An Exploratory Study: Benchmarking Human Resource Innovation through Determining the Red Meat Industry's Absorptive Capacity

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The Australian Meat Processor Corporation (AMPC) has identified the need to continue to foster human resource innovation in order to remain competitive and ensure the viability of the industry. It is expected that innovative personnel will lead to increased competitiveness, greater commercial returns, and ensure that red meat processing companies are at the cutting edge of technology.

In 2014/15 AMPC engaged Greenleaf Pty Ltd to explore and benchmark the innovation capability and capacity of the industry. Specifically, the exploratory research project is aimed at understanding the industry's absorptive capacity.

Absorptive capacity can be defined as the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends to create new value.

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Methodology

To support the red meat industry with sound advice, this exploratory study investigated the current capacity of five companies to absorb, assimilate, and exploit new knowledge for innovation.

To guide this research, the following central research question was presented:

- *How is absorptive capacity for innovation operationalised in red meat processing companies in Australia?*

This exploratory study selected an embedded mixed methods case study to answer the central research question. The purpose of the design was to collect a range of descriptive statistics via an absorptive capacity benchmarking survey, together with qualitative semi-structured interviews and focus groups. The combined data provided a preliminary understanding of how absorptive capacity for innovation is operationalised within red meat companies in Australia. There is potential to build on this preliminary understanding to develop an industry benchmark with inferential statistics but that will require a larger sample size and much wider cross section of the meat processing industry.

A literature review was conducted on the entire body of knowledge (>650 articles) around innovation and absorptive capacity. Findings and evidence across many industries and companies was distilled into 3 main components of absorptive capacity. These three key elements were develop into a conceptual framework in Figure 1 as part of the project. This framework was then used to structure the surveys and interviews, with results indicating the degree to which capability in each area of absorptive capacity was demonstrated within the companies and participates.

General Findings

Learning type is expressed in particular dimensions which eventually culminate in innovation outputs.

The conceptual framework in Figure 1 identifies key learning types required across the three dimensions of absorptive capacity. These include (a) exploratory learning, used to scan and acquire new knowledge external to the business or the industry; (b) transformative learning, required to assimilate or comprehend the new knowledge and its relevance to the business, and (c) exploitative learning which describes the ability to integrate the new knowledge into systems and processes within the business that generates new value or innovation outputs.
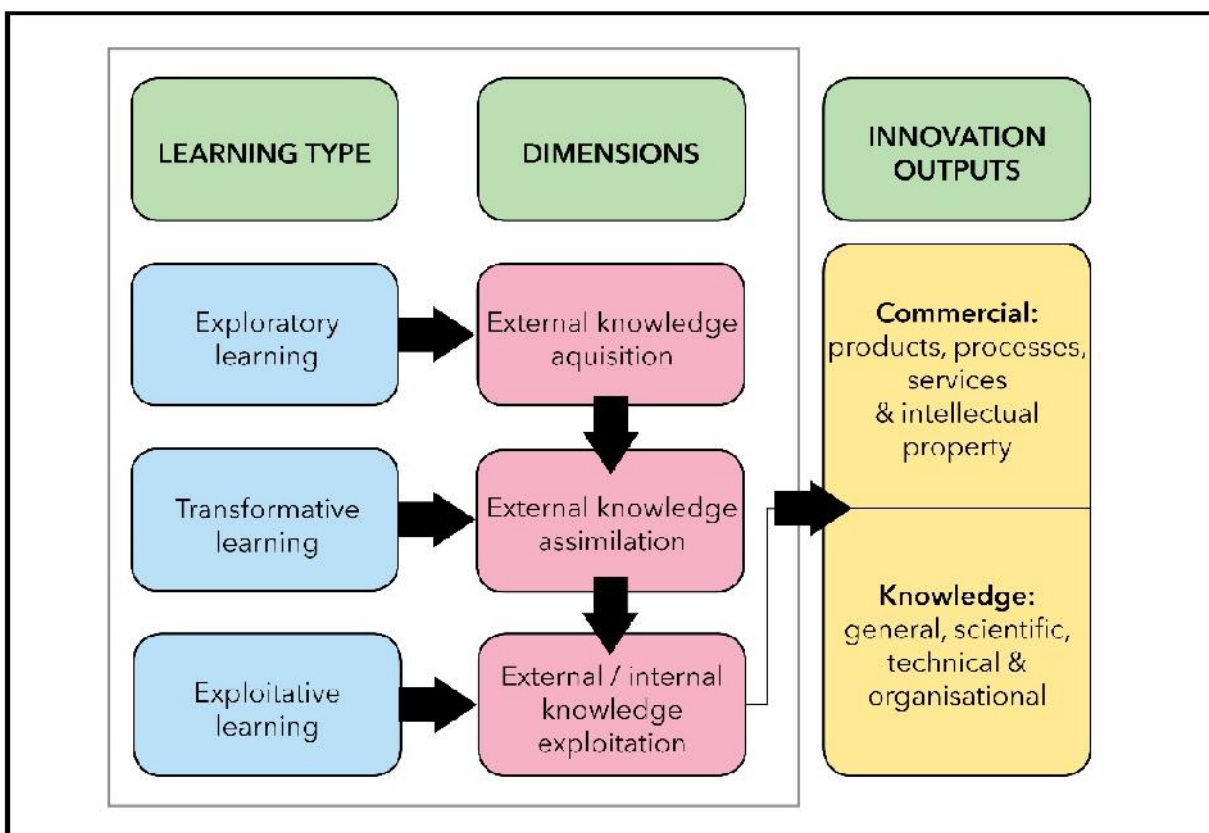

Figure 1: Absorptive Capacity Conceptual Framework.

