in the organisation these skills are positioned and the internal structures needed to support and mobilise these skills within the workforce.

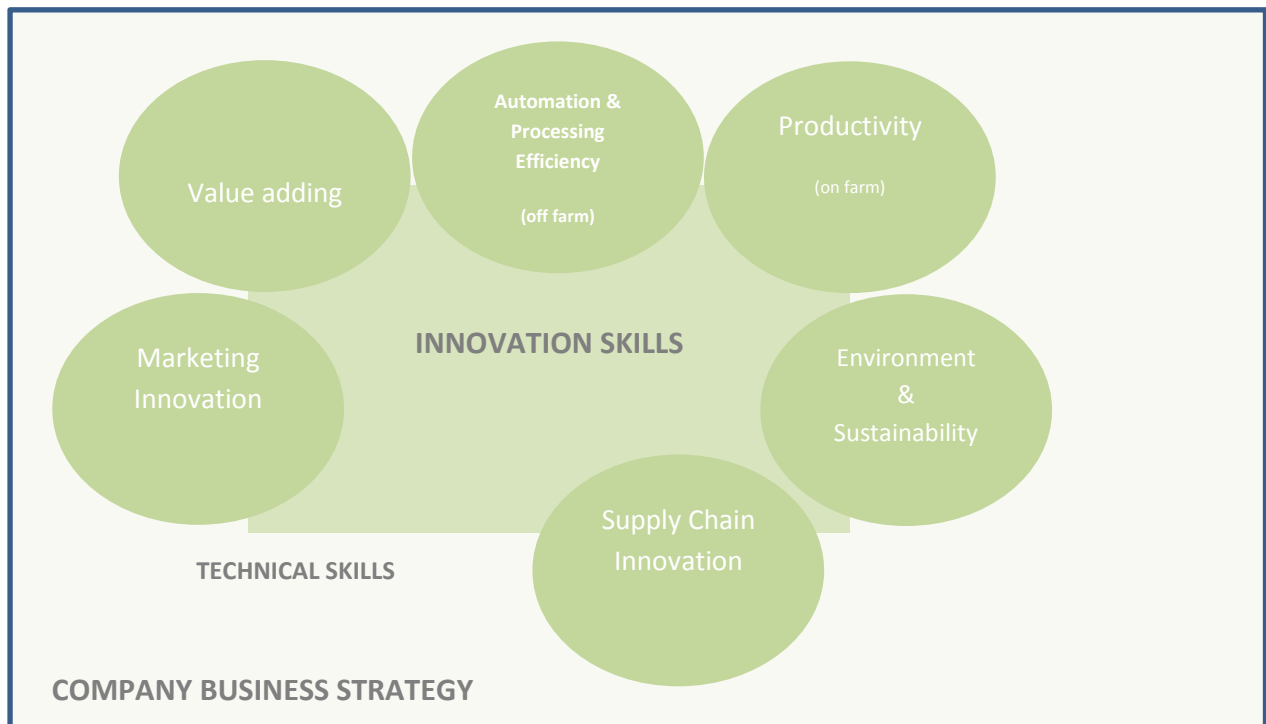


Figure 5: Red Meat Company Innovation Focus Area

Where resources are allocated to innovation projects as only one component of their overall role, it may be possible to apply for some level of salary support as part of an individual project agreement. Existing approval criteria for including salaries in projects supported through the MLA donor company will need to be met.

MLA will provide access to matching Federal Government R&D funds to assist the companies in participating in this initiative on a 50/ 50 basis.

Costs for the program participation are determined by the needs of the client. However a minimum financial contribution is required to ensure the collaborative Innovation program are successfully resourced (specific details of MLA resourcing to be agreed upon but approximately one day per week from the MLA innovation development manager is provided as a guide will require a quarterly investment of \$ 5,000 from the partner for the program duration)

4.7 ACC CISP Stage 1 Strategy & key focus areas

Australian Country Choice (ACC) has been a part of the collaborative innovation program since May 2008. Initially, (ACC) entered into a 1 year agreement with the possibility of extending that agreement by another 2 years if both parties agreed it had been a worthwhile program. The contract was extended in May 2009 for another 2 years.

ACC’s Leadership Group includes a number of General Managers reporting directly to the Executive Managers. Some Leadership Group members were selected initially as “Doing it Differently Leaders” to help drive the company’s innovation strategy development process.

These leaders aimed to:

- Influence and drive the leadership group within ACC to invest time and effort into making innovation happen;
- Engage the broader workforce in the process of innovation;
- Engage groups of employees in the process;
- Develop strategy and identify specific areas of focus;
- Understand the innovation process and be capable of customising that process to ACC's operations; and,
- Implement the developed strategy across ACC.

The proposed process for completing draft strategy involved engaging with ACC's CEO and senior executive. ACC suggested that it would be more effective to engage the ACC "Leadership Group" which includes a number of General Managers that report directly to the Executive Managers. Some representatives from the Leadership Group have been selected initially to take on the role of "Doing it Differently Leaders" to help drive the strategy development process.

