

# Strengthening SME innovation capacity for impact.

## Is an Inclusive Agribusiness Innovation Support Facility the answer?



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Recent research by CSIRO and Palladium explored agribusiness trends as a potential driver of inclusive and sustainable growth in Southeast Asia. The studies suggested that small and medium enterprises (SMEs) have a strong impact potential because of their ability to innovate, in particular their ability to create processes, products and services through shared value business models -- for profit and for social good. However these companies face many challenges familiar to SMEs the world over: Lack of access to investment capital, weak market intelligence and product marketing, limited R&D capacity and weak links to sources of technical expertise in public research and education organisations, weak links to other market players and potential partners and investors, strong competition from existing market players and macro policy constraints ranging from infrastructure to education to the business operating environment.

We concluded that some of these challenges are symptoms that can be treated at the firm level. For example, making investment capital available or helping broker deals with partners. However there are other challenges, which are symptoms of wider systems failures that also need to be address, if sustained innovation and growth are going to happen. For example, the weak links between key players involved in innovation and the disconnect between new market directions and the supporting policy environment. We think the answer to this is a new type of intervention that supports innovation at firm to innovation system scales, an idea that we call an Inclusive Agribusiness Innovation Support Facility.

### A BRIEF HISTORY OF AGRICULTURAL INNOVATION SUPPORT INTERVENTIONS

Interventions designed to support agricultural innovation have expanded in scope in recent years. Starting with an emphasis on research and technology development, interventions now adopt a much wider perspective that recognises the role of business led innovation in creating opportunities for technology deployment in processes, products and services that create value for farmers and consumers. Yet this raises new questions. How can businesses and markets be strengthened to deliver products and services that meet economic and social development goals? How can the ability companies to continuously innovate best be supported? Interventions tackling these questions have included enterprise challenge funds, market development facilities, business incubators and applied research and public private sector partnership capacity building programs. These have impact value, but tend to be only partial solutions to the underlying challenge of strengthening the capacity to innovation at a system scale.

### THE LONG AND SHORT OF AGRICULTURAL INNOVATION CAPACITY BUILDING

Innovation capacity building is both a short-term and a medium to long-term game. Typically the short-term game involves projects that focus on support at the firm level and help address a failures in markets. For example in the short term companies need support in developing

new products and services and actioning these in the market. Only then can they make profits and deliver value including inclusiveness. This involves identifying new market opportunities and the series of actions needed to pursue these opportunities; for example partnering and doing deals, accessing investment, accessing technology R&D support for emerging business ideas or new technologies that new products and services can be built on, and business practice support.

Addressing deeper failures in the innovation system is a medium to long-term game. Weaknesses in innovation systems are often caused by a lack of clarity of the appropriate roles of public and private sector investment in enabling innovation. Under investment in non-market dimensions of the innovation process by the public sector is a frequent result of this. For example policy change might be needed for business model innovations to have pervasive impacts in markets or to reconfigure support arrangements around emerging market opportunities. This is more likely to happen in the medium to long-term game once business model innovations have proved themselves in the market.

Medium to long-term priorities include strengthening the interface between market and non-market players and helping to enable market and non-market transactions in the wider innovation system. Investment in support of this type can assist players to: develop practices that support interactive relationship for information and technology exchange; mediate relationships between different elements of the system; and aid appropriate policy responses to the evolution of the system as a whole and the unfolding series of challenges and opportunities that emerge over time. This capacity and the responsiveness it enables conditions the medium to long-term ability of economies or economic subsectors like agriculture to generate innovations that allow them to cope and compete in response to challenges and opportunities in the market, and to policy, technological and environmental triggers and to serve wider public policy goals of welfare and inclusive growth.

## **POLICY AND IMPLEMENTATION ENTRY POINTS.**

There is no optimal innovation system, as it must continuously evolve to meeting changing circumstance. Therefore, focus of policy and implementation needs to be on enabling, tracking and shaping this evolution. This involves five types of tasks.

(i) Benchmarking innovation capacity both at a firm level and at a systems level.

(ii) Improving the availability of strategic information on trends and emerging directions through analysis, consultation, and foresight exercises to set priorities for medium to long term innovation trajectories;

(iii) Improving access to resources for innovation including investment capital, research expertise and technology, skilled human resources and business support services.

(iv) Improving communication between different parts of the systems by providing opportunities for interaction through for instance the creation or support of existing platforms, innovation fairs, university / industry / policy exchange programs and secondments, multi-stakeholder mission mode interventions and policy working groups; and

(v) Supporting policy learning by assessing the effectiveness of different innovation policy instruments through evaluation, reflection and learning exercises on existing schemes and emerging business innovation trends.

## **CONTOURS OF AN INCLUSIVE AGRIBUSINESS INNOVATION SUPPORT FACILITY.**

**Guiding principles:** The idea of an innovation support facility is not to substitute for all forms of innovation capacity support implemented through existing interventions. Rather the vision is a light weight convening mechanism to marshal expertise and add value to existing investments by public and private sectors. This would bundle together clusters of activities, expertise, frameworks and tools as an integrated implementation vehicle that better bridges interventions at farm/firm – innovation system scales. A support facility would need have a portfolio of direct hands-on firm level support activities focusing on investment and technical assistance. However the purpose of this portfolio would not only be to deliver tangible impacts and stimulating market responses, but also to inform and legitimising engagement with policy to effect deep innovation system capacity change.