It becomes immediately obvious that scoping the globe and coming up with new ideas (exploration) does not by itself translate into new value. Alternatively, being good at operationalizing something into repeatable processes although important, will only generate minor continuous improvements if there is no new knowledge.

It is important to note that exploration requires more transformational creative thinking while exploitation needs to be more transactional by nature to extract the value opportunity.

The challenge is that these processes are antagonistic to each other. Companies that effectively bridge the gap between exploratory and exploitive thinking are much more likely to generate innovation and new value than ones that don't. The meat industry as a manufacturing industry, and with very low profit margins has had to excel at transactional processes to survive. As a result, there is a general resistance to considering and new external ideas that are effectively assimilated and embedded in the industry.

Key Results

The Australian red meat industry faces market conditions that make it increasingly difficult to compete. Despite the ongoing challenges, there are significant opportunities, if the industry can position itself to keep pace with knowledge innovation and other technological advancements. This opportunity will progressively be realised as the industry builds capacity to absorb and use new knowledge. Modernising and sustaining the industry into the future will require transformational leaders, as well as practical managers to drive change throughout the vertical and horizontal structures of red meat companies, and at a faster pace than has been required in the past.

Summary of exploratory findings

Participating companies in this study were found to be engaging in some exploratory learning activities, however the amount, and type of activity is limited to a few areas. Based on the qualitative and quantitative data gathered, there is scope for companies to place greater emphasis on broadening their sources of knowledge for innovation. Added to this is the need for more partnerships with universities and researchers to acquire knowledge for radical innovation. The lack of apparent engagement with the digital economy is somewhat concerning for the industry as a whole, and is an area that needs to be addressed urgently for the industry to remain relevant to customers and competitive. Finally, furthering networks throughout Asia will strengthen and establish new sources of external knowledge innovation and competitive advantage in the region for Australian red meat companies.

Summary of transformation findings

Distilling the findings on transformation, the data indicates that companies in this study are utilising a narrow range of assimilation processes to transform new external knowledge into business routines and processes. Companies were found to have a preference for team meetings, training and newsletters as processes for assimilation. Obviously, there is nothing wrong with these chosen processes for assimilation, however companies could be encouraged to utilise a range of other digital approaches. These include, company websites and intranet, social media, and knowledge databases. This finding is consistent with how the companies in this study approach exploratory learning, that is, with minimal engagement with digital technology. Findings also showed that the industry's knowledge of risk management may be negatively impacting on the assimilation of new knowledge. Other factors found to be having a negative impact on assimilation include: (a) a lack of trust in companies; (c) a level of inability to transform knowledge into routines; and (d) reduced assimilation of new knowledge between management and operations.

Summary of Exploitative findings

The data showed that some companies in this study were proactively building the innovation capability of employees while others were not. Companies were also found to be exploiting knowledge into systems and routines, although it is not clear whether this knowledge was necessarily for innovation purposes. This is in-line with the earlier observation that meat industry companies in general are very good at managing operational processes and regulatory requirements.

Recommendations

It is hoped that the findings and recommendations of this study will be informative to the broader industry, and encourage all stakeholders to think deeply about the implications.

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Broadly, the recommendations fall into four important areas:

Increase collaboration

Recommend that AMPC establish a new collaborative innovation network (community of practice). The network should focus of the following:

o New generic knowledge to benefit the whole industry;

o Identifying common industry problems and solutions;

o Identifying open innovation R&D projects to benefit the whole industry;

o Engaging with and forming collaborative relationships with universities/researchers on a suite of knowledge areas including:

- Strategy development

- Organisational development

- Product development

- Marketing

- Process development

- Technology

o Recommend that the innovation network conducts exploratory learning in Asia through the development of connections and collaborative relationships with food industry organisations in Asia, including:

- Identifying relevant food industry organisations in Asia;

- Inviting delegations and visiting Asian food industry organisations; and

- Recommending relevant inter-cultural R&D to acquire new knowledge for Australian companies.

Engage with the digital economy

Recommend that AMPC promote the benefits of the digital economy by:

o Conducting red meat digital R&D projects;

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o   Promoting the advantages of the digital economy to the industry through various industry networks;

o   Connecting with universities already researching the digital economy (e.g. Queensland University of Technology); and

o   Leading the industry by adopting digital approaches to knowledge acquisition, assimilation, learning and dissemination.

Modernise industry culture

Recommend that AMPC conduct R&D on the cultural changes required in red meat companies to thrive in the modern economy.

Build people capability

Recommend that AMPC and individual companies develop training and professional development programs to build the capability of people to operationalise innovation. Such programs will need to cover the technical and non-technical skillsets associated with innovation.

Recommend that AMPC engage red meat company senior leaders and managers in an ongoing strategic conversation about how to improve their absorptive capacity for innovation, by:

o   Adopting and communicating the conceptual framework of this study to explain to industry leaders and managers what absorptive capacity is and means for the industry.

o   Hosting an annual conference to disseminate AMPC R&D and other appropriate research;

  ▪   Include keynote speakers;

  ▪   Various presentations on R&D project findings;

  ▪   Trade shows of latest products and trends from suppliers; and

  ▪   Could also conduct practical workshops on how to operationalise new products, technologies in business.

Celebrate the innovative achievements of the industry through an awards program.

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