The proposed roles of these Doing it Differently Leaders include:

- Influence and drive the leadership group within ACC to invest time and effort into making innovation happen
- Engage the broader workforce in the process of innovation
- Engage groups of employees in the process
- Develop strategy and identify specific areas of focus
- Understand the innovation process and be capable of customising that process to ACC's operations
- Implement developed strategy across ACC

ACC primary strategy appeared to be focusing on 'Doing it differently'. The following were the draft areas of focus for ACC in the CISP Stage 1 (refer to Figure 6):

ACC “Doing it Differently”

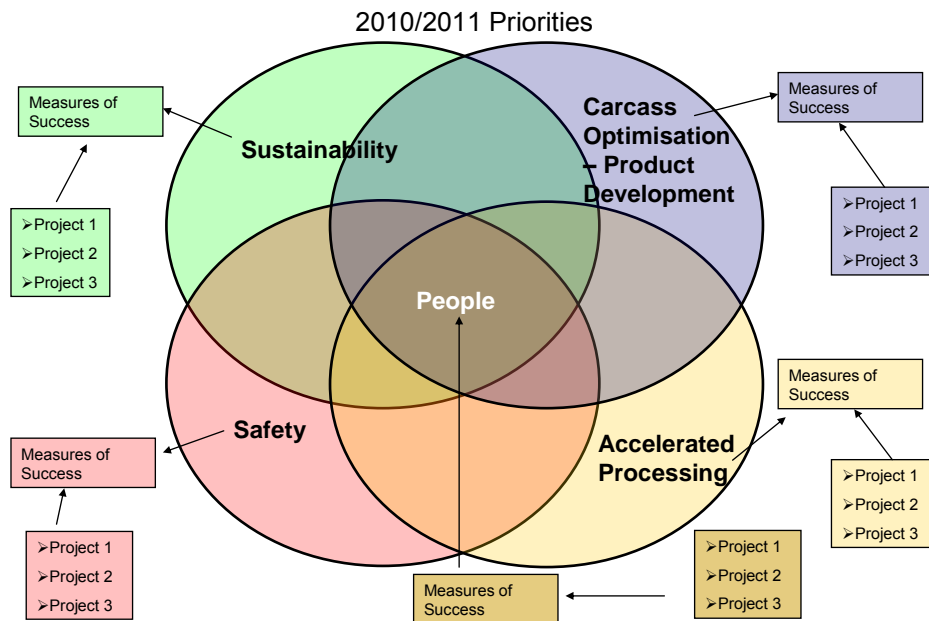


Figure 6: ACC draft focus areas (in CISP Stage 1)

4.8 Independent review (by Uniquist) of ACC CISP Stage 1 Outcomes

MLA engaged UQ Business School to evaluate the effectiveness of MLA’s Collaborative Innovation Strategies Program (CISP). This evaluation will consist of three main stages:

1. Develop an approach and methodology for the review (completed).
2. Two innovation audits/case studies of enterprises involved in the CISP program. The companies to be evaluated are:
 - Plant A (Review of Stage1 CISP program) – Australian Country Choice
 - Plant B (Baseline evaluation of Plant B’s innovation capability)

The objective of the Collaborative Innovation Strategies model is to catalyse the growth of an innovation culture within enterprises and to support the development of effective innovation strategies.

5 Conclusion

ACC’s Collaborative Innovation strategies program commenced in May 2009 for 3 years. In that time, ACC’s appointed Innovation Manager has been challenged to gain traction within the business so that the program might advance towards its stated goals. Upon completion of the first year of the contract, it was agreed that greater effort would need to be put into developing an innovation strategy and building an innovation capability within ACC. It was agreed that a final version of the innovation strategy should be completed by Milestone 2, 6 months after the commencement of the second year of the program in November 2009.

6 Opportunities arising

ACC is an example of a successful innovator because there is good alignment between the innovation focus and the business model. ACC creates margin by developing customised goods for its supply chain. Innovation that helps to create better products or improve margin by lowering production costs will improve the financial performance of the business.

Through the interviews, we find evidence that the appointment of an innovation manager as part of the CISP initiative assisted the development of the innovation capability of the business. By being a field testing site for innovations sponsored by MLA the business has become proficient at trialing new technologies and processes. This is probably the lasting legacy of the CISP for ACC.

On the other hand we do see a drift in the innovation portfolio in the direction of horizon 1. This is discussed in more detail in the recommendations section.

7 Recommendations

The independent reviewer's initial recommendation was that ACC should review the innovation strategy to determine whether the balance of innovation projects is best aligned with the business. It is clear that the expertise in new product development is highly advantageous for the partnership with the company's supply chain but a strategic review should highlight longer term issues for the business that need more exploratory and developmental innovation projects, possibly in collaboration with other businesses and research organisations. The capability for managing more high-risk/high-return projects is not as strong as short-term projects and this is an issue for the business as it confronts challenges systemic challenges such as productivity and energy efficiency.

The reviewer also believed that ACC should be able to better document the returns from innovation projects as a means for making successes more transparent. Innovation seems to be embedded in routines at the operational level that support trials and changes in systems but the innovation agenda is less clear among the senior management team. ACC has a product development strategy as part of the supply chain alliance but does not have a comprehensive innovation strategy that supports needs across different business functions in the short, medium and long-term.

A Stage 2 of the Collaborative Innovation Strategies program is proposed.