

Submission to the Future Drought Fund (FDF)

Drought Resilience – When is a Business really a Business – and what’s that got to do with Drought?

This submission resulted from a briefing to Tim Fisher and the Future Drought Fund (FDF) team.

They encouraged ABDI to report on experiences in the MLA Business Mentoring for the Australian Meat and Livestock Sector Program (2015-2022); as well as for the Young Farmer Business Program (NSW) 2019/20. This originated from a strategy developed by ABDI Director, Gordon Stone, for the senior leadership team of Landmark during 2009-11 to establish a business development service.

The experiences are informed by robust impact data aligned to the MLA Impact Evaluation Framework – which is consistent with most across-RDC impact frameworks. This includes a focus on practice change – current and anticipated.

While the ABDI work is about business management, business development and business growth; more fundamentally it’s about... *The People Aspects* of Managing a High Performing Business.

Overview:

The concept of managing the business side of the operation (as opposed to production) is poorly understood by most SME business owners. However, once the light bulb goes on, business owners with appropriate capability and capacity leap to attention when they come to understand that *internal profitability* of the business can generally be accessed as much from the business side of the enterprise as from the production side.

The concept is likewise applicable throughout all agri-sectors – including advisers – and all business owners throughout the Value Chain. The key is to create a Catalyst for this to become Top of Mind.

This **definition of business** is based on the **ABDI 12-Pillars of Business Best Practice** ([defined here](#)).

12-Pillars of Business Best Practice



Mainstream business ... and agri-business

<div style="background-color: #4a7ebb; color: white; padding: 5px; margin-bottom: 5px;">1. End-Game</div> <ul style="list-style-type: none"> Where you’re going How to get there 	<div style="background-color: #4a7ebb; color: white; padding: 5px; margin-bottom: 5px;">7. Business Risk</div> <ul style="list-style-type: none"> Business – not production Now – intangibles
<div style="background-color: #f0a040; color: white; padding: 5px; margin-bottom: 5px;">2. Market-place</div> <ul style="list-style-type: none"> What customer? What product? 	<div style="background-color: #f0a040; color: white; padding: 5px; margin-bottom: 5px;">8. Legals</div> <ul style="list-style-type: none"> Contracts Governance (best practice)
<div style="background-color: #ccc; color: white; padding: 5px; margin-bottom: 5px;">3. Corporate mindset</div> <ul style="list-style-type: none"> It’s a way of thinking Size appropriate 	<div style="background-color: #ccc; color: white; padding: 5px; margin-bottom: 5px;">9. Succession</div> <ul style="list-style-type: none"> We prefer – Business Growth and Transition
<div style="background-color: #f0e68c; color: white; padding: 5px; margin-bottom: 5px;">4. Financials</div> <ul style="list-style-type: none"> Financial fundamentals Today’s environment 	<div style="background-color: #f0e68c; color: white; padding: 5px; margin-bottom: 5px;">10. Value-add = leverage</div> <ul style="list-style-type: none"> Making more Collaboration
<div style="background-color: #4a7ebb; color: white; padding: 5px; margin-bottom: 5px;">5. Teams</div> <ul style="list-style-type: none"> Staff and contractors You – and the family? 	<div style="background-color: #4a7ebb; color: white; padding: 5px; margin-bottom: 5px;">11. Sales + marketing</div> <ul style="list-style-type: none"> To the door Through the door
<div style="background-color: #70ad47; color: white; padding: 5px; margin-bottom: 5px;">6. Systems</div> <ul style="list-style-type: none"> Quality – consistency Make you redundant 	<div style="background-color: #70ad47; color: white; padding: 5px; margin-bottom: 5px;">12. Communication</div> <ul style="list-style-type: none"> Outside the business Inside the business

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More specifically, SME Business Owners come to understand that best practice financial management; financial forecasting and business risk management/mitigation, creates the opportunity to identify **Trigger-Points**. These are pre-planned decision making points – in which pre-agreed change is implemented.

ABDI client work demonstrates this is critical during drought times as a way of engaging business decision makers in making the difficult business decisions required in times of heightened emotions.

