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COLLABORATION WITHIN THE UK FARM INDUSTRY

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This paper presents the results of the first year, of a 3 year project looking into collaboration within the food chain in UK, at the Royal Agricultural College. Project co-funded by English Farming, Food Partnerships and Royal Bath & West Show Society and Douglas Bomford Trust.

ABSTRACT

This paper addresses the effectiveness of the traditional models of cooperation, and analyses best practices in other commercial sectors in order to identify transferable elements. The Report of the Policy Commission on the Future of Farming and Food (2002) identified a need for farmers to cooperate and collaborate more effectively in their business activities in order to be more competitive. The Plunkett Foundation (1992) suggests that in order to play an important role in the maintenance of the rural economy the Farmer Controlled Business should adopt more imaginative approaches.

Using an inductive grounded theory approach and guided interview techniques, experts in the field of business collaboration were selected using a purposive sample approach and interviewed using an iterative Delphi model. Interviewees were leading academics, government officials and managers of the most profitable and/or innovative EU based cooperatives. Having been asked to identify and evaluate the operational characteristics of traditional models of cooperation, respondents were encouraged to identify the ideal characteristics of any replacement business frameworks.

A culture of “farm focus” and a lack of “global” understanding were identified as very important factors affecting cooperation. In addition to this, the intrinsic limitations of the traditional model of cooperation were recognized as an important limitation, as well as the personal characteristics and skills of the members were identified as relevant barriers.

The paper concludes that addressing the problems of culture and attitude is a long-term process. Therefore the solution could come from models, where the members do not necessarily have the required vision or culture, but they are part of a bigger organization that has the needed consumer and food chain focus. The key factor is to gain recognition of the need to fundamentally address organizational structure.

Key words: cooperatives, collaboration, supply food chain, organizational structure, farming.

PREVIOUS RESEARCH

The business environment within the food and farming industry is becoming increasingly

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competitive. Existing forms of traditional business cooperation in the UK farming sector are insufficient to gain adequate market power and profitability within an increasingly competitive global food and farming industry. The Report of the Policy Commission on the Future of Farming and Food (2002) identified a need for farmers to cooperate and collaborate more effectively in their business activities in order to be more competitive. According to Ashley-Miller (1994) the lack of success of the English cooperatives or collaborative attempts has been in part due to the traditional high average farm incomes, high level of subsidies, an outdate industry framework, and the lack of government and institutional financial support. Also, the independent nature of farmers could be one of the reasons why the cooperatives have suffered from homogeneous boards of directors, management problems and poor leadership.

Kinsey (1995) says that the UK will need to move closer to the European example, where cooperatives have been more successful. The Plunkett Foundation (1992) suggests that in order to play an important role in the maintenance of the rural economy the Farmer Controlled Business should adopt more imaginative approaches. Supporting this idea Hennesy and Robins (1991) state: "the old style of management will not longer serve under the new conditions in which business must operate."

OBJECTIVES

The main aim is to find a new form of collaboration between farmers with the need to gain significantly greater scale and flexibility in an increasingly global food chain.

The research objectives are:

- To assess the effectiveness of the traditional models of cooperation.
- To analyse best practice in other commercial sectors and identify transferable elements.

PROCEDURES

Primary research will be limited to EU member countries as the legislative framework of the Common Agricultural Policy (CAP) significantly limits opportunities for the transfer of operating models from a non-EU business environment.

Using an inductive grounded theory approach and guided interview techniques, experts in the field of business collaboration were selected using a purposive sample approach and interviewed using an iterative Delphi model. Interviewees were leading academics, government officials and managers of the most profitable and/or innovative EU based cooperatives. The objective is to identify the parameters of best practice and develop a working hypothesis of how current co-operative models might be challenged effectively. The evaluation process comprises benchmarking the potential of any new model to create opportunities for improve profitability via: 1) greater scale of operation, 2) increase flexibility of structure, 3) enhanced market power via branding or other forms of differentiation.

RESULTS

Having been asked to identify and evaluate the operational characteristics of traditional models of co-operation in the light of a global food supply chain, respondents were encouraged to identify the ideal characteristics of any replacement business frameworks. Responses were classified by the unanimity and emphasis placed upon an issue.

