

PLANNING GUIDELINES DOCUMENT FOR MARKET FOCUSED VENISON ALLIANCES

RIRDC*

APRIL 2006

In association with:

Dr Geoff Watson

Tel 0263 6575378

Email: laurenwatson@bigpond.com

TABLE OF CONTENTS	Page
Background	3
Industry Situation and Rationale for this Alliance Program	3
Market Focussed Alliances	4
Hypothesis	6
Objectives	6
Strategies	6
Methodology	7
Scoping Stage 1, Stage 2 and Stage 3 Funding Initiatives	8
Stage 1: Kick Start Workshop	8
Stage 2: Developing an endorsed Commercial Alliance Business Plan	8
Stage 3: Funding for Alliance Development Initiatives	9
Guidelines And Application Forms For	10
Stage 1: Kick Start Workshop	
Attachment 1: Information Pack	11
1. Introduction	11
2. What To Do Next	12
3. Significance Of Market Focussed Venison Alliance Program	13
4. What Are Market Focussed Alliances?	14
5. Preconditions To Applying For The Kick Start Workshop	15
6. Alliance Code Of Conduct	17
7. The Alliance Plan – An Outcome Of	
 The Kick Start Workshop	19

Background¹

The purpose of this document is to supply planning guidelines for the management of RIRDC and other funding to support the establishment of Market Focussed Alliances for the Australian venison industry operating in domestic and export markets.

Industry Situation and Rationale for this Alliance Program

Five key problems currently faced by the Australian venison industry in 2005 were identified in the findings of RIRDC project, US-130A, “*An industry endorsed strategic plan for the Australian venison industry*”. These key findings were analysed in a series of four reports in the research series, plus a market research report from Moffat (2005)².

Despite the positive demand-side prospects for the industry identified in these projects, particularly Moffat (2005), the total impact of the identified key problems has played a critical role in reducing the number of viable participants within the industry over recent years. As highlighted in the Situation Analysis Report (p. 4)³ the number of deer farmers with an estimated value of agricultural output over \$22,500 has fallen from approximately 400 producers in the mid 1990’s, to less than 50 in 2002/03.

The five key problems identified in 2005 for the Australian venison industry are:

1. Declining economic viability of the Australian venison industry in the domestic market. This includes:
 1. High infrastructure and slaughter charges compared to competing products
 2. Declining number of viable participants in the industry
 3. Low deer prices received by producers
 4. Long transport times from farm to abattoir
 5. Poor scheduling of slaughter
 6. Low number of accredited abattoirs
 7. Small number of procurement companies

2. Lack of consumer awareness of venison in the domestic market across all sectors. Contributing to the lack of awareness for venison in the domestic market is the absence of a researched venison marketing plan for the industry. Moffat (2005, pg. 4)⁴, states “*the market research confirmed that venison has a very low profile among Australian consumers and its current image, as a strong, gamey meat, does not align with attributes valued by the majority of the sample group*”.

¹ Explanations in this section have been drawn directly from: Cox, R.J. Watson G. K. and McRae T.B. 2005, US-130A Phase 1: Industry Endorsed Strategic Plan for the Australian venison industry, RIRDC Report.

² D.A Moffat LEP – 1A, 2005, A Domestic Marketing Positioning Strategy for Australian venison. A sub-program of RIRDC US-130A, RIRDC Report (unpublished)

³ Cox, R.J. Watson G. K. and McRae T.B. 2005, US-130A Phase 1: Report 3 of 5. A situation analysis of the Australian farmed deer industry, RIRDC Report.

Moffat's research showed that the attributes of venison described and highly valued by most participants in taste panels were very different to their prior perceptions of the product arising from the current popular image of venison as a strong, gamey meat.

3. Underutilised value of the whole deer carcass – particularly for secondary cuts and by-products.
4. Lack of suitable product specifications and feedback to enhance demand throughout the whole venison supply chain. These include:
 - Inconsistency of product presented
 - Very little feed forward information
 - No grading system
 - Poor use of Ausmeat approved terms
 - Poor quality assurance declarations
5. Competition from NZ at the high quality end of the foodservice market, particularly in the leading markets of Sydney and Brisbane. New Zealand venison's consistency and quality are perceived to be above that of the Australian product.

