



final report

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Teys CISP Stage 2 Project Report

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1 Background

In September 2007 Meat Livestock Australia (MLA) launched the Collaborative Innovation Strategies Program (CISP). The aim of this program is to facilitate the development of broad innovation capabilities throughout the whole supply chain leading to an accelerated adoption of research and development (R&D) outcomes, a more strategic focus on innovation initiatives, and greater impact derived from investment in innovation by companies. The program involves the co-development of comprehensive innovation strategies with individual enterprises, which meet commercial imperatives in addition to focusing on the implementation of key industry and government innovation priorities.

Teys Australia (Teys) was one of the first companies to partner with MLA on CISP. The partnership was established as an initial three-year agreement with the opportunity to extend for an additional two years of engagement provided Teys met the required criteria. This included participation, progress and continued commitment, throughout Stage 1, to:

- Significantly build internal innovation capability as evidenced by an external review;
- Continue to embed innovation within the organisation, led by the Chief Executive Officer, through further investment in appropriate innovation resources and infrastructure;
- Work towards implementation of innovation metrics and to continue to report progress to MLA; and,
- Willingly support MLA's drivers to increase the industry's innovation capability by sharing information and project deliverables.

The CISP has been hugely successful for Teys and MLA and has resulted in benefits for both entities as well as the industry more broadly as outlined in this report.

Teys recently completed Stage 2 of the Collaborative Innovation Strategies Program (CISP). The industry aims of the program are to facilitate the development of broad innovation capabilities throughout the whole supply chain leading to an accelerated adoption of research and development (R&D) outcomes; to enable a more strategic focus on innovation initiatives; and to achieve greater impact from investment in innovation by companies.

For Teys, Stage 2 of the program was centred on four priority areas:

1. Building internal innovation capability;
2. Developing the Teys core competency of innovation;
3. Taking a Teys-centric approach to innovation projects and initiatives; and
4. Reducing the reliance on MLA to drive the company's innovation efforts.

Stage 2 resulted in a significant shift for Teys in terms of their reliance on MLA to drive innovation. Teys' efforts in bolstering their internal innovation capability and competence resulted in more than 30 co-funded projects. Several factors contributed to the maturation of Teys' innovation capability over this stage of the program, including:

- the appointment of a dedicated Innovation Manager;
- the development of an innovation strategy closely aligned with Teys' broader business objectives;

- an organisational restructure within senior leadership, which enabled shared responsibility for innovation initiatives; and
- a substantial investment in customer and producer-centric supply chain projects.

2 Program Objectives

The initial focus for Teys during Stage 2 of the CISP was on building capability, strengthening innovation core competence and reducing reliance on MLA for strategic direction of innovation investments. This was driven by the program objectives, which included:

- The development and implementation of an integrated plan to build Teys' internal capability to support the execution of the Teys innovation strategy.
- The development, implementation and measurement of accurate innovation metrics.
- Participation in diagnostic tools and external interviews (as appropriate) to measure Teys' innovation capability and to monitor progress following completion of the CISP.
- Continued integration of innovation into business processes and systems to ensure innovation is sustainable and independent of key staff members.
- Continued development of innovation strengths, including idea generation (sourcing) and execution (application) of new ideas.
- Reducing Teys' reliance on MLA to drive innovation efforts.

3 Methodology

The focus for Stage 2 was on building Teys' innovation capability and core competence, and shifting from an MLA-directed program to a Teys-centric approach, thus reducing reliance on MLA.

Projects were initiated from ideas generated within, and external to, the business. Ideas were sourced through various communication channels. If the idea was suited to funding from MLA, the project proposal would be progressed for approval and support.

During the CISP program, Teys adopted the approach of early consultation with MLA for potential projects, which enabled greater input and engagement resulting in a more streamlined approval process. Given the large number of projects and the variability of project types and size – ranging from process improvement to business model innovation - there was no standardised methodology used to design, manage or execute the projects.

4 Results

- During Stage 2 of the CISP, 33 projects were co-funded, with an investment split of:
 - 25% Teys Australia
 - 25% Australian Meat Processors Corporation
 - 50% Meat and Livestock Australia
- Stage 2 resulted in a significant shift from Teys' reliance on MLA in directing and developing innovation efforts within the organisation. This was largely due to Teys' efforts in boosting internal capability, which included:
 - the appointment of a dedicated Innovation Manager;
 - the development of an innovation strategy closely aligned with Teys' broader business objectives;
 - an organisational restructure within senior leadership, which enabled shared responsibility for innovation initiatives; and
 - a substantial investment in customer and producer-centric supply chain projects.