**Core functions:** The operational emphasis in an innovation support facility would need to be contextually design to address key challenges in particular national settings. Priority would be given to different functions on a needs basis and on the basis of where critical bottle necks could be feasibly addressed. In the same vein it would need to be flexible enough to respond to emerging market and policy opportunities to effect meaningful systems change. These functions would include:

- **Investment:** Providing missing pioneer investment in inclusive business.
- **Analysis:** At the business and market systems level to identify opportunities; at the systems level to identify critical leverage points in markets and wider systems.
- **Communication and Networks:** Strengthening the connectivity of existing networks and platforms that help build trust and collaboration between business, policy, research and civil society
- **Learning:** Strengthen lesson learning at the interventions level and at the policy level through analysis, evaluation and reflection.
- **Brokering:** Business deals, new collaborations, accessing wider expertise in the business, professional practice and research communities.
- **Trouble shooting and mentoring:** Providing tailor made support to firm level interventions, and collaborative support platforms and policy process
- **System process support:** Foresighting and visioning exercises, consensus building, practice to policy

dialogue processes, innovation capacity benchmarking exercises.

## IS IT THE ANSWER?

Clearly the idea of an **Inclusive Agribusiness Innovation Support Facility** is both ambitious and challenging. Ambitious in the sense that it sets its sights on tackling innovation system failures that have deep historical, cultural and political roots. Challenging in the sense that it requires investment not only in the domain of quick wins in at the firm level, but also in the more uncertain domain of wider innovation system change where impacts will emerge unpredictably at longer time scales. However if we shy away from the long-term and uncertain innovation system capacity building agenda, where will the quick wins of the future come from?

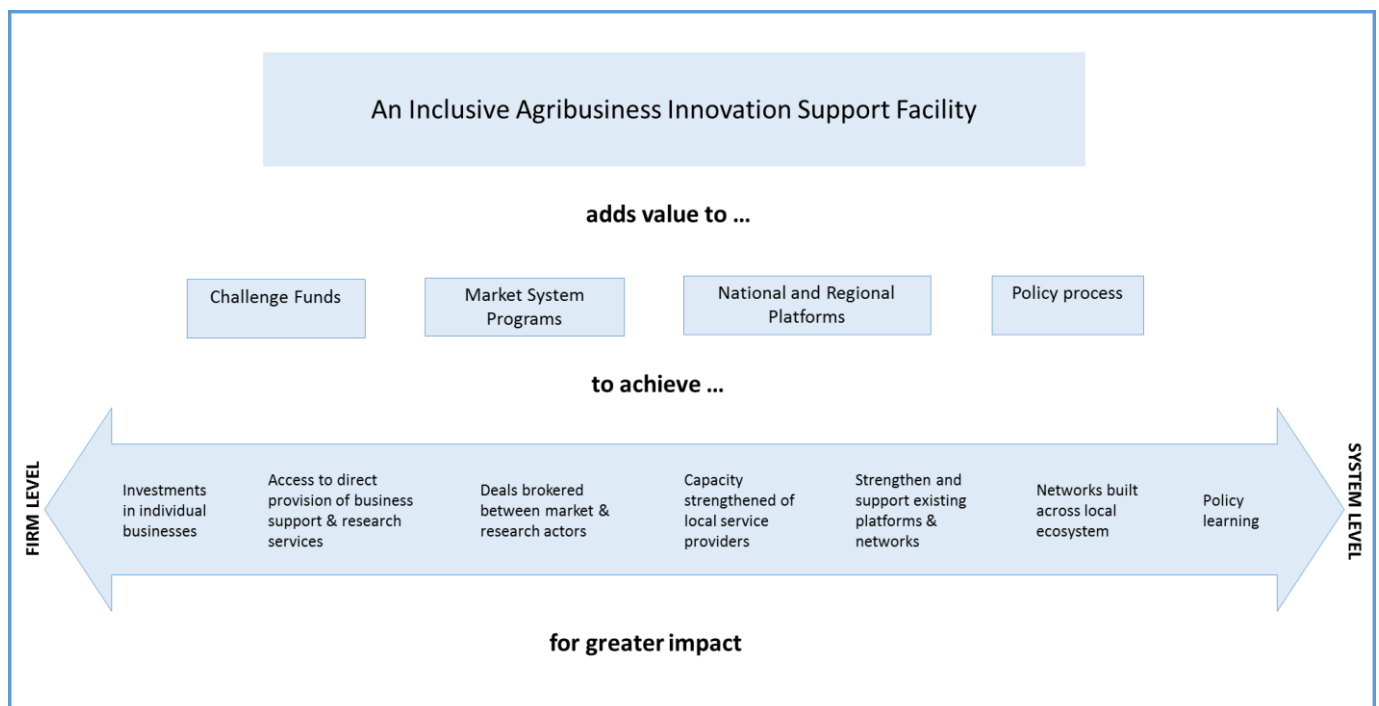


Figure 1: Theory of Change for an SME Inclusive Agribusiness Support Facility

## WANT MORE INFORMATION

For more information about the studies referred to here please contact:

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