The use of Advisory Boards; Mastermind Groups and appropriate business/corporate Advisors – and understanding that managing their business is a Journey of Change – are all elements of this process.

Take-home message:

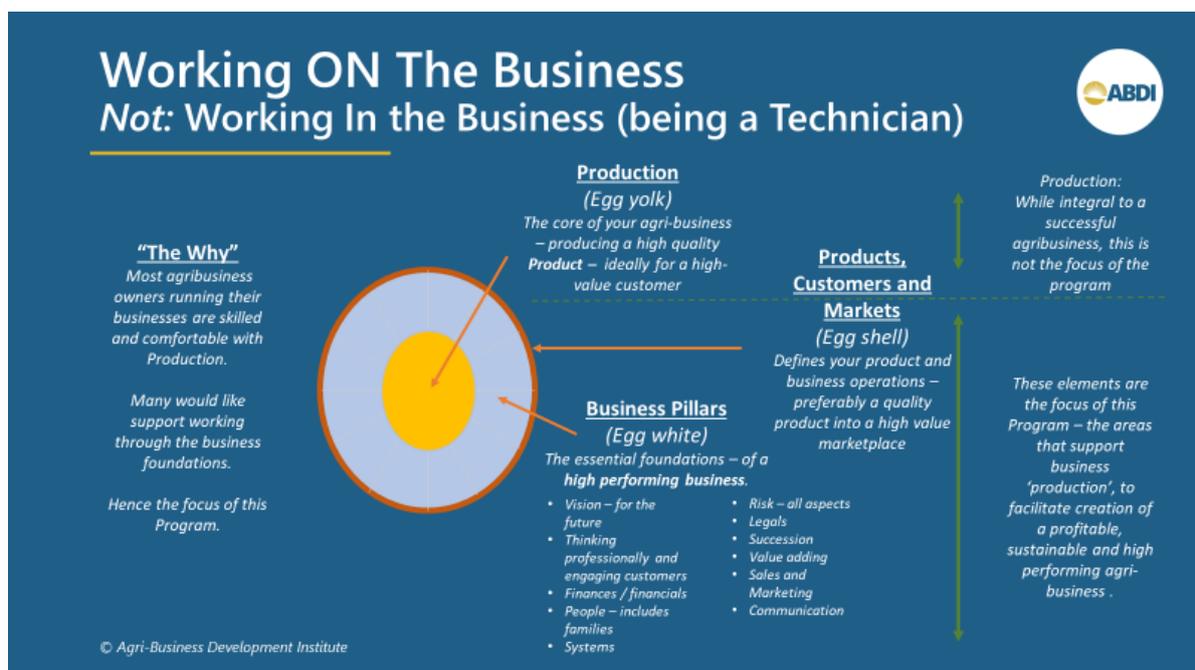
When SME business owners come to understand the importance of managing their business as a business, the logic of making difficult risk-based and financially focused decisions becomes easier.

At times of climatic extremes, the professional and emotional skills learned through professional development, focused on appropriate best practice business management, already exist.

Appropriate decision making has become second nature (or at least easier and are a known process) – and ideally all key decision-makers are equally professionally skilled in this process.

Advisory Boards, Mastermind Groups (of like-minded people) and access to appropriate, emotionally intelligent Business and Corporate Advisors feature in everyday business owner decision-making.

There is potentially a role for the Future Drought Fund to support and expand endeavours covered in this paper which support the 3 Strategic Priorities of the Drought Resilience Funding Plan.



Lessons learned from the MLA Project:

The ABDI and MLA Business Mentoring for the Australian Meat and Livestock Sector Program originated in Queensland as a 4-way partnership between MLA, ABDI, DAF and AgForce. Its basis was to commence a process of cultural change in order to embed a value proposition that fee-for-service business management focused professional development, in the northern beef industry, should be a fixed cost of doing business.

The problem was articulated in the 2013 Northern Beef Industry Situation Analysis. It was further articulated in a later southern Australia Beef and Lamb Industry Analysis. In effect, a lack of business (as opposed to production) skills was identified as a key impediment to the growth of those businesses – and hence the industry at large. This is equally relevant to the broad acre sector.