To address these 5 problems, the researchers recommended that three complementary strategic options be considered by the industry. The three recommended options are:

1. The establishment of Market Focussed Supply Chain Alliances
2. A range of Generic Industry Strategies
3. Modifications to the current RIRDC Research Model (changes to the industry's R&D priorities and delivery methods)

The development of market focussed alliances within the Australian venison industry was recommended as the primary strategy to be implemented and supported immediately. The researchers viewed this option as the major method the industry can undertake to increase consumer demand for venison and thereby increase the value returned to industry stakeholders. This is particularly important to producers who require substantially higher average prices for venison to remain viable as industry operators. *Under the endorsement process, 100% of industry stakeholders surveyed, indicated support for this strategy while 90% indicated that they would participate in the strategy should it be implemented.*

Market Focussed Alliances

Currently, the Australian venison industry operates as a commodity system. This essentially involves each industry participant focusing on their particular issues of production and having little or no knowledge of how the supply chain operates 'further down the line' ie, participants within a commodity system have very little whole-of-industry appreciation and are essentially concerned with their own production situation. One characteristic of a commodity system is fluctuating prices, with periods of boom and bust – situations the Australian venison industry has fully experienced in its short lifecycle. As well, due to the competitive isolation of participants, commodity based systems tend to be adversarial in nature.

The key to the recommended market focussed alliance framework model is that *it acts to transform industry participants from a commodity system to a market focussed system*. In essence this ensures that participants move from production-oriented goals to goals that target and identify the end-consumer through delivering increased value. Recent examples of successful Market Focussed Alliances in Australia have been developed and disseminated under the National Food Industry

Development Program⁵ and under Johnson's review of supply chain initiatives in the lamb industry.⁶ Angus Australia identifies the successful establishment of horizontal beef alliances which have a market focus⁷ and Andrews Meat advertises the creation of speciality food brands which are distinctively market focussed and built on producer – wholesaler alliances.⁸

Another reason the researchers believe this strategic option fits Australian venison well is that given the industry's current small size, it enables viable participants to identify each other and work together to strengthen the industry. For example it could enable larger, more viable operators to work together, better utilising the skills of individual alliance members.

RIRDC wishes to commit the industry's R&D funds to a new project to determine whether the establishment of successful Market Focussed Alliances that are producer based will lead to an improvement in producer returns and industry growth.

This R&D objective can be expressed in terms of a hypothesis which will underpin this funding program.

⁵ For example: Made in Australia 2005, Series 6, Department of Agriculture, Fisheries and Forestry, Canberra.

⁶ Johnson, S.A, 2005, Supply chain management in the lamb industry: an analysis of opportunities and limitations, AFBM Journal, Vol 2, No 2, pp.104-108

⁷ Angus Australia http://www.angusaustralia.com.au/AiA_Market_Opt_full.htm, accessed 09 02 06

⁸ <http://www.andrewsmeat.com/index.php?sectionID=1810&pageID=1813> accessed 09 02 06

Hypothesis

The hypothesis underpinning this RIRDC research project is:

‘that industry facilitation and support (through RIRDC funding) for the establishment and operation of venison supply chain alliances using the producer-initiated R&D project model:

- *can increase financial returns for venison producers and other stakeholders in the supply chain through improved supply chain organisation and transparency, and*
- *enable producers and other alliance members to more consistently meet market specifications through greater focus on production system planning and quality control.*

This initiative aims to create more certainty in higher value venison markets for producers and thereby help create the conditions that are necessary for industry growth. The program will develop quantifiable alliance performance criteria and monitoring procedures by which the above hypothesis can be tested.

Objectives

The objectives of this program are to:

- *increase financial returns for venison producers and other stakeholders in the supply chain, and*
- *enable producers and other alliance members to consistently meet market specifications through greater focus on production system planning and quality control as well as through improved supply chain organisation and transparency.*

Strategies

The following strategies will be used in testing this hypothesis: :

1. Program support for the creation of Market Focussed Alliances via Stage 1 ‘Kick Start’ Workshops
2. Program support for the further development of Market Focussed Alliances via Stage 2 ‘Developing an endorsed Commercial Alliance Business Plan (CABP)’
3. Program support for the solution of particular problems or challenges that are identified by the alliances themselves as impeding successful implementation of the CABP at any stage in the life of the alliance, through Stage 3 ‘Funding of alliance development initiatives’
4. An alliance monitoring program to determine the performance of alliances in delivering the program’s objectives.

METHODOLOGY

These strategies will be implemented through the following steps and processes:

- *Scope* the development of the Stage 1, Stage 2 and Stage 3 funding initiatives and create performance success measures that can monitor the testing of the hypothesis.
- *Create guidelines and application forms* that will communicate the key elements of the Stage 1 funding initiative to the Australian venison industry
- *Create guidelines and application forms* that will communicate the key elements of the Stage 2, funding initiative for the Australian venison industry
- *Create guidelines and application forms* that will communicate the key elements of the Stage 3 funding initiative for the Australian venison industry
- *Communicate* the guidelines to the Australian venison industry and invite applications from potential alliances for RIRDC funding support
- *Develop criteria and terms of reference* for a Steering Committee to evaluate applications and monitor progress of individual alliances and the overall funding program, through performance success measures

The above steps are outlined in detail as sections or attachments in the remainder of this document.

