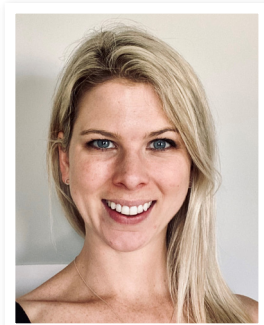


The innovation paradox: Innovation within the food industry in developing countries and the challenges associated with globalisation

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Credit: Dimitris Vlakos



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Hindsight on foresight

"This telephone has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us."
– Western Union, 1876

"Everyone acquainted with the subject will recognise it as a conspicuous failure." – Henry Morton, President of the Institute of Technology on Edison's light bulb, 1880

"The horse is here to stay, the automobile is only a novelty – a fad." – President of Michigan Savings Bank advising Henry Ford's lawyer not to invest in the Ford Motor Company, 1903

"A rocket would never be able to leave the Earth's atmosphere." – The New York Times, 1936

"I think there is a world market for maybe five computers." – Thomas Watson, Chairman, IBM, 1943

If one reviews some of these comments, they leave you perplexed at the lack of insight by reputable persons or institutions into the potential application of major disruptive technologies and events in history. How could they have been so wrong in their assessment and limited in their insight? We first need to recognise that we live in a world of disruption and volatility. Therefore we need to innovate and anticipate evolving consumer needs and market trends more than ever before, and this principle applies to all industries, including Agriculture and Food.

Innovation is broadly defined as a new product, process, technology, market discovery or business model that delivers value to the customer. Unfortunately, in comparison to most other industries, the food industry has historically been regarded as a mature and slow-growing industry resulting in a low level of investment in new product development, remaining conservative despite an increase in food globalisation. So the question needs to be asked, how do we innovate in developing countries, such as South Africa, to have impact within a global context in the food industry? In our experience, there are three main drivers to innovate:

Bold leadership and the innovation ecosystem

Within established businesses, innovation can introduce complexity and create organisational resistance in an ecosystem designed at running efficiently, and delivering on core objectives and profitable activities (usually short- to medium-term objectives or KPIs).



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The driver of large established businesses is to maintain a high turnover and profits, with success largely attributed to being predictable without managing risk. Herein lies the paradox; becoming the best at what you do will set you up for failure in the long run.

Companies that aim to invest in innovation often try to fit innovation into the existing organisational structure and systems, but this approach could prove to make innovation even more difficult. Sadly, these businesses will soon find themselves in a low-innovation, low-risk, low-reward cycle and if businesses continue operating in such a cycle, they could find themselves in a situation where they lose market value to a competitive company that prioritises and delivers innovation.

Innovation should therefore be placed in an ecosystem (innovation “bubble”) that can run as an experimental programme with less oversight and administration, and be subjected to its own rules. Bold organisational leadership and senior management buy-in are needed to innovate, reduce organisational resistance and harness resources to allow for such value growth. The most capable resources need to be allowed to explore and anticipate the future, and this foresight should provide insight into which actions are needed to actively build a “portfolio” for the future – in simpler terms, the innovation investment strategy needs to deliver optionality. The ecosystem needs to cater for innovation while, importantly, maintaining the focus on current core activities and objectives of the company. The one is not more important than the other; there needs to be a symbiotic relationship within established businesses that allows for both current and future value growth.

Collaboration unlocks potential

Contrary to established businesses, start-ups are experiencing the problem on the opposite side of the innovation paradox. These businesses can innovate and adapt to meet consumers’ needs far more quickly; however, they usually lack the financial resources to succeed as well as credibility, brand recognition and the ability to deliver goods on a large scale. This is especially the case in developing countries where it has proven to be more difficult. However, on the upside, start-up companies are becoming more valuable than ever before.

In 2020 the global food industry market was worth an estimated 7.2 billion Euros and will continue to grow, with start-ups having been identified as the driving force with their ability to innovate products that are in demand. The key to success for start-ups and established business comes down to collaboration. The larger companies usually have the required resources to invest in innovation. Not only will this ensure that an idea could become a reality on a large scale for the start-up,

but it will benefit the larger companies by remaining on trend without changing too much about the internal operational procedures. Besides collaboration, there is a plethora of options available to aid start-ups to raise capital and the necessary funding to innovate: venture capital, private equity, crowdfunding, angel investment and governmental investment funds, to name but a few.



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Inhabit the global village

Globalisation has increased rapidly over the past few decades and should be seen as a tremendous opportunity for the food industry in allowing for economies from both developed and developing countries to integrate in terms of goods, services, ideas, information and technologies. It is easier than ever before to innovate, and the potential gains include scalability of enterprises, job creation and inevitably the stimulation of economic growth and prosperity. At present, the value of companies lies not only in the physical assets, but also in the ownership of intellectual property, patents, research and development capacity, and their brands. With the growth in population, the future of food innovation will need to focus on feeding people while striving to reduce food waste and eliminating the negative impact on the environment (as per the United Nations’ well-documented sustainability development goals).

Milk for the babies

In closing, we should strive to limit the impact of the innovation paradox, and this can be done through bold leadership and creating an ecosystem that focuses on innovation, embracing collaboration and leveraging the opportunities presented through globalisation. After all, as Churchill said: “There is no finer investment for any community than to put milk into babies.”



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