The logical extension of these concerns has been expressed as... *“increased industry risk to domestic and global markets, due to a low level of business professionalism amongst producers – and others in the value chain (in particular advisers) ”.*

Elements of this project relevant to the FDF include:

- A **Queensland State Reference Group** (QSRG) exists – which represents the 4 partners (and invited specialists) and assesses impact data; tracks progress against objectives; reviews risks and recommends adjusted approaches (also represents the Drought and Climate Adaptation Program in context of one project objective being to support managing climate risk). Partners view this data from a Policy Development prism.
- Since 2015, a **multi-partner communications and engagement strategy** has existed – in order to distribute information around Business Best Practice (as opposed to production). This includes newsletters, webinars, etc (serves a promotional and information function)
- The Program likewise resolves around 1-day workshops; a 3-month program (2-day workshop, online group coaching and delivery of business management learning materials) and a 12-month program (3x 2-day workshops, online delivery of business management materials, online group specific coaching and open conversation sessions plus 1:1 coaching)
- Significant lessons have been learned – all encapsulated in **Impact Assessment Data**. These include current and anticipated practice change (tangible and intangible), benefits of Mastermind Groups, value of 1:1 coaching and the value of Alumni groups. Likewise, disincentives to uptake of business knowledge and practice change, pricing structures, effect of climate variability (droughts and floods); decision-making time – and fundamentally the absolute importance of understanding this is about the people aspects of business more so than the technical aspects of business management
- The QSRG recommended an Australia wide remit be adopted for the Program – which was implemented. Likewise, they evaluated the adverse affect of worsening drought in Queensland and Australia wide (recognising clients have been drawn to the program from around Australia)
- As a result, the focus of the Program has been adjusted and will commence in 2020 (to 2022) to focus on **Lender Readiness**. This recognises the effect of the Haynes Royal Commission and findings of the Senate Select Committee on Lending to Primary Production Customers – and the reality that most in the agri-sector are ill-prepared to bring the level of professionalism required to seek continuing finance in the post-Haynes lending environment. Furthermore, it was

recognised that access to money is likely to be the major incentive for SME business owners to ...
“Get a Business Education”.

- Throughout the Program the particular focus, relevant to the FDF, has been:
 - Pillars 7/8 – awareness that climate variability must and can be managed as a significant business risk, if fully understood, then planned for and canvassed. In particular financial forecasts act to create Trigger-Points which leads to more objective decision making about climate risk. In the February 2019 workshop, insurance as a risk management tool was canvassed by a global crop/livestock insurance reinsurer and USQ Climate Centre personnel
 - Pillars 2/3/10/11/12 – increased awareness that higher value, premium markets / customers (domestic / global) are aware of social license to operate and those business operators using the principles of business best practice are far better positioned to supply product to discerning customers while having the necessary business longevity and profitability to do so (then expand further into that marketplace)
- The **capability and capacity (mindset and paradigms) form key elements of the openness of business owners** to appreciate these issues. A simple way of viewing it is the Pareto Principle or 80:20 rule.
- ABDI is currently negotiating to licence these programs, as Step 1, through the MLA Profitable Grazing Systems program to a group of **Australia-wide Private Sector Advisor Licensees**. This will commence in earnest in 2020.

Take home messages:

There are many doorways for agri-sector SME business owners to enter ‘to get a business education’ or commencing business (as opposed to production) change. It is specifically focused on their mindset and paradigm – both key learnings by ABDI – and conveyed to the QSRG.

The breadth of these doorways is considerable. The funnel approach identified above – engaging through industry networks, access to webinars, access to newsletters, social media, use of podcasts and video materials are all part of the mix (creating Awareness, Interest, Desire and Action – in sales terminology; or Knowledge, Attitude, Skill, Aspiration leading to Practice Change – in extension and adoption terminology).

Equally, attendance at face-to-face workshops remains one of the core, most effective ways of commencing and managing change over time. The benefit of 1:1 coaching and mentoring is considerable.

