

BENCHMARK FOR SUCCESSFUL AGRIBUSINESS - INTRODUCING THE "FIVE PILLAR" FRAMEWORK

Sub theme: Knowledge and Information

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Abstract:

Swedish agriculture has experienced an increase in pressure from decrease in financial strength and decline in financial margins. In parallel it has undergone significant changes in order to deal with the current economic market change. Consequently, agribusinesses have demonstrated difficulties in generating profits, including owners' salary in their financial statements. It has been suggested that only 15% of farm businesses are profitable, meaning the average in agribusiness is in the red. In comparison, non-agricultural related businesses show an average profit margin of 5 %. The debt-level in Swedish agriculture continues to increase, despite clear indicators of decreased profitability. The Swedish Competitiveness Survey (SOU 2015:15) underlines the importance to attract external investors and capital, but also advance and let the younger generation take over the farm earlier, but also improve profitability. In addition, Swedish banks and The Foundation for Agricultural Research (SLF) has in their Research and Innovation Agenda (a result from feedback involving many organizations and stakeholders in agriculture development) and The Swedish Competitiveness Survey have all expressed the need to develop management capability in agribusiness to improve competitiveness. It is unclear however which capabilities should be targeted.

This project uses a Delphi policy methodology in order to identify and generate consensus (among farmers, advisors and academics) around which key factors, or capabilities, are necessary in improving competitiveness and profitability. The consensus variables will later be factor analysed (using principle component analysis) in order to reduce items. Reliability analysis (with Cronbach alpha as the test statistic) will then be used as a basis for generating reliable scales. When consensus is reached and variables are analysed for their reliability and factor structure, they will form basis for the "Five Pillar" framework (developed by J. Nybom and O. Karlsson) for agribusiness management. The "Five Pillar" framework will theoretically consist of the following components: 1 market, 2 financial management, 3 leadership, employees & organization, 4 process & value chain analysis, and 5 strategic development.

Deciding which capabilities to benchmark is a first step in providing farmers with the means to evaluate their business, this study approaches the task through the elicitation of experts in theory, practice, and advisory roles. Additional benefits from the project outcome is to look into the opportunity to develop a management index to use in combination with the benchmark, and will be a comprehensive description including elements of successful business management models. However, previous attempts to introduce "farm management" has been lacking of central measures in accurate business management and it is important to obtain basic knowledge and push for the development of methods. The idea of the project has been presented in discussion forums to entrepreneurs, advisors, researchers and NGOs, who are all highly interested in the outcome of this project.

Keywords: *Benchmark in farming, Knowledge Transformation, Agribusiness Management, Delphi policy Method, Dynamic Capabilities, Competitive Advantage*