

# KIT 5.3

## Support grain growers to acquire business management skills



**Impact** Growers have increased capacity and ability to make profitable business management decisions.

**Summary**

- Growers' business management capabilities are improved to enable sound decision-making.
- Personal effectiveness skills, including resilient leadership, people management, negotiation, communication and change management are increased.
- Professional skills in financial literacy, compliance and reporting, risk management, strategy, corporate responsibilities and commodity marketing are increased.
- New business management and business model approaches are explored to enable improved grains industry profitability.

### OVERVIEW

Sound business management capabilities are about enabling Australian grain growers to get the most from their available resources including physical assets, knowledge and people. Sound business management combines **personal effectiveness** and **professional business skills**. **Personal effectiveness** includes resilient leadership skills, ability to manage people, negotiation skills and change management skills. **Professional business skills** include financial literacy, business and operational strategy, succession planning, governance, work health and safety (WHS) compliance. Sound business management should deliver on a business model and strategy (how we plan to be profitable) based on the business structure (the organisational systems and processes). In this context, GRDC recognises that grain production businesses are often a collection of enterprises that generate profits for the owners, i.e. there are often more income streams than just cropping. The cropping enterprise (including rice and cotton) is often one component however the business could include income or asset appreciation from farmland and infrastructure development, extensive livestock or fodder production, upstream supply businesses e.g. seed and seed treatment or downstream, value addition e.g. malting or intensive livestock production. Off-farm activities could include consulting or contracting services. For some businesses, the operation may include off-farm employment or business interests that are not related to primary production activities (including commercial or residential real estate and shareholdings, mining, transport etc). This Key Investment Target (KIT) strategy is focussed on supporting grain growers to acquire business management skills. Some of the skills acquired may assist areas of the business other than grain production, however the primary focus will be on grain growers acquiring business management skills required to make profitable decisions in relation to grain production.

It is accepted that successful business leaders are recognised as having the ability to focus on the big picture of business management (people, financials and operations) yet bring strong observational and investigative skills that enable them to dive into specific issues when and where required. These leaders take responsibility for key decisions, put their energy toward issues within their control and are very strongly action focussed. KIT 5.3 identifies six foundations of successful grain growing business leaders:

1. sound financial literacy (across the balance sheet, income statement and cashflow) to efficiently deploy costs;
2. strong personal effectiveness;
3. sound crop and farming system decisions;
4. a focus on rate of return for a marginal increase in investment e.g. a farm input;
5. sound risk management; and
6. having a defined strategic business plan and operational plan.

What constitutes **business management** skills is well understood. The ability to strategise, set goals and priorities, be financially literate and understand regulatory frameworks are business management skills common across all industries. Increasingly the importance of strong **personal effectiveness skills** across business management is also acknowledged.



Having the ability to effectively manage self and others, recognise and address the needs of a diverse workforce and build effective teams can deliver benefit directly to the bottom line. There can often be devastating consequences of poor communication and team building on a business. A lack of attention to these areas can result in the disintegration of a core working group and have a direct and dire impact on business profitability. Successful grain producing business leaders commonly have a combination of both sound professional business management skills and strong personal effectiveness skills or have recognised the need to obtain these skills and employed others to value-add to the existing strengths in their business. This recognised combination of skill sets is what sets more successful grain growers on a faster path to achieving enduring profitability in their businesses. It is also important to recognise that many grain producing businesses have significant key person risk, if the leader of the business suffers in terms of poor physical or mental well-being the business and its stakeholders will in turn be adversely impacted.

Through co-investment, support and industry facilitation, GRDC is seeking to enhance grain grower profitability by focusing on assisting them in acquiring business management and personal effectiveness capabilities. This includes improving the **industry's** understanding of regional needs and potential models to support engagement. Within this KIT strategy **industry** is defined as the industry of education, training and service providers such as accountants, financial planners, farm business advisers and consultants.

KIT 5.3 is divided into three scope areas. The strategy starts with understanding and prioritising the business management levers and personal effectiveness skills that impact profitability. This will also include identifying grain grower capability needs as well as the industry's (as defined above) capacity needs in this space. The second scope area is aimed at helping growers to increase their personal effectiveness (including communication and leadership skills), financial literacy and other core professional business management skills. The third scope area focuses on enabling grain growers to identify and apply new or adapted business management approaches.

It is expected that KIT 5.3 will align and compliment scope areas identified in KIT 3.8 – *Identify engineering and novel business model solutions to reduce capital costs and running costs*, KIT 4.4 – *Improve automation of transport and handling activities and/or alternative logistics and distribution models to realise greater value capture by growers*, KIT 5.2 – *Understand grain grower decision making and the drivers for adoption of new technology* and also GRDCs Core Framework 2. *Capacity & Ability*.

