

Innovation Principles Help Create Value in Ag Retailing

By Joe Prochaska

Editor's note: This is the first in a two-part series on innovation for ag retail managers.

Innovation is a popular business word today, especially in agribusiness. New products and even new names of established ag companies claim an association with innovation. What does the word really mean, and how does it have value for you as an ag retail manager?

The traditional definition of innovation is "the introduction of something new," but today it also refers to the management principles involved in creating value through knowledge.

The Power of Innovation

In management, innovation is the technique high-tech companies have exploited to create high-value, knowledge-based products. Innovation is also fueling agribusiness' high-tech engines, from biogenetics to site-specific farming. Your retail business is making a transition from being product-to information-based, and you can adopt and utilize these same management concepts.

You must think and act differently than the competition when adopting innovation. This mindset is essential to accepting its most powerful concept: innovation does not require additional investments of time or money, but a new and different approach to allocating your resources. If spending money resulted in industry leadership, RCA, and not Microsoft, would rule the computer world.

How Innovation Works

The definition of innovation developed by Peter Drucker more than 30 years ago is still the best: "Taking the resources in your business and shifting them to a higher level of value and usefulness for your customers." A good example is Bt insecticides, where

a modest spray technology acquired high value when shifted into crop germ plasm through advanced technology. While this is a well-known example, you can put the same principle to work to create exceptional value in your own business.

Practicing Innovation

You acquired valuable ag retailing skills in the past as a necessary part of building a successful business. This new technology also requires you to develop a different set of skills. They include taking an inventory your resources, learning the basic principles of innovation and putting these principles into practice through timely decisions.

Resource Inventory

Before deciding which resources can be made more productive, you need to review the inventory of what comprises value in your business.

Start with an analysis of your financial strength and physical assets, then move to the resources that are more knowledge-based. They include people — your team and their experience and abilities. They also include your intellectual property base that is growing each year, including market knowledge, product information, local agronomic expertise and your confidential customer database.

Basic Principle of Innovation

Like any worthwhile business practice, innovation is hard work. In completing your resource analysis, the toughest part is to distinguish those areas that make a high contribution from those that do not. You will identify parts of the business you do not want to leave behind but that must essentially be abandoned.

It is often difficult to accept the fact that the skills you relied on to build your business may not be the ones you need today. Just as you learned financial or agronomic skills in the past, innovation skills can and must be learned now.



Putting Innovation into Practice Identify Trends

Of all the innovation principles we will cover in this series, the most important is to correctly identify leading trends in your marketplace. Your job is to identify those trends that will be in widespread use within three to five years, a critical window where you gain competitive advantages that the marketplace, your customers, will pay for.

Your customers also want to be different. Strengthen your value to them through changes in your service/product mix ahead of the competition, a never-ending part of innovation.

Stay Focused

You will identify several emerging trends to shift resources to, but an important part of the discipline of innovation is to select the winners. Choose the options that will significantly impact your business by improving the productivity of your customers. This also demands the discipline to say "no" to many new ideas.

Decisions and Action

After you have identified resources that must be applied to leading market trends, it is time for a decision.

Decisions must be timely for these innovation principles to work. Delaying a decision may lose the opportunity in the fast-changing pace of agriculture and ag retailing. However, decisiveness will bring the real rewards from innovation that help create an ag retail business that has greater value for your team, the ownership and especially your customers. □

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