Getting a business education – around the principles of Business Best Practice – is a crucial element of creating change. Not all business owners are open to getting such an education. For some, the process of realisation is a long-term process – taking years.

In our experience, client segmentation is a crucial element of this process. Leaders in this process include women – in particular those who manage the financial aspects of the business and up to the age of 45-years, as well as younger couples/brothers/siblings, up to the age of 40 who are about to/have taken over primary responsibilities in the business.

In many cases there is resistance expressed by older people – to change, to new ideas and to a recognition that addressing drought and flood can be tackled in a different way. In contrast, younger people are much more open to possibilities.

This recognition is less about the sector and more about the mindset and paradigm. Equally, it is often about a reaction to a crisis, or a need can create a reason for change. Accordingly, refocusing of the ABDI-MLA Program to supporting business owners become “lender ready” is being undertaken for that reason.

The next issue is to ensure appropriate educational resources (varied levels) exist – recognising (QSRG discussion) that a cluttered marketplace exists. (ABDI attempted to map the marketplace).

Addressing climate variability is expected to be a core element of lender readiness – as it is an issue currently being examined by lenders as an area of their business risk – and an area of need for clients to demonstrably implement risk mitigation (business plans, operational plans, strategy, etc).



Lessons learned from the Young Farmer Business Program (NSW):

ABDI commenced this program in April 2019 and the project will conclude in March 2020. It encompasses a 6-month program – commencing and concluding with a 2-day workshop, fortnightly self complete business management learning materials, monthly group coaching sessions and monthly specialty webinars.

While impact data is a work in progress and covered by contractual obligations, higher-level and relevant emerging trends include:

- Younger farmers and fishers are particularly open to learning about Business Best Practice – and equally open to engaging with like-minded people
- Also, particularly interested in Trigger-Points – and financial forecasts – as a way to manage future ups and downs for their businesses

- Very appreciative of practical, open conversation and example based learning – especially ABDI experiences in working with clients at an advisory level and being prepared to open up their own businesses for examination and improvement.

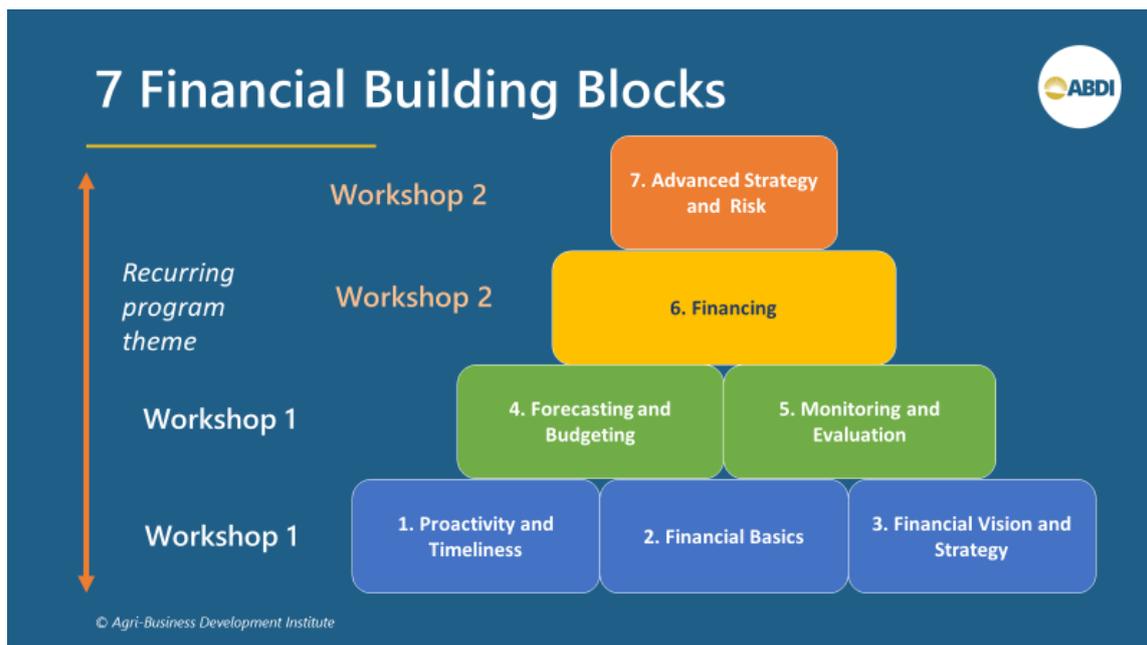
Take-home message:

