

Building an aligned and committed value chain: A framework for the innovative entrepreneur in food & agribusiness.

Abstract

Most food & agribusiness stakeholders (entrepreneurs in particular) agree that it is not only difficult to innovate new products and technology, but also to realize its true market potential. A lack of market and/or supply partnerships, i.e. a robust and committed value chain, is often cited as the reason for the failure to achieve this potential. The key objective of this research is to understand the necessary elements needed for building a committed value chain and to suggest an approach to realize them. Our research shows that partnerships which combine the four key elements of aligned objectives and incentives and shared responsibilities and information are most likely to realize a committed value chain. The research further provide guidelines to developing these elements and achieving committed chains in practice. Finally, we demonstrate the relevance of the suggested approach using two real-life business cases; the first one is a business success story with a committed value chain, while the other is a story of a failure due to the lack of a committed chain.

Key words: Committed chains, aligned objectives, shared responsibilities, shared information and aligned incentives

Introduction & Research questions

Almost all successful product and brands, irrespective of their sector and segment of operations, have well-established and reliably functioning value chains/networks. That is, material flow is well organized all the way down to the end-consumer, financial flow is smooth throughout the chain, information flow is shared in both directions, and a certain level of trust and commitment between all chain partners is well established. Creative/disruptive innovations, on the other hand, often require different market approaches and/or business models, and different relationship structures beyond what is currently available in the marketplace. Successful innovation needs commitment from potential value chain partners, but this needs to be built up. The key objective of this research is to understand the necessary elements needed for building a committed value chain and structure them into a framework that can be used by an innovative entrepreneur.

With the above background, we aim to address the main and sub research questions below:

How can an innovative entrepreneur build a committed value chain to realize the market potential of his innovation?

- 1. What are the key elements of a committed value chain and how do these elements interact with each other?*
- 2. How can an innovative entrepreneur achieve the required levels of commitment from his complimentary chain partners?*

Research method

This research is carried out from the perspective of an innovative agribusiness entrepreneur who has access to a key technology and/or process innovation that enables him to offer differentiated

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products/solutions; generally a food grower and/or processor. Taking this as the starting point, we discuss strategies to getting the chain commitment from the required upstream and downstream players to realize the market potential of the innovation.

This study of the framework or theory of chain commitment takes input from published literature that has scientific rigor and managerial relevance and is strengthened with extensive interviews and discussions carried out with entrepreneurs and experts who have had experience in developing the potential of new and disruptive technologies. Furthermore, we evaluate two real life case studies in detail to demonstrate the relevance of the proposed/suggested framework and its application to real life business situations.

Literature research

Literature relevant to this paper is taken from research and studies into marketing, and value chain creation and coordination, especially within the area of food and agribusiness. We intend to leverage this published literature and relate it to the objectives of this research.

The literature on go-to-market approaches for less established businesses with innovative products is quite scarce. Luister (2011) presents several food concepts in 4 different categories 1.) Fabulous to go. 2.) Fabulous to buy. 3.) Fabulous to shop. and 4.) Fabulous to farm. Some of the case studies presented discuss elements and challenges related to building the value chain and help us understand the critical components required for successful chain building and achieving market results. Someren and Nijhof (2010) discuss 9 different Dutch case studies using the Triple P (People-Planet-Profit) business development point of view. The study suggests that this approach leads to improved business performance with respect to social (people), ecological (planet) and financial (profit) goals. Nalla and Kouwenhoven (2014) provide a go-to-market framework for innovative entrepreneurs; the key take-away of which is the need for the support of distribution partners.

Nalla (2014) emphasizes the relevance of incentive alignment for achieving coordination within the chain and for eliminating inefficiencies within it. Within this study clear contractual mechanisms have been proposed to achieve coordination and collaboration.

Kouwenhoven et.al (2013) suggests opportunities for greater value creation in the context of the value chain. The suggested framework in that study and the case studies discussed present very good inputs/insights for the process of chain building.

During the course of this research, we will carry out extensive literature search to gather insights that connect and relate with the subject of chain commitment.

Conclusions, contributions & directions for further research

This research provides a useful framework to enable entrepreneurs to bring innovation to the market and to realize market potential. We explain the need for a committed value chain and work-out a framework to create it, using the elements of aligned objectives, shared responsibilities, shared

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information and aligned incentives. Furthermore, we provide guidelines on how these components can be set-up and committed chains realized in practice. We demonstrate both the components and execution strategy using two real-life business cases; one set in the context of the horticulture chain, the other dealing with processed food.

This research contributes to the existing literature as it focuses on the individual entrepreneur as the central element in the building of the committed value chain. Future research should be extended to defining the commitment parameters much more elaborately and objectively. Furthermore, from a practical standpoint, case studies can be developed to test and improve the framework. Although we discuss this subject in the context of the food sector, we see relevance of these ideas in other business sectors as well.

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