It is important to note that GRDC recognises that in Australia we have a well-developed industry of education, training and service providers such as accountants, financial planners, farm business advisers and consultants supporting grain growers and other businesses. The focus for GRDC will be creating awareness, facilitating and enabling where it can leverage and contribute to enduring profitability and only invest where there are clear gaps. GRDC in its investment strategy will always aim to not create market failure.

## FUTURE RD&E FOCUS

### SCOPE – Industry awareness

**Understanding of how business management impacts profit is increased.**

It is acknowledged that in any industry strong business management is imperative. Grain growers may be fantastic producers with strong agronomic knowledge and skill however if they lack an understanding or ability to make profitable business management decisions their farming efforts are much less likely to achieve enduring profitability. It is the coupling of strong production knowledge with sound business management and personal effectiveness skills that separates the truly successful farming businesses from those just getting by. Demonstrating or modelling best practice or the use of benchmarking tools are effective in highlighting this difference in levels of success. Through demonstrating the positive impact strong business management skills have on an operation, grain growers will better **understand the value proposition** of acquiring these skills and become more aware of the current gaps in their knowledge.

In some cases, grain growers may never achieve strong skills in these areas themselves however they must be able to recognise the need for such and be motivated to engage others who can effectively perform this function for them.



**Growers' skill and knowledge needs and capacity gaps within the industry of education, training and service providers are identified.**

Some grain growers are proactive in enhancing their business management skills while others seek assistance only when faced with adverse conditions, this is not ideal. Grain growers are increasingly time poor, this coupled with limited access to services, can be major constraints to improving business management skills and knowledge. In these situations, gaining or building business management skills and knowledge is often assigned a lower priority compared to improving knowledge and skill in areas such as crop agronomy or variety selection.

Whilst the value of sound business management is generally understood the GRDC believes that there is a need to assist growers in acquiring and broadening these skills in order to improve overall profitability across the Australian grains industry. GRDC has recognised a requirement to better understand grower's current skill and knowledge gaps and in turn inform the education, training and support services industry of these requirements. In addition, there is a requirement to better understand current availability of business management support services, training and upskilling options across grain growing regions to ensure resourcing is efficiently targeted to need.

#### **Investment Outcome 5.3.1 – The GRDC and grains industry key influencers understand the business management capacity and capability requirements of growers in relation to personal effectiveness and professional skills.**

Understanding the regional and contextual business management capacity and capability gaps across the grain grower community will ensure that GRDC can make appropriate investments, facilitate grower engagement and collaborate with stakeholders in a strategic and targeted manner. There are potential gaps in services to support the development of grower's personal effectiveness skills such as resilient leadership, building teams, managing people, negotiation skills, difficult conversations and managing change. There are also potential gaps in the provision of upskilling opportunities for professional business skills such as exploring finance options, building and analysing business plans, identifying and managing risk, succession planning, governance compliance, performance benchmarking, supply chain economics, understanding global trends in ag, analysing economics in agriculture and evaluating ag tech. There are several providers that offer generic upskilling services, through further understanding the specific requirements of grain growers, service providers will be better informed and able to tailor and focus training products. It is also important that these products are offered in a manner that is accessible to regionally based businesses. Many grain growers lack an ability to derive value from, and/or adequately assess and perform due diligence on, the diversity of training and skill development options currently available.

GRDC will invest to understand grain grower business management skill gaps and the needs for personal effectiveness and professional business management skills development as well as the industry's capacity to meet these needs. This means working to understand the diverse needs of the Australian grains industry as well as the needs of the people who contribute to management decisions in Australian grain businesses. This includes understanding grower's current business management behaviours and processes, and capability gaps. It means investing to understand grain production business performance based on people, financial, community and environmental metrics. It also means investing to understand the range of services that are being provided for growers, how these are being provided, and potentially looking for novel or alternative approaches to current service provision. Any investment in this Outcome should be aligned to KIT 5.2 – *Understand grain grower decision making and the drivers for adoption of new technology*. It's important to note that this strategy Outcome will not result in GRDC providing an index of endorsed service providers or promote any particular service provider.

