AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Food Industry Management: Preparing for Total Systems

by

Jarvis L. Cain, Professor
Agricultural and Resource Economics
University of Maryland
College Park, MD

Introduction

The total food industry systems concept is becoming more widely known. Management reads about it, and many have decided that the concept has some merit. But one of the numerous questions management has is: If our firm wanted to get started with this total food industry systems idea, what can we do as a firm? What are some concrete activities that our firm can get involved in to get this "systems thing" off the ground?

This article addresses that question. But first, two short digressions.

To Whom Is This Article Addressed?

The author is addressing the top management complement of firms in the food industry. He is seeking the attention of those individuals responsible for the long range and strategic planning functions for their companies. The author wants to communicate with those who (1) chart the future for companies, (2) shape their product and service offerings, (3) develop the organizations, choose the technologies and make the myriad other decisions that made food industry firms what they are today and what they will be tomorrow.

Age of the Generalist

We have been living in an age of specialization. For many aspects of the food industry, the specialist will be in demand. However, for the task of putting together the total food industry system, a team of generalists will be required. Of course, this team will be backed up by a large group of specialists.

What Is the Objective of the System?

As a starting point, the following general food industry purpose will be useful: "To provide adequate supplies of safe, nutritious food and food products with desired service levels at prices that reflect true value to the United States consumer, at a minimum total resource cost."

This is a general objective. The remaining discussion will cover starting on a new system designed to fulfill this objective.

Evidence That A New System is Forming

The five areas listed below are major components of the new system that are already taking shape:

1. Electronic information systems.
2. Incorporation of the meal unit into the product offering.
3. Changes in food processing technology--retortable pouch, U.H.T. products.
4. Mergers and acquisitions at all institutional levels.

5. Prepared foods everywhere at retail.

There are many other areas where change is pointing to a new system.

What Can Your Firm Do?

Follow the steps listed below to get your firm ready to participate in the system. Also, be ready to get involved in industry- and systems-wide efforts when they come along.

Step 1 - Specify your own firm Or organization

The old adage "Before cleaning someone else's closet, be sure your own is clean" applies here. Before anyone can start to consider linking firms together into some sort of system or subsystem, he/she must know the components of his/her own firm. Most of this information is, or should be, easily available. Start with your firm's goals and objectives, along with criteria for measuring success in your firm and its parts. Following these, management would want to list such items as:

1. Products and services
2. Technologies
3. Organizations
4. Facilities
5. Information systems--internal and external
6. Financial management systems
7. Packaging and transportation
8. Raw product supply network, if applicable

In short, management will want to describe in detail on paper all the components of the firm. Managers will be specifying their own system or mini-system.

In addition to preparing management and the firm to be active contributors to the development of the total food industry system, there is a significant probability that potential improvements for the company will be discovered that will more than pay for the cost of the specification process.

Step 2 - Identify Components Under Management Control

The first of three sorts that management will want to make on the newly identified system is for components that are under management control (you can do something about them) and those that are *not* under your specific control.

The components *not* under management's control (transport if you use common carriers, D.S.D. systems, ATM's network, package sizes, etc.) should be listed and not worried about. Why frustrate yourself with problems that individual firms cannot solve? Leave these components to industry committees and trade groups to handle.

Concentrate on those components that management can change (your company's organization, facilities, product selection and service offerings, objectives and criteria for success). Be knowledgeable on these components. Be ready to discuss them with others and visualize how they may or may not fit as part of a sub-system or system.

Step 3 - Identify Components Same as Other Firms

Sort number two involves dividing components into those which are the same as (or substantially similar to) those in similar firms and those that are unlike others. Good hard introspection is needed here, because each of us thinks that what we do and have is unique. However, closer inspection will show that firms are really doing many things in common, each with a unique touch. The common elements can fit easily into a sub-system or system. The components that are unique may or may not have to fit into a system.

The development of a total food industry system *does not mean* that all components of the system are standardized, homogenized and

white-washed. It does mean that certain common elements are linked together for the purpose of increasing efficiency and productivity from the point of view of both the individual firm and for the industry as a whole.

Management, keep your uniqueness, but recognize that many components of the food industry can be bonded into a system that will give all of us a better world. As long as your firm's output and intake are compatible with the system, internal components that are unique can be used to the individual firm's advantage without involvement with the rest of the system.

Step 4 - Identify Roadblocks To Implementation of the Total Food Industry System in Your Firm

Sort number three will be to identify potential problem areas in your firm relative to the total system concept. Along with this listing, it would be useful to establish priorities--which problems are to be worked on first.

A companion listing would be of potential solutions to these roadblocks. Discussions with friends and associates could be quite useful at this point.

"Model" of Twenty-First Century Food Industry System

One of the great frustrations in this systems work is trying to answer the question: "What will the new system look like?" "Show us a model." "Where is the blueprint?"

Building a total system for an industry is not like building a market, a distribution center or a processing plant. There are physical components to the system. However, there are people and information system components and all the others listed earlier in the paper, plus many more. In addition, the system is continuously changing to meet the constantly changing needs and wants of its customers; as well as incorporating new technology and concepts as they are developed and applied.

Could a snapshot of the system be taken at some point in time? Yes, but it would take a very special camera, yet to be perfected. Also, the picture would have to have four dimensions (length, width, depth and time).

If one can't feel it, see it or touch it, why bother with the system? Because we have a system now and we are going to have a different system in the 21st century. We "bother with" the new system to have as much control over our own destiny as possible.

Where Will Individual Firms and Management Fit in the New System?

Specifically, the answer at this point in time is that the author doesn't know. Nobody knows! However, as they system evolves, management must be constantly on the alert so that they are not replaced by someone else or don't miss the opportunity to find their "niche" in the new system.

The same goes for the role that the individual will play within the new system. Those who feel that they have not achieved their "proper role" in the industry may well look forward to the opportunity to improve themselves. Management that is happy with its roles will fight to protect these roles or make sure that similar ones are available in the new system.

What Will Happen Within the Food Industry?

As firms get themselves ready for the total systems concept, there will be industry and inter-industry groups ready to accumulate information, consolidate it and begin to form the skeleton of the system on a component by component basis. Work will be done at various institutional levels, by commodity groups and by functional specialization. Data will also be accumulated by area, region and finally nationally. An enormous amount of work is already going on and very significant progress has been made. However, much work remains to be done.

The one major element that is missing in the process is the establishment of some sort of national coordinating group to guide and nurture the development of this new system. This item of business should be given the highest priority so as not to waste time and effort in duplication of work and possible misdirection of effort.

For Our Friends and Colleagues In Government, Universities and Consulting Firms

A healthy dose of the prescription for the industry would also benefit these individuals as they seek to achieve their personal and institutional objectives. They must get ready for the new system. In fact, many may have roles to play in the development of the new system.

If the industry is to "get its act together," then so must we!

Summary

The "Bottom Line" here is knowing the system components in the individual firms, and being ready to work with others to develop a total food industry system which will accomplish the objective listed on page 2. It will require introspection, projection and cooperation.