



Innovation Intermediaries Help Collaborative Food SMEs to Create a Bigger Pie



Malachy Mitchell

Mmitchell@farrellymitchell.com



 **Quick read**

Introduction

Open innovation has been proposed as an ideal way for food SMEs to develop new products with the assistance of innovation, intermediaries can help enterprises to overcome the considerable challenges they face when implementing this strategy.

Open Innovation

Open innovation is a new-product and process development model, whereby firms use external ideas, as well as internal ideas, to advance their offering. It can involve the sharing of risks and rewards with partners – such as customers, rival companies and academic institutions - in a permeable business environment where innovation can transfer inward to and outward from the enterprise.

Since companies cannot rely entirely on their own research, they have to buy or license processes or inventions from other entities. Internal inventions which are not strategically core to the firm's business move out of the company, through licensing, joint ventures or spin-offs.

There are a number of challenges to the adoption of open innovation. One is the inability of in-house staff to adopt external knowledge for the benefit of the business.

A second challenge is the organisation's inability to identify appropriate partners for the purpose of sharing internal expertise and forming joint ventures.

Our Research

According to our research, these issues are particularly relevant to the food manufacturing sector, which is characterised by a lower level of trust between stakeholders compared to other industries. Food SMEs also have a low rate of participation in inter-organisational co-operation initiatives, which is a key component of open innovation.

The underlying reason for this failure is the inability of these organisations to deal with complex environments.

Open innovation is a new product and process development model, whereby food & agribusiness firms use external and internal ideas, to advance their offering

- Involves sharing of risks & rewards with partners such as customers, rival firms & academia
- Challenges to the adoption of open innovation include inability of staff to adopt external knowledge for benefit of the business, organisation's inability to identify appropriate partners
- Particularly difficult for food manufacturing sector, due to low level of trust between stakeholders
- Food SMEs have less access to information & less finances to acquire essential intelligence
- Food SMEs need external facilitation & support, to address their innovation process challenges
- That support includes training & up-skilling & operational & strategic management consultancy

For example, food SMEs have difficulty identifying potential collaborators at the beginning of the innovation process, due to the fact that they have less access to information than larger firms and have limited financial resources with which to acquire essential intelligence.



External Facilitation & Support

Shifts in attitudes towards the consumption of processed foods have been driven by overall increasing health awareness. Increased attention is paid to avoidable health problems such as obesity and heart disease and the growing availability of healthy, local and organic ‘fast-food’ alternatives. These primary grocery shoppers are also more sceptical towards the claimed nutritional value of processed foods, leading to a bad image for many companies in several food and beverage categories.

Our findings show that food SMEs need external facilitation and support, to address their innovation process challenges. Food innovation intermediaries can provide managerial support for the innovative process, filling an essential missing link for SMEs and allowing them to exploit opportunities. Such support provides the skills and capabilities required to target their search or to comprehend and benefit from new knowledge (see Figure 2 below - Farrelly & Mitchell Innovation Intermediation Model).

In our experience, intermediaries in Ireland and other international markets are mainly focused on the early stages of the innovation process, particularly on the streamlining of external relationships. Irish intermediaries help to “set the scene” for collaborative innovations and provide a good foundation for early-stage innovative activities, by establishing appropriate relationships and trust among stakeholders. Once this has been achieved, they tend to adopt an observer role, letting the parties collaborate directly without intervention.

Other scene-setting activities provided by Irish intermediaries include feasibility assessments at the early stages of development, to ensure that the prospective partners will ultimately benefit from the joint-venture; and helping enterprises to obtain funding to support the operation of the collaborative innovation.



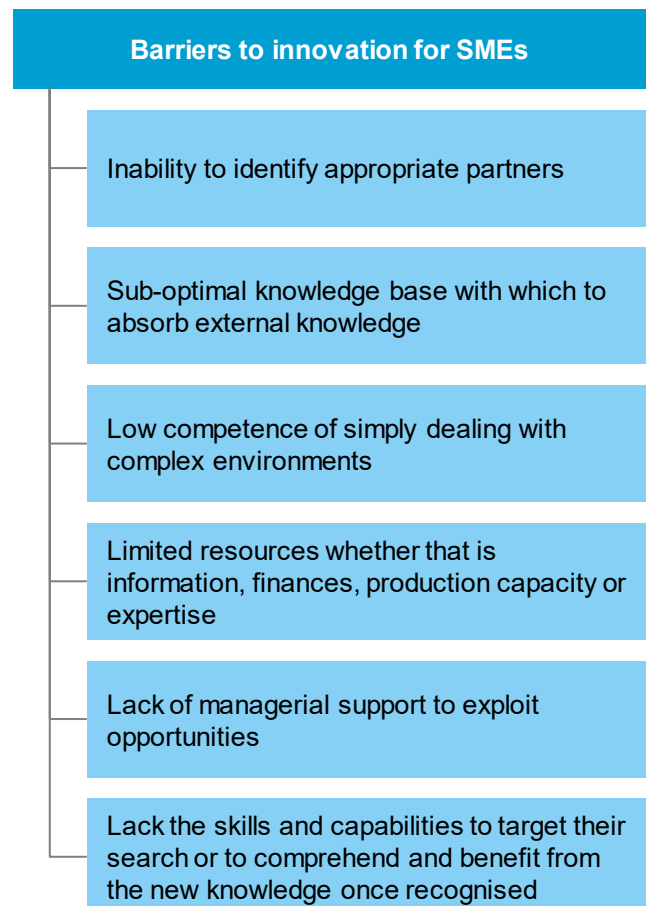
Food SMEs also find it particularly difficult to acquire consumer market information, which is a key driver of innovation, in a sector where consumer preference is the primary consideration.

