

Pathways for Growth

Building Ireland's largest indigenous industry

Contributing to:

**Food
Harvest
2020.**

A vision for Irish agri-food and fisheries

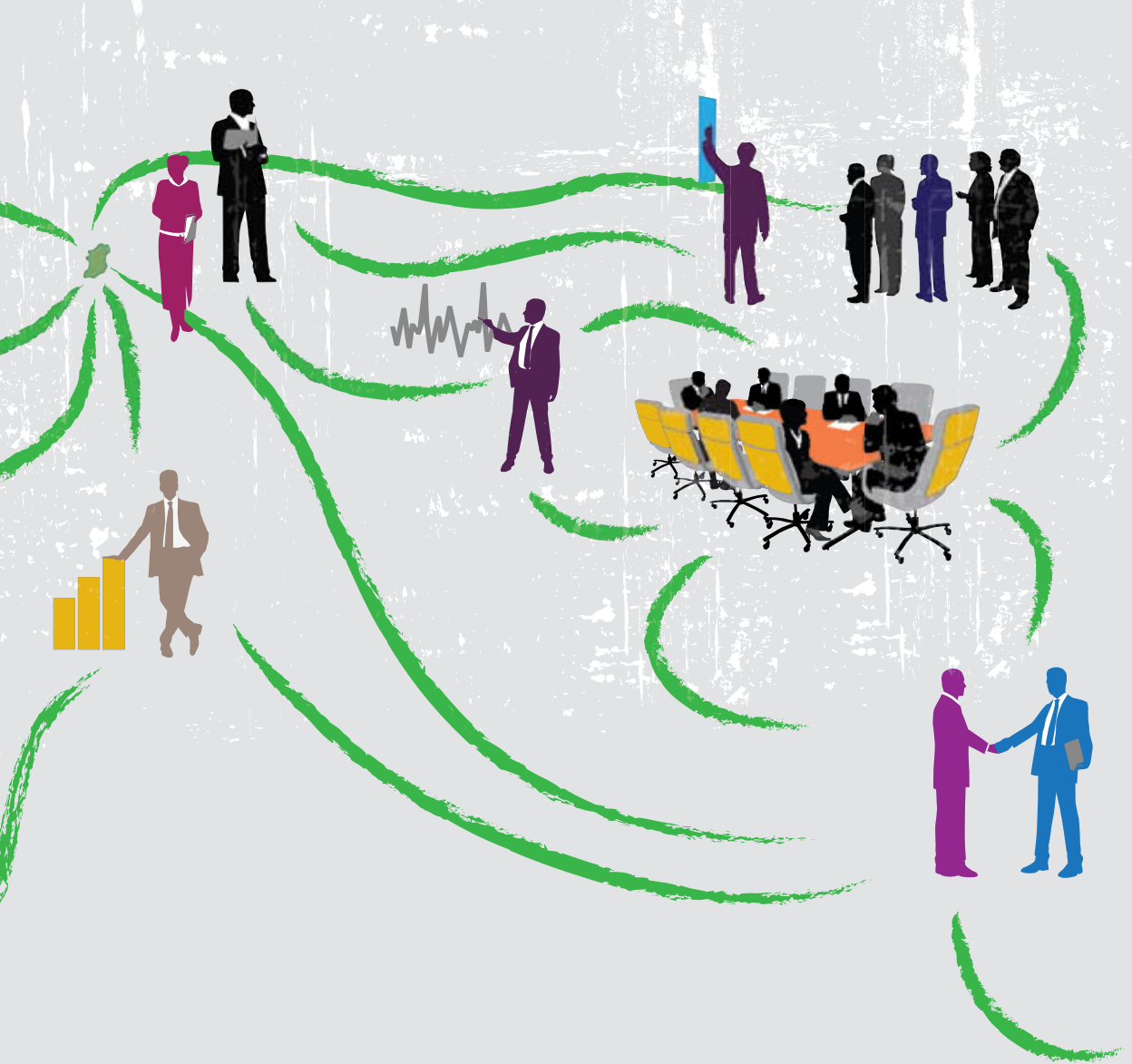


Year One Progress Update

November 2010

Growing the success of
Irish food & horticulture

Bord Bia
Irish Food Board



Download the reports

Pathways for Growth is available at

www.bordbia.ie/industryinfo/publications/bbreports/Pages/PathwaysforGrowth.aspx

Food Harvest 2020 is available at

www.agriculture.gov.ie/agri-foodindustry/foodharvest2020/

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In May 2010, Professor David E Bell and Mary Shelman of Harvard Business School presented *Pathways for Growth* at Bord Bia’s Food and Drink Summit in Farmleigh. In doing so, they delivered on their promise to ‘provide a new perspective on pathways for growth over the next three to five years’ for the Irish food and drink industry.