#### **Investment Outcome 5.3.2 – Growers are aware of their businesses' skill gaps and have access to business management support services.**

As grains industry stakeholders and grain growers come to a stronger understanding of the importance and value of strong business management skills, the gaps in knowledge and possible solutions to those gaps will be called out. Most grain growers will have a relationship with their accountant and banking institution. The level of involvement in these relationships, and the corresponding impact on the performance of individual grain growing businesses varies significantly. Many grain growers engage specific and proactive support from farm business advisors for a variety of reasons, for example to improve their business strategy, manage succession planning or benchmark productivity



or business performance. Others may engage advisers reactively, for example following an unexpected death, an unfavourable bank review or adverse changes in the market place. Other important business management needs such as WHS compliance responsibilities and personal effectiveness skills are less well known and are often addressed in an ad-hoc manner. GRDC will invest to ensure grain growers are able to identify and understand their business management skill gaps in order to rectify the deficiencies.

Some grain growers, for a variety of reasons, may never achieve strong business management skills. This strategy (KIT 5.3) recognises the need for grain growers, who may never achieve good business management skills, to have the awareness and ability to perform due diligence on service provider options so they are better placed to cost effectively engage others to fulfil their business management skill requirements. Noting that increasingly grain growers typically have a team of advisers including agronomists, farm business managers, grain traders, input buyers, livestock agents. It is vital that growers can determine their requirements and engage the most suitable provider for their specific needs.

GRDC will collaborate to build engagement between grains industry stakeholders and education and training service providers with a particular emphasis on motivating and enabling grain growers to access currently available GRDC resources, education, training and service providers such as accountants, financial planners, farm business advisers and consultants, and other community services and activities. GRDC will also explore collaboration in this space with fellow Rural Development Corporations (RDCs) to enhance collaborative discussions and effectively communicate and extend information regarding grower's skill gaps, GRDC will work to further understand these gaps by grain grower segments such as age, geography, education level and/or gender. This may also include activities that facilitate the development of regionally accessible services across different skill areas.

### SCOPE – Industry capabilities

**The GRDC partner with growers and the industry of education, training and service providers to increase growers' personal effectiveness and professional skills.**

Many of the business management skills required by grain growers can be found within the broader business community but issues relating to appropriateness of delivery and ready accessibility can be major constraints to the development and adoption of these important skills by grain growers. This means that a strong understanding of the optimal delivery approach of skills and knowledge to grain growers is required to achieve success and should underpin any GRDC investments in this space.

GRDC will not duplicate current services but instead focus on enabling grower engagement and access. GRDC may work to raise awareness and access to these services. It is expected that investment in KIT 5.2 – *Understand grain grower decision making and the drivers for adoption of new technology*, will progressively inform this KIT 5.3 strategy and the ongoing investment in delivering priority outcomes.

#### **Investment Outcome 5.3.3 – Growers have access to personal effectiveness, communication and leadership training to enhance their skills.**

Personal effectiveness skills, which are often referred to as the soft skills or people skills and reflect emotional intelligence, are critical to leadership and success across farming businesses but many grain growers do not understand the importance of these range of skills. Some grain growing businesses have access to few human resources or labour beyond the immediate family, while others may have access to a mix of permanent, temporary and casual employees. All of these situations, whether the business involves only the immediate family or a large team of employees, require people to understand themselves, how they relate to and work with others, how they make decisions and negotiate, and how they behave under short or long-term pressure. GRDC recognises that facilitating the development of personal effectiveness skills is a significant opportunity to create enduring profitability for Australian grain growers.

Personal effectiveness skills include, but are not limited to communication, team building, relationship management, time management, resilience, self-awareness and wellbeing management. Often personal effectiveness skills are associated with personality type. These abilities are however learnable skills rather than simply defined by personality type. Having these skills can often be the difference between a business reaching full potential and not. Having these personal effectiveness skills can also define the employers of choice within the grains industry and in fact any industry.



GRDC will work with other industry organisations and agribusinesses to provide growers with access to personal effectiveness skills. This means GRDC should be involved in facilitating grain grower engagement with general (beyond agriculture) and specialist (within agriculture) professional services, facilitating the development of personal effectiveness services, facilitating the development of industry or community services as appropriate and collaborative investment in existing or new programs. GRDC will not invest without a collaborator in the development and delivery of programs unless a clear market failure emerges, in this case GRDC will only invest to help others close the gap on that market failure. All potential investment in this space must align directly to GRDC's purpose.

#### **Investment Outcome 5.3.4 – Growers have access to training and other resources to enhance their financial literacy and core professional business management skills.**

Profitable grain production means managing a highly complex business that often includes family, staff and contracted service providers. A professional farm manager must be financially literate and understand how to act upon their managerial responsibilities including strategy development, risk management, marketing, human resourcing (HR) requirements and workplace health and safety (WHS) compliance.