5 Discussion

Stage 2's shift from reliance on MLA is a significant achievement for Teys since commencing the CISP program and demonstrates their continuing maturity in innovation capability and ongoing commitment to meeting program objectives. In addition to the CISP, the evolution and maturity of innovation at Teys during Stage 2 was influenced by:

1. The merger between Cargill and Teys

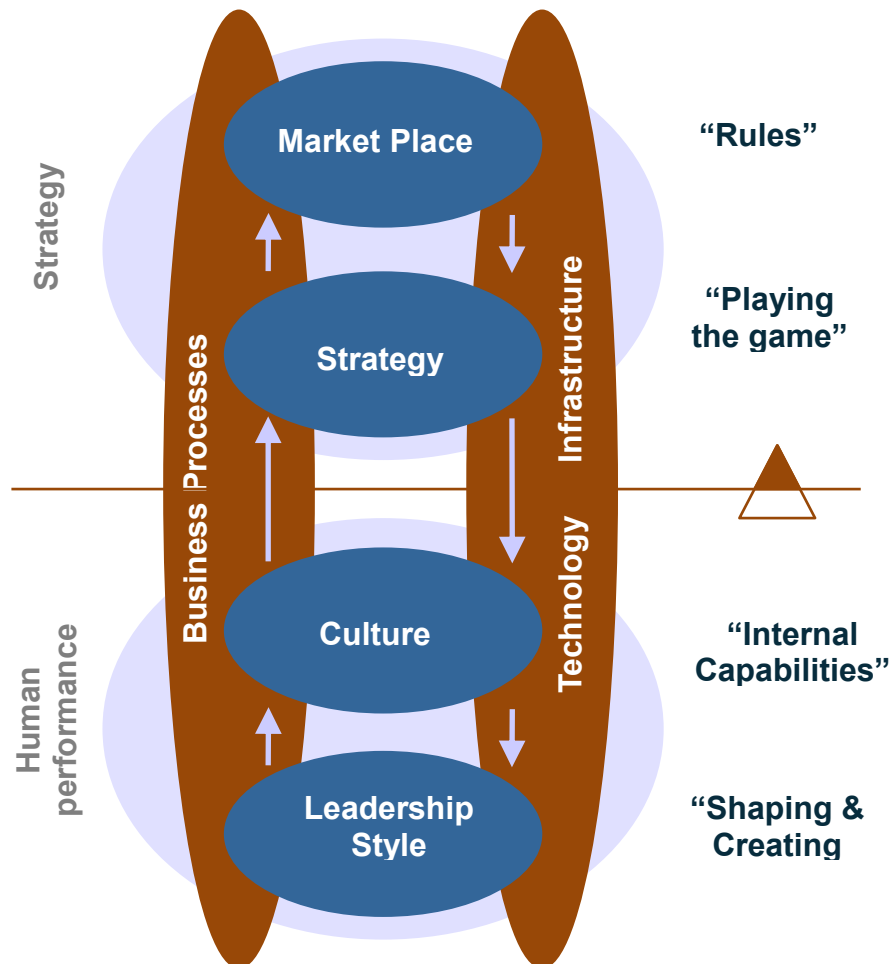
The integration of the two businesses – combining Cargill's strong customer focus with Teys' operational excellence – resulted in increased awareness of strategic direction and growth opportunities, which accelerated Teys' understanding of how innovation supports their business objectives. The merger also bolstered Teys' confidence in taking control of their business and tailoring the CISP to suit the Teys business model.

2. Adopting a more strategic and customer-centric approach

Teys was historically a commodity-driven business focused on exporting beef to customers to different countries. However, they had a vision to be, '*The leading provider of innovative red meat supply chain solutions linking Australian producers to global customers*'. This was supported by Teys' focus on fostering innovation as a core competency and aligned with their goal to become the 'processor of choice' for their selected suppliers.

During Stage 2 Teys invested in two key projects focused on dynamic alignment, which enabled them to shift from a commodity to customer-centric mindset. Dynamic Alignment is essentially a new business model, which aims to improve the alignment or fit between combinations of buyers and sellers in any market and any product or service category.