First steps on the pathway

In May 2010, Professor David E Bell and Mary Shelman of Harvard Business School presented *Pathways for Growth* at Bord Bia's Food and Drink Summit in Farmleigh. In doing so, they delivered on their promise to 'provide a new perspective on pathways for growth over the next three to five years' for the Irish food and drink industry.

Harvard Business School has been involved in the field of agribusiness for over fifty years and, while a thought-provoking report was anticipated, the overwhelming response from industry was that it represented a compelling call to action and a roadmap to move the industry forward.

Setting the potential of the industry in a global context, *Pathways for Growth's* most important contribution has been to clarify how long-standing impediments to growth may be overcome. Its findings fed directly into *Food Harvest 2020*, published in July 2010 which asserts a vision of 'smart, green growth' for agri-food and fisheries. At the Food and Drink Summit, Bord Bia made a commitment to initiate follow-up action and to update industry within six months, which we are now doing through this *Year One Progress Report*.

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Bord Bia has adopted the recommendations of *Pathways for Growth* and in the last six months has explicitly integrated them into its work programmes. This includes a specific focus on the key areas of co-opetition, branding and the customer feedback loop, innovation, entrepreneurship and education. A new agenda has been initiated and while we are still at the outset of change, the opportunities to fuel new growth and development are becoming clear. *Pathways for Growth*, as now incorporated into *Food Harvest 2020*, will formally guide Bord Bia's strategic focus and priorities from 2011, evolving into the necessary milestone plans to achieve specific aims and outcomes by 2020. Progress is, ultimately, in the hands of the food and drink industry but, together, and in collaboration with other state agencies, we can undertake a journey of transformation that will position the sector at the heart of a renewed Irish economy. I look forward to working with you as we make further progress on our goals in the years ahead.

Aidan Cotter

Chief Executive
Bord Bia

Pathways for Growth: A call to action and a roadmap for change

'We can certainly imagine that in 20 years time Ireland will be the most efficient, most highly innovative food and drink country in the world. It can get there. But how to get started. Ireland needs successful brands, but its companies, by and large, are too small. It needs to innovate but it has a limited number of entrepreneurs. It needs to be efficient but its production base is too fragmented.'

INDIVIDUAL
RECOMMENDATIONS
FROM THE REPORT
WERE FED INTO
AND ENDORSED BY
FOOD HARVEST 2020,
THE FRAMEWORK
DOCUMENT FOR
THE OVERALL
DEVELOPMENT OF
IRISH AGRICULTURE IN
THE COMING DECADE,
IMPLEMENTATION OF
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The Irish food and drink industry has demonstrated its competitiveness and resilience over two challenging years, and the recent international recovery in commodity prices and more favourable exchange rates have brought some welcome relief to the agri food industry. Equally, challenging trading environments highlight fundamental structural strengthening as necessary for the sector's performance over the longer term. Informed by in-depth interviews with Irish food and drink CEOs and the knowledge of global markets provided by David Bell and Mary Shelman of the Harvard Business School, *Pathways for Growth* is frank in identifying key issues which need to be addressed. These include scale and fragmentation; a lack of consumer orientation; a failure to attract sufficient outside entrepreneurs, investors and business graduates; and a pervading lack of confidence within the sector. While there are undoubted pockets of excellence, it argues these are not sufficient in themselves to generate the momentum of change needed to compete on a world stage. A new, more integrated approach is required, with leadership coming directly from industry, if these key challenges are to be convincingly addressed.

Pathways for Growth describes the course that must be pursued if Ireland is to turn its immense natural advantages into a sustainable high-value food export industry in the 21st century. Individual recommendations from the report were fed into and endorsed by *Food Harvest 2020*, the framework document for the overall development of Irish agriculture in the coming decade, implementation of which is being led by the Department of Agriculture, Fisheries and Food. Bord Bia has initiated a series of workstreams to start the journey. These workstreams will be at the core of our strategic priorities, mapping our longer term journey to 2020 and integrated in full with our responsibilities under *Food Harvest 2020*. Ultimately, decision making rests in the hands of industry, and through new models of partnership, the critical mass to deliver long-term transformation can be created.

