

June 2017 Newsletter (Copy 02)

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The Industrialization of Agriculture and the Launch of the Innovation Maturity Scale

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Dear Colleagues,

Last month, we looked at the major shifts taking place in the way we all get dinner on the table. This month we'll go a little further back in the food chain (pun intended!) to have a look at some big trends in the world of agriculture (stay tuned for implications for individuals in that sector in a future newsletter).

Also in this issue, I'm pleased to introduce the new Innovation Maturity Scale assessment. So, how do we define innovation? We define an innovation as something new, that creates value. This doesn't necessarily mean new technology. It could also be new services, new business models or other new activities. As competition erodes established competitive advantages at a rapid pace, companies increasingly need to develop an innovation proficiency, or, in other words, develop the capability to create a pipeline of new advantages.

This month's industry focus: Agricultural trends

The unanticipated consequences of increased productivity

New technologies, such as **auto-steering tractors** and improvements in plant genetics have boosted farm productivity tremendously, dramatically increasing yields in commodities such as corn. The problem this creates is that as yields improve, prices collapse.

The challenge for farmers is to get their costs to fall as fast as their selling prices do.



How animals are treated – the public is watching now

The treatment of animals and processes in slaughterhouses have been controversial since Upton Sinclair published *The Jungle*. The tradition of investigating how well animals are treated continues the present day, with one of the most potent forces being reporters who take jobs in the industry to document its practices. Warning, these articles report on behavior that you may find to be disturbing.



Recently, the food business has fought back in states such as Iowa, passing laws intended to prevent **investigative reporters** or animal-rights activists taking entry-level jobs, at the behest of many in the industry. While such measures can work for a while, producers need to remember that as digital technologies make instant communication of anything newsworthy widespread, a negative discovery can reverberate everywhere. Stories of abuses in **industrialized farms** are rampant.

Indeed, some purchasers from farms, such as **Whole Foods Market**, have developed scoring systems for what differentiates healthy and kind farm practices from those that are abusive. As a new generation prioritizes environmental and sustainability concerns, those operating with less than stellar practices can expect greater scrutiny.

Tracking and tracing where food comes from

Similar to the pressures facing industrialized meat farming are pressures to provide safe, **reliable supply chains** for food. A recent analysis found that one in six people in the U.S. are sickened every year by eating food that is contaminated in some way. Moreover, sub-par food is reported to cost the industry approximately \$7 billion per year.

For farmers themselves, increased regulations and the requirements to document what came from how much water it took to create their outputs and other reporting rules are

promising to add a whole new layer of activity – for which, of course, they don't get paid. Managing these pressures is adding to the complexity of already complicated systems.

More food, with a lot of negative unintended consequences



As a recent **United Nations report** concluded, agriculture has accomplished magical increases in production, keeping up with the burgeoning needs of the growing human population. Indeed, we seem to be on a path to have a human population of 10 billion in just a few years' time. As they note:

“Agricultural production more than tripled between 1960 and 2015, owing in part to productivity-enhancing Green Revolution technologies and a significant expansion in the use of land, water and other natural resources for agricultural purposes. The same period witnessed a remarkable process of industrialization and globalization of food and agriculture. Food supply chains have lengthened dramatically as the physical distance from farm to plate has increased; the consumption of processed, packaged and prepared foods has increased in all but the most isolated rural communities. Nevertheless, persistent and widespread hunger and malnutrition remain a huge challenge in many parts of the world. The current rate of progress will not be enough to eradicate hunger by 2030, and not even by 2050. At the same time, the evolution of food systems has both responded to and driven changing dietary preferences and patterns of overconsumption, which is reflected in the staggering increases in the prevalence of overweight and obesity around the world. Expanding food production and economic growth have often come at a heavy cost to the natural environment. Almost one half of the forests that once covered the Earth are now gone. Groundwater sources are being depleted rapidly. Biodiversity has been deeply eroded. Every year, the burning of fossil fuels emits into the atmosphere billion of tonnes (metric tons) of greenhouse gases, which are responsible for global warming and climate change. All of these negative trends are accelerating in pace and intensity...”

Even as millions are still food-insecure, in much of the world, food-related syndromes including obesity and associated illnesses such as diabetes are on the rise. Increased urbanization, which is now widespread in even poorer countries, also shifts people's diets toward more processed, salty and so-called “calorie dense” foods, all of which require more non-farm labor to produce.

Cross-industry competition in agriculture

Everybody thinks it's a good idea to go with renewable energy, rather than continuing a reliance on fossil fuels, right? That is all very well, but land and water that could be used for food production are now being dedicated to producing biofuel. A recent study from the **University of Virginia** suggests that

about a third of the world's malnourished people could be fed with resources currently devoted to the production of biofuels.

The good news on this is that efforts are being made to come up with alternative ways of producing needed energy.



Suspicion regarding new technologies

As many organizations have learned, to their chagrin (we're looking at you, **Monsanto**), even though technologies such as genetic modification and the deployment of nanotechnology to improve yields and transform plants show great promise, people are uneasy at the prospect. With heated arguments on both sides, it isn't clear what regulatory regime will eventually take hold.

What is clear is that the controversies surrounding these new technologies have led, again, to unanticipated consequences. For instance, even though genetically modified crops could do a lot to boost yields in parts of Africa, local politicians are not supportive, mostly because they fear that adoption would result in their crops being rejected in **GMO-sensitive areas** such as Europe.