This model allowed Teys to identify the way suppliers prefer to deal with the company, which in turn allows for more efficient alignment of resources in the business to meet the needs of both suppliers and customers. The figure following shows the interaction between customers' needs, the formulation of appropriate strategic responses, and how the successful execution of these strategies shapes the necessary internal capabilities and corresponding leadership styles.



Source: Adapted from Figure I.2 in Gattorna (2003), p. xiii; also Gattorna (1998), p. 5; and Gattorna (2006), p.16¹

The dynamic alignment projects highlighted the complexity of supplier and customer behaviour and the need for Teys to adopt a more fluid approach. The investment helped Teys increase their understanding of the supply chain and to focus on the needs of their suppliers and customers. Having a greater awareness of their customers – specifically buying behaviour and purchasing decisions – resulted in increased efficiencies and clarity for Teys. Case Study 1 details the two projects and the outcomes achieved.

¹ Gattorna, J. (2006) *Dynamic supply chains - delivering value through people*, FT Prentice Hall, London and FT Press, New Jersey, 2nd edition

3. Increased organisational support

Investing in innovation requires time, resources and ongoing commitment. During Stage 2 Teys appointed a dedicated innovation resource, which was also supported externally by an allocated MLA Account Manager. The integration of projects for the Teys Australia Food Solutions (TAFS) group provided new insight for the business in the value-adding space.

TAFS developed a set of strategic growth goals in the context of the broader Teys strategy to become the leading provider of innovative red meat supply chain solutions linking Australian producers to global customers.

In addition to TAFS' inclusion, the initiation of R&D champions (i.e. innovation advocates) at each plant also demonstrated Teys' commitment to successfully execute the Teys innovation strategy and to embed innovation across the business.

5.1 Success Stories

Having undertaken more than 30 innovation projects, Stage 2 of the CISP proved another successful milestone for Teys in developing innovation capability and competence, and adopting R&D outcomes and a more strategic focus on innovation initiatives. Despite limitations with specific metrics to quantify Teys' investment in innovation, overall success is demonstrated in the breadth and depth of the projects completed and the contribution of innovation insights provided to MLA and to the industry.

5.1.1 Case Study 1: Supply Chain Dynamic Alignment

Teys invested in two dynamic alignment projects - P.PIP.0309 Innovation through Dynamic Alignment (Customer) and P.PIP.0321 Supplier Dynamic Alignment, which segmented their customers and suppliers based on purchasing behaviours. This information was then used to align those needs with the delivery of business outcomes. The project illustrated that customers can exhibit multiple personality styles, which in turn influences changes in behaviour – hence their buying behaviour is dynamic.

The underlying logic of dynamic alignment is that an organisation needs to be aligned with its operating environment. Understanding the interaction between customers' changing needs enabled Teys to formulate their strategic response and execute the appropriate strategy at the same time shaping the necessary internal capabilities and corresponding leadership styles.

The supplier dynamic alignment project employed the same logic as the customer alignment, and was critical to linking Australian producers with local and global customers.

These insights allowed Teys to consider behaviour at both ends of the supply chain – customer and supplier – and to better understand where Teys fits.

5.1.2 Case Study 2: Producer-Focused Capability Building

Teys, in collaboration with McDonalds, initiated a supply-chain project - P.PIP.0440 Supply Chain Capability Building Workshop, which focused on building producer capability and developing their market knowledge through the delivery of consumer-focused, customer-led workshops.

The initial intention was to facilitate a series of capability-building workshop for producers, which would be run over a period of three years. This project constituted the first year of that plan. Two workshops were held in regional areas – Naracoorte, South Australia (September 2014) and Biloela, Queensland (March 2015) - to firstly identify demand and to evaluate the relevance of topics presented. They were both well attended with approximately 400 producers taking part.

The workshops included presentations from Teys, MLA and McDonalds and focused on the following topics:

- The business of Teys Australia
- The Global Market
- Our Food, Your Questions
- The community's perceptions of our industry
- Collaborative supply chains
- Overview of Branded Beef programs

Outcomes

The workshops were unique as they provided the opportunity for a processor and food-service-end-user company to collaborate and to build the supply-chain capability of producers.