The four workstreams:

1. Co-opetition

Facilitating companies and value chains to identify areas of cooperation for mutual competitive advantage. This could include, for example, cost reduction, enhanced quality and technology standards or the combination of resources to supply large customers in distant markets.

2. 'Brand Ireland'

The development of an umbrella brand or enhanced reputation for the industry which is both credible and distinctive and which embraces all aspects of Irish food and drink, assisting its differentiation and value growth in key markets.

3. Innovation and Entrepreneurship

Developing the industry's capacity to commercialise innovation through validated consumer and trade market insights resulting in fast and high level export growth.

Creating a food business culture that is open to new ideas and embraces entrepreneurship.

4. Education

Supporting the ideal of the best talent being available to drive the ambition of the food and drink industry through highly effective, commercially oriented and market led learning, development programmes and placement schemes.



Co-opetition

What Pathways for Growth said:

'Ireland is a small player in the world food market and many companies have sales that far exceed all of Ireland's food exports... In order to have a presence and sustain margins in global export markets, Irish firms need to work together as partners, not as competitors.'

The vision:

Irish food and drink companies will make significant gains by strategically cooperating in developing new markets and customers, sharing resources and identifying ways to reduce costs. Learning from international and our own experience, developing a culture of co-opetition, either within a single value chain (beef, prepared foods) or cross-sectorally, can enhance market opportunities for Irish food and drink.

Where we are:

Taking a broad and open definition of the concept, Bord Bia has identified 20 projects where strategic cooperation could add value in the supply chain. Further appraisal work has clarified projects where the potential benefits are significant and where there is a willingness among management teams to engage. Five such projects are currently being advanced. These include:

- Cooperation in the bakery sector to exploit new market opportunities in Continental Europe.
- Sharing customer bases in export markets for cross selling of complementary products in the ingredients sector.
- Cooperation through licencing and broadened distribution between niche and mainstream dairy sectors to access growth opportunities in premium dairy foods.
- Creating a new standard and joint branding initiatives to build market share for beef in Germany.

- Enabling new added value in seafood through cooperation between the primary and convenience sector.

Further projects are expected to emerge as companies continue to engage in the process.

Bord Bia will continue to offer a range of supports including advice, mentoring, discussion facilitation and research to projects as they develop.

What we are learning:

Asking competitors to become collaborators, while being fully mindful of competition law, requires a clear articulation of shared goals and mutual benefits to strengthen the foundations of open relationships and trust over time. While early successes are important in 'seeding' the concept, co-opetition will ultimately develop through a process of cumulative learning by all involved over the duration of the *Pathways for Growth* programme.

The current economic environment has made companies more acutely aware of cost and, therefore, more open to new ways of addressing the issues of scale and fragmentation.

Through engaging with companies in different sectors, common themes and issues are emerging which suggest strong possibilities for cross-sectoral approaches where companies are not in direct competition.

The four workstreams:

'Brand Ireland' – Branding and the Customer Feedback Loop

What Pathways for Growth said:

'Too few Irish companies benefit from branding in export markets in part because of the lack of scale to invest in advertising campaigns, but more importantly because they have no contact with the end consumer.'

The vision:

An umbrella brand for the food and drink industry will be a unified reputation that confirms a new promise "we are natural and we can prove it". Brand Ireland seeks to stand for a credible, distinctive and compelling proposition within EU state aid rules and backed by a set of values, attributes and standards. Its core aim is to communicate a unified reputation among further processing, retail and foodservice partners. The brand may be applied to those Irish products and ingredients licensed to use it in the business to business arena. Our focus right now is to develop a common proposition and story in consultation with the industry which resonates with international food market customers. Clearly the question of how the brand will be used, by whom and to what benefit, needs to be answered through the informed process of consumer and trade research in our priority markets.

OUR FOCUS RIGHT NOW IS TO DEVELOP A COMMON PROPOSITION AND STORY IN CONSULTATION WITH THE INDUSTRY WHICH RESONATES WITH INTERNATIONAL FOOD MARKET CUSTOMERS.