Very important factors: Culture of “farm focus”, lack of “global” understanding

Barriers	Ideal characteristics
Domestic vision (production focus, independency)	Supply chain focus, consumer focus
Lack of business vision (lack of professional management)	Understanding of the business environment (business run by professionals)

Important factors: Intrinsic limitations of the traditional model

Barriers	Ideal characteristics
No clear sense of ownership	Tangible assets and benefits
Lack of commitment and dedication	100% commitment and professionalism
Inadequate structure and inflexible rules	Lean structure and flexible rules

Relevant Factors: Personal characteristics and skills of the members

Barriers	Ideal characteristics
Lack of good leadership	Leaders with the right vision and attitude
No clear division of roles	Professionalism of roles
Not enough training and education	Education, training and support

The results agree with the majority of the writers who have been working on cooperation during the last two decades, and also support the findings of the two latest English reports about cooperation, Thelwall (2004) and EFFP (2004), despite their focus being different.

The interview results identify a key issue as the limited and inconsistent perception of UK farmers of the need for change. Both Thelwell (2004) and Waner (no date) suggest that farmers remain production driven, whilst Fulton (2000) identifies that the key driver for increased market power is the knowledge and response to consumer demands. He cites the ‘New Generation Co-operatives’ in the USA as examples of firms with a vision of the food chain in its entirety. This supports our idea that a different model of cooperation could promote and develop a new kind of culture in the British farm industry.

“As a matter of fact, the organizational arrangements of traditional cooperatives hinders them from making their escape from production-orientated to market-orientated business”

Kiriakopoulos and Van Bakkum (1999)

The intrinsic limitations of the traditional model of cooperatives have been largely discussed in international literature. O’Connor (2001) says that the problem lies in the treatment of the capital as common property and then how this then does not affect the voting power and the ability to withdraw the investments. Cook (1995) highlights the importance of the member’s commitment to guarantee the control of the cooperative. The lack of commitment and participation from the members was a common factor through all the interviews and the lack of time the principal explanation. On the other hand, the identification of the limitations of the traditional model as barriers to collaborate was not a general agreement between those involved in



traditional cooperatives. However, for those experts and cooperative's members with a more supply chain and consumer focus, those limitations are important barriers if the organization is aiming to be world class.

Related to the previous findings, the lack of business skills among members, therefore in the boards, was unanimously identified among cooperative's managers and experts. The finding of O'Connor (2001) similarly identifies the lack of range of business skills. Following the same idea, Waner (no date) suggests the need for a unified group of producers including those with leadership skills, knowledgeable and with a strong business plan.

CONCLUSIONS

Addressing the problems of culture and attitude is a long-term process. Therefore the solution could come from the Spanish examples and from the franchising model, where the individual business (franchisee or a very small traditional cooperative) do not necessarily have the required vision or culture, but, they are part of a bigger organization (Federation of Cooperatives or franchisor) that has the new culture. The key factor is to gain recognition of the need to fundamentally address organizational structure ("alcoholic problem").

There needs to be established the right to trade ownership and a financial framework attractive to external capital. The payment of dividends or bonuses should be more visible benefits of being part of the organization.

There needs to be more consumer-supply chain focus, in order to attract the kind of leaders required. An increase in the education level is necessary in order to professionalize the different roles. But if the model is more consumer-supply chain focused, with a significant flow of information coming back to the members, it should be easier to attract (as a new member or increasing the participation) and to develop (training-education) the kind of leaders and directors required. The dedication and commitment are consequences of the value that the coop represents to the member.

Looking forward into the new model

This study draws upon broader strategic management thinking and examines best practice from other commercial sectors, and thereby seeks to identify potential new feasible models for farmer collaboration. For example, Bartlett and Ghoshal (1989) describe how global corporations have introduced innovative changes to organizational forms.

"Today's worldwide competitive environment demands collaborative information sharing and problem solving, cooperative resource sharing, and collective implementation- in short, a relationship built on interdependence."

Bartlett, C and Ghoshal, S; (1989; pp92)

Successful companies are able to exploit new ideas and products in a rapid and efficient manner. They need to be increasingly sensitive to market and technological trends no matter where they occur (Bartlett and Ghoshal, 1989). Grant (2002) highlights the increased emphasis on coordination and collaboration, particularly the ability for networks of small firms to access economies of scale. Managing dispersion, specialization and interdependence are key characteristics of strong integrated networks (Bartlett and Ghoshal, 1989). It is in the application of such thinking to the improvement of farmer collaboration that this research will make a contribution.

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