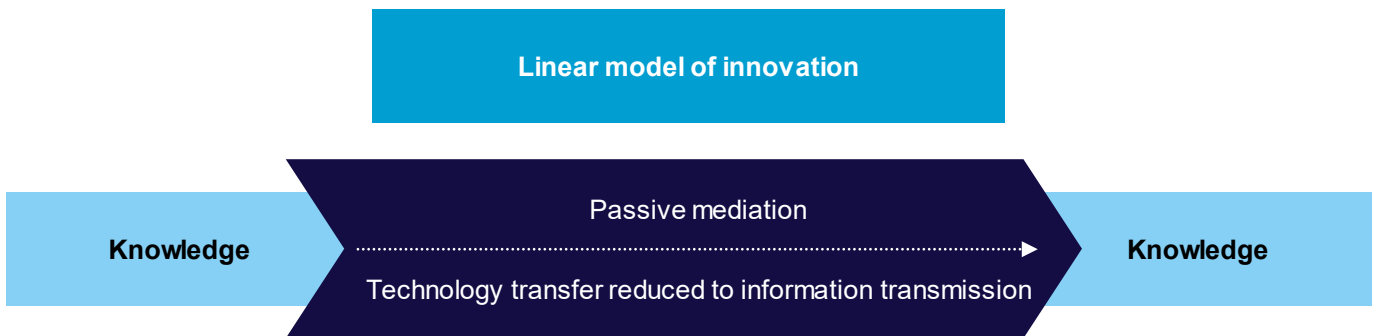
An emerging role for innovation intermediaries is the co-development of innovation, whereby they participate directly in the innovation process – as an innovation partner - while enabling and enhancing their own innovative abilities.

This role involves activities such as the introduction of innovative know-how to the host organisation; training and up-skilling; operational and strategic management consultancy; and the provision of assistance in contractual, standardisation and specification issues.

This provides a more rounded approach to helping food SMEs to complete every stage of the innovative process successfully and to establishing a vibrant innovative culture in their organisation.

Figure 1: Difficulties faced by SMEs attempting to implement and open innovation strategy





Conclusion

Open innovation is a new-product and process development model, whereby firms use external ideas, as well as internal ideas, to advance their offering. It can involve the sharing of risks and rewards with partners – such as customers, rival companies and academic institutions. The strategy can help the traditionally conservative food sector to innovate more effectively, making light of the lack of access to information & finance that can sometimes hold the enterprise back.

Food businesses can avail of external facilitation, support & training and become better equipped to meet potential.



Expert in this Insight

Malachy Mitchell

MANAGING DIRECTOR

Mmitchell@farrellymitchell.com



Contact Details

www.FarrellyMitchell.com

EUROPE

Dublin (Head Office)

Malachy Mitchell, Managing Director

Farrelly & Mitchell

Unit 5A, Fingal Bay Business Park, Balbriggan Co. Dublin Ireland. K32 EH70

Telephone : +353 1 690 6550

mmitchell@farrellymitchell.com

MIDDLE EAST & NORTH AFRICA

United Arab Emirates

Chaitanya GRK, Regional Director (MENA)

Farrelly & Mitchell (MENA)

Unit 1001, 10th Floor, Swiss Tower, Cluster Y Jumeirah Lakes Towers, Dubai, United Arab Emirates

Telephone : +971 4 279 8331

Mobile : +971 551991356

cgrk@farrellymitchell.com

SAUDI ARABIA

Riyadh

Najeeb Alhumaid, Partner (Saudi Arabia)

Branch of Farrelly & Mitchell Business Consultants Ltd

Jarir Plaza Building, Suite 106, King Abdullah Road, Al Hamra District, Riyadh 12211-3857, Kingdom of Saudi Arabia

Telephone : +966 11 463 4406

Mobile : +966 54 338 7199

nalhumaid@farrellymitchell.com

AFRICA (SSA)

Ghana

Stephen Awuah, Senior Manager, Africa (SSA)

Farrelly & Mitchell Ghana Limited

Utopia Office, 14 Senchi Street, Airport Residential Area, Accra Ghana

Telephone: +233 302 906850

Mobile: +233 59212 1723

sawuah@farrellymitchell.com

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