And so...

While it is impossible to predict where all this will leave individual farmers, it seems clear that agriculture is going to be more heavily 'industrialized' with larger, technology-enabled farms, governments more actively involved in regulating such issues as use of water and energy, greater concerns about environmental impacts, and fewer ways in which small, local farms can eke out a living.

Curious to see where your organization would place on the Innovation Maturity Scale?

It is irrefutable – innovation has now moved to center stage for many organizations, as the pace of transition in competitive advantage moves more and more quickly. And yet, for many executives, figuring out where to start with the innovation agenda is a confusing process. As one of the first programs launched by Valize, a sister company to the Rita McGrath Group, we are offering an assessment that can help you...

- Assess your level of innovation maturity and compare it to other organizations in our database or sector

- Measure how differently different parts of your organization see the innovation process
- Put in place a plan to move up the scale toward creating a genuine innovation proficiency

The scale has 8 levels, summarized as follows:



1. Bias toward Exploitation: Status quo is taken for granted as the right way to do things. Emphasis on sustainable advantage. Often, a long history of success.



2. Innovation Theater: Desire to improve and innovate exists in islands, but there is little support across the organization. There may be workshops, boot camps and visits to Silicon Valley, but there is no sustained effort.



3. Localized Innovation: More innovative activity, but no official recognition of innovation as a discipline. One or two groups within the company initiate local efforts to innovate. Typically dependent on key sponsor, and often episodic.



4. Opportunistic Innovation: Innovation practices are recognized by senior executives as being an important proficiency. When opportunities are perceived there is more attention paid and resources allocated. The vast bulk of the organization still prioritizes 'day job.'



5. Emergent Proficiency: Executive sponsorship includes dedicated resources of both time and money. First signs of innovation metrics. Early stage governance, funding & processes.



6. Maturing Proficiency: Strong executive commitment and resourcing. Teams have a set of repeatable, scaled, best practices to guide their innovation. Upper management monitors these quality indicators.



7. Strategic Innovation: CEO recognizes and articulates publicly that innovation is integrated into the company's central defining mission. Each step in the product development lifecycle benefits from the innovation practices.



8. Innovation Mastery: Corporate commitment to innovation at all levels creates a portfolio of wins, as well as cadres of highly-skilled practitioners, enabling the learnings and mastery of innovation practices to contribute to the global community.

The methodology consists of identifying individuals in your organization who are well suited to be able to respond to a series of questions about your innovation practices. They complete a confidential on-line survey, consisting of some identifying questions and 24 innovation-related questions. Results are then compiled and a customized report is created just for your organization, followed by a two-hour webinar with me to debrief the findings and plan next steps to move up the innovation maturity scale.



Sound intriguing? Contact Marion@valize.com to learn more.

Mastering Corporate Entrepreneurship Online

July 10 through August 21, 2017

Learn best practices for intrapreneurs such as how to create, develop, and sustain innovative new businesses by capturing opportunities fast, exploiting them decisively, and moving on even before they are exhausted. Here's the link to find more information.

The program is run in 3 separate segments designed for professionals and executives who need to develop the language, skills, behaviors, and capabilities of mastering corporate entrepreneurship.

Because it is offered in three parts – ideation, incubation, acceleration – that can be taken individually or as a series, some will want to begin with the very first course on finding great ideas and follow through the entire series. Others may already have a great idea but need to learn more about incubation and prototyping. Others still may have a project they believe is ready for the marketplace and want to develop scaling skills.

This program is ideal for individuals who have a role to play in an innovation effort. They will be asked

to work on a project that they are currently involved in. They will be grouped with other participants with individual cases. The work that will be done in the program is intended to be extremely practical and hands-on, with the result that as participants move through the segments they will be generating real value, with concrete business outcomes to be able to demonstrate at the conclusion of each module.

The program is also designed for participants who might not be part of an organizational innovation team but would still like to gain the skills and capabilities taught in this program. This might be because they are jumping into a project mid-stream and have to come up to speed. In these cases the participants will be working with case studies intended to help them master various program elements.

[Click here](#) to learn more or to register.

Recent press coverage:

National Public Radio - All Things Considered

Yahoo CEO Marissa Mayer Resigns As [Verizon](#) Completes \$4.5 Billion Purchase

USA Today

"I am indeed alive." [Twitter hoaxes](#) shared fake victim photos after Manchester attack

Wall Street Journal Experts Column

How A Leader Can Build [Psychological Safety](#)

Upcoming Events:

Advanced Management Program

Columbia Business School

July 10, 2017 in New York, New York

[Digital Business Leadership](#)

Columbia Business School

July 11, 2017 in New York, New York

[Business of Software Conference](#)

September 18 - 20, 2017 in Boston, Massachusetts

September 18 - 20, 2017 in Boston, Massachusetts

Leading Strategic Growth and Change

Columbia Business School

October 16 - 20, 2017 in New York, New York

Growth & Inclusive Prosperity - The Secular Management Challenge

The 9th Global Peter Drucker Forum

November 16-17, 2017 in Vienna, Austria

As before, where there is uncertainty, there is also opportunity

With these major trends in agriculture looming, there are bound to be opportunities for investment and engagement. More on this to come.

Here's to your next advantage!

Rita

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