Key outcomes derived from the workshops included:

- Increased engagement with producers as a result of the attendance from various cattle supply areas.
- Detailed evaluations and comments, which captured the producers' learning and insights gained from attending the workshops.
- Insight into how the producer/consumer gap could be improved and how producers can make more informed decisions to target specific markets.
- Identification of topics for future workshops that can build on the knowledge already gained and continue to develop producer capability.
- Increased awareness of how producers like to conduct business and which producers prefer a collaborative supply chain.

Additionally, the value derived for MLA and the industry included:

- Developing the capability of producers to better understand their respective markets by providing relevant market knowledge.
- Bridging the gap between producers and consumers
- Empowering producers to make more informed decisions that can deliver greater profitability.

Teys and MLA invested a large portion of internal resources into putting together the workshops and as a result of the majority of this work being completed in-house there was significant budget savings. Teys will continue to facilitate these workshops in conjunction with MLA and McDonalds.

5.2 Lessons Learned

Stage 2 was driven by a strong focus on building Teys' innovation capability and core competency. Part of this process included developing the ability to review, reflect and learn from the projects undertaken.

This review process highlighted a number of lessons learned for the organisation.

1. Better understanding cultural implications

Teys recognised the need to consider the cultural implications of embedding innovation across the organisation. This included giving full consideration to the time and effort required in managing the resistance to change when introducing new ideas and implementing new initiatives.

To ensure this did not hamper their efforts and to continually build confidence, and to reiterate in the importance of investing in programs and projects that support innovation and build internal capability progress innovation, Teys actioned the following:

- An informal and gradual approach to developing and building capability through tacit learning and on-the-job training tailored to the needs of Teys.
- R&D champions onsite at each plant (11 in total), whose role encompasses internal R&D and understanding the process of innovation and how it supports day-to-day operations and business objectives, and then disseminating that knowledge through their teams.

2. Taking full ownership and responsibility for innovation

A focus for Stage 2 was to reduce reliance on MLA in directing Teys' innovation efforts. By taking full ownership and responsibility of innovation projects – on an organisational and individual level – Teys had greater control and influence in ensuring projects were completed and delivered successfully. This was evidenced by the appointment of a dedicated innovation manager tasked with specified innovation performance goals who is responsible for driving innovation objectives across the business.

3. Alignment of an innovation strategy with broader business objectives

Aligning business and innovation strategies is an important driver for the success of implementing and embedding innovation. For Teys, having a clear innovation vision that was communicated throughout the business was critical to successfully completing Stage 2 of the CISP. This enabled Teys to influence the projects undertaken, ensuring they supported their focus on achieving business targets and goals, and increased development of internal capability.

6 Conclusions

Stage 2 saw Teys taking greater ownership of its innovation program. The significant shift from Teys' reliance on MLA to drive innovation efforts signals their determination, maturity and commitment to progressing their innovation efforts and to contributing to the industry through shared learning and insight, as highlighted throughout this report.

Stage 2 resulted in more than 30 co-funded projects. Teys' focus during this stage was centred on building internal innovation capability; developing their core innovation competency; taking a Teys-centric approach to innovation projects and initiatives, and reducing the reliance on MLA.

Several factors contributed to the overall success of Stage 2. These included the appointment of a dedicated Innovation Manager; the development of an innovation strategy closely aligned with Teys' broader business objectives; an organisational restructure within senior leadership; and, a substantial investment in customer and producer-centric supply chain projects.

6.1 Next steps

Stage 2 of the CISP resulted in multiple benefits for Teys and MLA as well as the industry more broadly. In order to maximise the learning and insights gained during Stage 2 and to leverage Teys' success, the following recommendations are presented and aim to ensure ongoing participation and success in Stage 3 of the CISP:

- Continued, disciplined focus on Operational Excellence, which supports and enables ongoing, sustainable and strategic innovation.
- Design and implementation of relevant, rigorous and high-quality metrics that can capture, manage and measure the impact of innovation initiatives, specifically relating to the achievement of broader business objectives and at the level of personal, project, program and portfolio performance.
- Improved communication to broadcast and promote innovation initiatives to increase visibility and organisational support, and to further integrate and embed an innovation culture across Teys.
- Establishment of a strategic and structured approach to project management, including an advisory framework, project management tools (e.g. software) and capability building, which supports successful project execution and delivery.