Where we are:

Brand propositions, stories and sets of values are being developed for consumer and trade testing in up to eight international markets.

These propositions occupy different and distinctive territories, linked with the essence of Ireland's (as a country's) reputation, and are credible to support a "we are natural and we can prove it" brand promise.

The testing will commence shortly in our core export markets of the UK, Europe and the USA.

We are investigating in full the mechanics of three leading brand models – 'New Zealand 100% Pure', 'Fair Trade' and 'Intel Inside', as models to assist us in defining the mechanics for how Brand Ireland will work to 2020.

The sustainability/environmental stewardship standards that will be associated with usage of 'Brand Ireland' are also being formulated (see *Case Study: Beef and Sustainability*, page 12).

In addition we are building the foundations for potential tourism activation over the longer term (see *Case Study: Food Tourism*, page 12).

What we are learning:

To be successful, an umbrella brand must be both credible and distinctive. The *New Zealand 'Fern Mark'* offers a model designed to increase standards of performance in manufacturing and is notable for expressing its values in accessible consumer language. Similarly, the success of New Zealand's tourism proposition '100% Pure' has led to calls within the food industry for its extension into consumer foods, suggesting competitors are recognising the powerful potential of umbrella branding. Rooting our brand reputation in consumer values which resonate with business to business players, while providing evidence based performance standards behind those values, is a new departure for Irish food and drink and begins at a particularly challenging time.

TO BE SUCCESSFUL,
AN UMBRELLA
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DISTINCTIVE.



The four workstreams:

Innovation and Entrepreneurship

What Pathways for Growth said:

'There must be a climate that encourages innovation. Large companies are not always the best source of breakthrough innovations. These come from scientists, from entrepreneurs who are willing to experiment, and from smaller regional companies who are inventive around the needs of their local markets.'

The vision:

The Irish food and drink industry will encourage a climate of risk taking and experimentation. Irish food innovation will be a process where ideas are turned into marketable and sustainable solutions which deliver benefit on the market. These ideas will commercialise at a fast pace and contribute to high levels of export growth. Business schools, agencies and investors will support a culture in which all companies regardless of scale have access to the necessary resources and the management expertise needed to pioneer new product and new enterprise streams. The industry will thrive on a business culture that is open and attractive to entrepreneurs and which encourages executives within the industry to drive new ideas or to set up their own food businesses. Food innovation and entrepreneurship in Ireland will connect "what's needed" with "what's possible" by merging superior consumer understanding with leading edge technology.



Where we are:

Bord Bia has placed consumer insight at the heart of innovation with our *Consumer Lifestyle Trends* research in 26 countries combining with our *foresight4food* programme to play a unique role in the research and interpretation of deep consumer insights for commercialisation success.

Research is underway to identify the critical factors for successful innovation in Ireland to facilitate greater understanding of the attitudes to innovation and new product development among Irish food manufacturers as well as the role of insight programmes.

Bord Bia is researching the level of supports (and gaps) currently available for food entrepreneurs in Ireland. Our aim is to assess such supports as a springboard for new enterprise start up and development and to lead a coordinated approach for enhanced levels of food entrepreneurship for the industry.

We have launched the Food Entrepreneurs Network, which formally established a networking environment for food entrepreneurs. The inaugural event was used to facilitate a group of recently formed enterprise owner managers and the CEOs of larger firms to gain insights into the kind of supports they would like to see for food entrepreneurship to thrive.

We are researching a virtual 'innovation greenhouse', an online space where food producers, marketers, R&D experts and investors can come together to work and develop their ideas.

We have also piloted a Bord Bia/County Enterprise Boards Innovation Award in conjunction with the Waterford Enterprise Board. Seeking to generate strong, innovative proposals within the food and drink sector, the award offered an overall prize of a *foresight4food* research voucher worth €25,000.

What we are learning:

New products and new enterprises are essential to create the export engines of the future. To maximise early export success alignment to market insight is critical for effective commercialisation and innovation success from the earliest stages of company formation and development. The ability to attract finance and investment whether from the finance department of a food firm, current or potential shareholders, an investment house or bank is clearly challenging in the current environment.

In the case of new enterprise, in particular, the early alignment to effective supports in the forms of market knowledge, investment, encouragement, advice and expertise is critical for maximising success. While supports for food entrepreneurs exist, there is a general lack of cohesion. Supports span formal, informal, public and private sources.