Recognising many of these SME business owners are aged from 20-late 30s, they are a particularly relevant group to engage with. Lessons learned from this program are equivalent to those learned from the MLA project – and ABDI advisory work with clients.

They recognise the importance of planning for and managing climate variability – drought and flood. They are very open to having novel strategies available to them – including novel ways of implementation – and accessing appropriate, practical and relevant data.

They form a potentially valuable resource – Australia wide – for education and training work.

However, they are generally financially challenged and time poor. Equally, they are aware of the importance of maintaining continued engagement over their Journey of Change. They are open to the concept of an alumni group of like-minded people.

**ABDI Advisory Work:**

Our remit is mostly to work with clients around implementation of the 12-Pillars Of Business Best Practice. While working on production related issues forms part of our work, mostly it is about orderly and structured growth of the business over time.

Much of this work is built around orderly planning, decision-making, managing the people aspects of the business, engaging with customers/the marketplace and developing financial forecasts. In recent years, it has been about drought proofing and setting the business up for growth in the face of continued climate variability. In doing so, we particularly draw on the USQ Climate Centre.

A particular focus is on creating business plans, strategic 180-day plans and establishing and managing advisory boards. The purpose is to guide strategy and operations – so both are in sync.

Take-home messages:

In some cases, personal advisory work with business owners – and families – is a critical element of business change. Often, getting family members and business partners on the same page is crucial.

Use of open conversations – and tools to manage and create conversations – is our stock in trade, along with understanding our principles of business best practice. Facilitation of open communication is crucial. It is this mix of people issues and business management work that is complex; yet potentially the catalyst required to open the door to adopting business best practice.

We have participated in cotton industry workforce development work where this has been examined (report provided in June 2019).

Relevance to the Future Drought Fund – and the Drought Resilience Funding Plan:

ABDI work to date has particular relevance to the Drought Resilience Funding Plan. While the above represents a snapshot of our knowledge, the following alignment to the Strategic Priorities is noted:

<i>fdf Strategic Priority</i>	<i>ABDI Insights/Experience</i>	<i>Comments</i>
Economic resilience for an innovative and profitable agricultural sector	<p>Understanding business best practice is a motivation for the more thoughtful SME business owners (throughout the value chain)</p> <p>With a well rounded education, business owners adopt better decision-making capability – and have stronger confidence in their capacity to address emerging problems. Generally, they are motivated to do so.</p> <p>A financial education in context of business best practice supports an understanding of how vital financial forecasts are in providing economic resilience</p> <p>Financial forecasts, Advisory Boards, access to Mastermind Groups and appropriate people focused Advisors support decision-making capability – including Trigger Points at times of crisis (drought and flood)</p> <p>Use of an appropriate and practical business plan – including 180-day plans – provide a solid framework for strategic thinking, decision-making and open communication</p> <p>When made aware of the ease in which appropriate planning and decision-making can take place – there is increased desire for a</p>	<p>A number of entry doorways to change and education exist</p> <p>The motivation to enter these doorways for people of all types change over time</p> <p>One of the difficulties in funding programs is dealing with the shades of grey that come with managing the people aspects of business management and change</p> <p>A nonthreatening vehicle to support change – in particular drought management and mitigation – can be built into assessing and managing business risk – through using the 12-Pillars of Business Best Practice as a focus</p> <p>Financial Management and financial risk assessment is core to this process</p>