Australian agriculture has a disappointing and increasingly unacceptable WHS record. On average, the agriculture industry ranked second in terms of fatality rate and accounted for the highest number of fatalities over the last five years. Agriculture was ranked third for the frequency rate of serious claims. <ref: Australian Work Health and Safety Strategy 2012-2022, June 2018 report>

There is also an increasing requirement for managers to be digitally literate. For example, a Data61/CSIRO report, *The Future of Australia's Agricultural Workforce (2019)*, highlights the importance of digital skills as a fundamental component of modern farm management. Digital literacy includes the ability to manage, interpret and use data effectively.

While business managers are unlikely to be highly skilled in all areas of management, the objective is to develop operational capabilities that can be supported within the business or by other service providers as and when appropriate. Business management skills include but are not limited to financial literacy (able to use an income statement, balance sheet, cash flow etc.), develop sound business strategies for the short and longer term, including succession planning and risk management, understand and effectively act on economic and market insights, HR and WHS management and compliance and understanding legislative frameworks.

GRDC will work with grains industry stakeholders and education and training service providers to provide growers with access to financial literacy and other core professional business management skills. Investment partnerships will be sought with current and recognised general business management training service providers and those more specialised to agriculture. All investment partnerships must be aligned to GRDC purpose. GRDC will not invest directly in the development and delivery of programs unless there is clear market failure, in this instance GRDC will only invest to help others close the gap on that market failure.

#### **SCOPE – Innovative business management**

The GRDC partners with industry to create knowledge, processes and partnerships to enable growers to identify and apply new business management approaches.

Leading grain growers generally have a strong appetite to explore new and novel business management options across their businesses. This process is important to the cultivation of growth across the grains industry. It focuses on, but is not limited to, lean business model design and the development of new processes, technology, products or paths to market.

GRDC intends to support and learn from the curiosity of grains industry leaders by enabling them to assess and understand business management options outside traditional agricultural models.

#### **Investment Outcome 5.3.5 – Grains industry leaders are driving grower profitability through new business management approaches and non-traditional business management skills.**

Australia's most proactive grain growers are regularly seeking new and alternative approaches to increase management efficiency across their farming businesses. Identifying novel and non-traditional management ideas



from other sectors and/or economies could be crucial to growing the grains industry and create enduring profitability for Australian grain growers. Once new alternative ideas or management approaches are identified, grain growers need support to effectively tailor these ideas into their current business processes.

GRDC will partner with those who can assist to enable the development of business management skills and information suited to unique, new or novel and high-performance systems, where there is potential to scale new insights to other areas of the grains industry. This includes investment in innovative and novel management solutions to current business constraints such as seasonal labour requirements. It could include collaboration in relevant personal effectiveness and or professional development programs, and training support as appropriate for the development of business management leadership. GRDC will not invest in specific tools, technologies or products as part of the KIT 5.3 strategy or in the provision of business consulting services for grain growers or grower groups.

#### **Investment Outcome 5.3.6 – Grains industry leaders are identifying new business model opportunities.**

Across all industries leading businesses compete on business model innovation and this should be no different for Australia's top grain growers. For example, grain growers in south west Queensland have identified opportunities to manage grain marketing through on-farm storage and staggered marketing of their crops. Other growers have established complex 'value-adding' processes within their business. Both examples re-define the traditional grain producer business model, yet both introduce additional and often more complex business management skill requirements. GRDC believes that there is an exciting opportunity to support these top end business innovators through aiding the development of new business models and the development of the business management capabilities that are needed to execute on these novel business models.

GRDC will seek opportunities to work with partners to increase grain grower profitability through new business model approaches and opportunities and the necessary acquisition of the associated business management skills to support profitability. This includes support for growers who look to take advantage of new opportunities in grain supply chains as part of their farming business. In addition to increasing grain grower profitability, it is intended that this investment outcome provides grain growers with the opportunity to position their businesses as investment ready partners of choice. One aspect of this is providing information to family farming businesses on the key business characteristics and strategies required to attract new sources of capital from corporate agribusiness investors. It is also intended that this investment outcome consider how grain growers that wish to work toward positioning their business as a sustainable, socially conscious operation can monetise this commitment.

GRDC will invest, collaborate and facilitate to provide growers with the support they need to source the information and skills suited to their situation. This will include investment or collaboration in identifying and developing innovative and novel management solutions as aligned to new business model opportunities. This is likely to include engagement with current or potential new stakeholders from outside agricultural industries. This is related to KIT 3.8 – *Identify engineering and novel business model solutions to reduce capital costs and running costs*. GRDC will not partner with investors unless there is a clear and compelling business case that benefits the broader grains industry or perform brokerage services between prospective investors and grain growers or invest as a shareholder.