The food sector as a whole needs to follow the lead of other industries in cultivating a risk taking approach, being innovation open with an ability to embrace and support entrepreneurship as a necessary vehicle for successful growth.

The four workstreams:

Education

What Pathways for Growth said:

'Firms aren't investing in Ireland (and some are de-investing). The brightest talent doesn't come to work for food companies (although there are exceptions). Management has a 'tried that before' attitude about new ideas.'

The vision:

We aim to provide education, learning, development and placement programmes that nurture, enhance and elevate the management and executive skills of the food and drink industry to world class standards. The purpose is to attract the brightest and best new talent at leadership, management and graduate level across the industry.

Where we are:

Bord Bia has expanded its education programme aimed at developing a new generation of talent within the food industry.

Bord Bia Marketing Fellowship: is a commercially focused programme designed to broaden the Irish food industry's global footprint. It attracts graduates with at least two years experience in industry to focus on delivering strategic market insight and sales for companies as part of an MSc in Marketing Practice with the Smurfit Business School. The second Bord Bia Fellowship Programme commenced in July 2010. In all, 80 companies are being assisted with 100 research assignments in 12 different markets. Plans for the third Fellowship programme are currently being developed, and may include a new provision for executives currently employed in the food and drink industry.



The Food Industry Strategic Growth Programme (FISGP): also known as the 'alumni' programme, commences in December 2010 and offers a two-year executive training programme in conjunction with Smurfit Business School. Geared specifically towards developing strategic business development skills at senior management level, the programme involves a major assignment to strategically reposition each participant's company.

In conjunction with IBEC, Bord Bia has developed a food industry specific Export Orientation Programme (EOP). It is planned that a pilot of this extended 18 month programme, undertaken with a small number of client companies in 2010, will be rolled out to the broader food industry in 2011.

What we are learning:

Evaluation with participating companies in the Fellowship Programme found that seven out of ten companies used the programme to extend their export reach and two out of three said it helped advance their ambitions in particular markets. The programme is also resulting in fresh talent, research and insights assisting companies' export growth and development. Based on feedback we have extended the induction period to enhance the integration of fellows with client companies. The time allocated per assignment has been increased to optimise the output.



Signposts of change

1. Beef and Sustainability

From January 2011, the environmental performance of all 32,000 farms participating in the Bord Bia Beef Quality Assurance Scheme (BQAS) will be tracked on an ongoing basis to objectively demonstrate the green credentials of Irish beef production. Incorporating sustainability into a national quality assurance scheme is understood to be a world first. It will provide an objective assessment of the carbon footprint and will enable Irish beef farmers to demonstrate how they are improving their environmental credentials and increasing productivity. The introduction of sustainability criteria follows extensive pilot audits of 200 farms, in conjunction with Teagasc and the Carbon Trust. The outputs from the audits will provide the benchmark for future tracking of performance. Ongoing communications with participating farms will be a core part of the programme. This initiative provides an important new marketing opportunity for Irish beef and also signposts the opportunity for the long term development of 'Brand Ireland' which will assert "We are Natural and We Can Prove it".

2. Food Tourism

In a highly competitive global tourist market, Ireland's image as a fresh, natural food producer offers a strong means of destination differentiation for tourism. The Guinness Hopstore, the country's number one tourist attraction, offers a good example of what is possible in food tourism. Integrating local artisan foods within the tourist experience translates into greater awareness of the Irish food and drink offering in the visitor's home market, thereby creating an activation opportunity for Brand Ireland as a food source. All food touchpoints for visitors in Ireland need to be considered. This extends from gleaning food knowledge through selecting to eating whether in a restaurant, food market, food trail, cookery school or festival. Each and every touchpoint is an opportunity to grow our food reputation abroad. Bord Bia provided a draft food tourism strategy as input into the current tourism strategy led by the Department of Tourism, Culture and Sport. Bord Bia is also working with Fáilte Ireland and with food tourism stakeholders in recent months to inform and assist in their development of a Food in Tourism Strategy, to promote Ireland as a destination of locally sourced, natural, distinctive food offering an exceptional food experience to visitors.



Growing the success of
Irish food & horticulture

Bord Bia
Irish Food Board

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