	<p>more structured, orderly approach to building a high performing business</p> <p>A high performing business is a core element of economic resilience – for that business and those businesses which rely on it (including their customers and others in the value chain)</p>	
<p>Environmental resilience for sustainable farming landscapes</p>	<p>A high performing business is generally one in which there is an awareness of appropriate natural resource management</p> <p>This is due to their awareness that supplying discerning customers, with a high value product, must occur in such a way that it meets their supply criteria</p> <p>It requires engagement with like minded people elsewhere in the value chain – potentially including other suppliers to create assured supply</p> <p>Likewise, they are aware that telling their story is a crucial element of supply – thus social license, appropriate management (business, production and natural resource) is core to success</p>	<p>Stronger engagement with the marketplace supports environmental resilience</p> <p>Recognising that drought management and risk mitigation are core to a successful business is key to adopting business best practice principles and action</p> <p>Teaching business owners how to tell their story to discerning customers is a way of building sustainability (business, people, family, environment, landscape, biodiversity, water, etc)</p>
<p>Social resilience for resourceful and adaptable communities</p>	<p>Getting a business education – and using technology to do so – are hallmarks of more successful business operators</p> <p>Groups of like-minded people – at whatever age (Mastermind Groups) have unrealised potential in the agri-sector</p> <p>Much of this is about ‘getting the conversation started’ with the right people in the room.</p>	<p>In terms of building capacity, ABDI has a number of programs which could be leveraged</p> <p>Its intent to create Private Sector Advisor Licensees provides an opportunity to expand this remit</p> <p>This supports Mastermind Group development</p>

Could ABDI assist the Future Drought Fund?

The areas in which ABDI could assist include:

- Accessing **our operational knowledge** regarding implementation of the ABDI 12-Pillars of Business Best Practice – as a trigger for increased awareness of drought risk management and understanding future risks around climate variability
- Using the 12-Pillars and ABDI Business Programs as triggers to **implement greater understanding of climate variability and consequent/resultant change** – around business plans, decision-making, internal business communication and financial forecasts – as logical Trigger

Points for developing/implementing more strategic approaches to business management and business growth

- **Further roll out in an integrated fashion of work undertaken** (and being undertaken) for MLA, YFBP and previous work with Landmark – into an organised program of work to enhance wider education amongst the more motivated SME business owners in better business best practice
- This includes the use of a small, discrete Australia wide team of **Licensed Private Sector Advisors** (to be created during 2020) – to deliver such programs and support incremental change
- Using our **experiences from implementing the QSRG methodology** (informing policy and providing combined business, industry and government feedback) and **analysing varied Impact Assessment processes** – to inform policy considerations at a state and national level
- Establish such a **national mechanism** to analyse impact data and assist in reducing marketplace clutter – recognising free market forces – while ensuring a strategic approach (revisit the ABDI QSRG mapping process)
- In particular, this includes **impact assessment of the social and capacity building aspects** of practice change
- Using the proposed (2020-2022) **education and advisory programs around increased Lender Readiness** – as a catalyst to support stronger capability in business management – which, in turn will support the direction in which most lenders in Australia are heading. Core areas of concern for lenders is to increase the level of client preparedness to address climatic extremes. Accordingly a collaborative approach with a small group of committed lenders at a national level, under the auspices of the FDF, could support several of the above objectives.

While it is considered inappropriate for this to be a funding request, should this be of interest to the Future Drought Fund, previous budgeting for work proposed to be undertaken for MLA and partners, was ~\$500,000 per year over a 4-5 year period.

The time period noted above resulted from considerations around restructuring materials described in this paper, then wider implementation in Australia and adjustment over time, as a result of reviewing impact assessment data.

Contact:

For further information, I'm happy to discuss by calling 0408 063 229.

Finally, best wishes in this worthwhile endeavour. While it is crucial for individual business owners to have enhanced business skills to address climate variability, it is equally critical to our Australian domestic and global markets for our high quality food and fibre to be supplied on a stable basis. My engagement with global customers has revealed frustration with Australia's stop start approach to supply of premium product.

On the other hand, it is a pleasure to work with business owners who see the opportunity to address that need. Any support which can be supplied, will, I am sure, be repaid many fold.

Gordon Stone; Director, ABDI

13 December 2019; www.abdi.com.au