SCOPING THE STAGE 1, STAGE 2 AND STAGE 3 FUNDING INITIATIVES

There are 3 funding application stages that RIRDC is offering for this Market Focussed Venison Alliance program commencing in 2006. These are scoped below in terms of: Purpose/Reason/Preconditions/Format/ and Funding:

Stage 1: Kick Start Workshop (KSW)

Purpose: The aim of this workshop is to confirm the commitment of prospective alliance participants to establish the market focussed alliance with an agreed Code of Conduct and to proceed with the development of an endorsed Commercial Alliance Business Plan (CABP). Initial scoping of the CABP will be undertaken at the KSW.

Reason: The format of a workshop enables participants to meet on equal ground, to discuss each others' needs/fears/ expectations and explore how they will commit to linking individual relationships with commercial business strategy in order to build an endorsed, successful alliance.

Pre-conditions: Potential alliance members will have:

- communicated with each other in broad terms about the commercial possibilities for their alliance and their potential contribution to such an alliance,
- each worked through a Venison Alliance Information Pack and provided their expression of interest in writing to create the alliance through attending the alliance workshop

Format: It is anticipated that the KSW will be professionally facilitated and will run over an afternoon/evening/following-day period. Where possible it will involve visits to production, processing, and customer purchase sites important to the potential alliance.

Funding: RIRDC will fund the hire of a suitable venue and a Workshop Facilitator and will provide funding to support the costs of producers participating in the KSW (eg. accommodation, meal, travel). Support will be determined on a case by case basis and is designed to ensure that participants partly contribute to the expenses. (Claims will need to be supported by receipts or signed travel statements.)

Stage 2: Developing an endorsed Commercial Alliance Business Plan (CABP)

Purpose: The aim of this funding Stage is to support detailed development of the CABP initiated in the Kick Start Workshop, for endorsement by the alliance members and the RIRDC Steering Committee

Reason: The more detailed development of an endorsed CABP is likely to require professional support and advice as well as further investment of alliance members' time, travel and research.

Pre-conditions: Some progress in the development of an initial plan will have been achieved at the KSW and alliance members will be aware of the need to confirm the market opportunity for their alliance "product" together with the need to build market focussed capability to deliver the value promised at acceptable profit and risk. Stage 2 support will be dependent on a successful outcome of the KSW.

Format: Alliances will apply for funds to assist in the detailed development of this business plan through professional research and advice and progress meetings of alliance members. While this plan will provide a blueprint for successful alliance action to both alliance members and RIRDC, it is recognised that the plan will need to respond to an evolving set of commercial initiatives and

issues. This will call for periodic plan updating (in consultation with the RIRDC Steering Committee) as a support funder of the alliance process).

Funding: RIRDC will fund the engagement of an experienced professional consultant for development and documentation of the CABP. RIRDC will fund the hire of a suitable venue and a Workshop Facilitator for endorsement and review occasions. RIRDC will make an additional sum available to support alliance members' participation costs, to be determined on a case by case basis but designed to ensure that participants will also contribute to these expenses. (Claims will need to be supported by receipts or signed travel statements.)

Stage 3: Funding for Alliance Development Initiatives (ADI's)

Purpose: The aim of this funding is to support ongoing alliance development initiatives that are important to (1) provide conditions necessary for ongoing alliance growth under the CABP and/or (2) resolve commercially significant problems or challenges impeding the alliance's success under the endorsed CABP .

Reason: Development initiatives will be designed to overcome the problems or challenges that may arise at any stage in the life of the alliance and this RIRDC funding program. These problems could be of a technical (production), marketing, organisational or business management nature. It is anticipated there will be situations outside the scope of the CABP that are likely to require further investment of alliance member time, travel and research plus the costs of professional support and advice. Funding will be provided for initiatives that are seen as priorities by the alliance itself. (ADI's may include traditional on-farm or venison processing R&D projects where appropriate but will not be limited to such areas.) Funding will be provided for any alliance identified priority where the alliance can demonstrate to the Steering Committee that (a) the issue to be addressed by the ADI is either limiting growth of the alliance under the CABP or interfering with implementation of the CABP and (b) it is reasonable to expect that the ADI strategy will contribute significantly to resolving this problem.

Pre-conditions: Alliances can apply for this Stage 3 funding support once they are perceived by RIRDC to be fully established and operating under an endorsed CABP.

Format: Applicants for Stage 3 ADI funding will need to demonstrate a problem or challenge that is commercially significant to their alliance and that the resolution of this problem is beyond the scope of the CABP. They will also need to demonstrate that the problems and challenges can be addressed on a project managed basis.

Funding: Funding of up to \$100,000 will be provided for *each* ADI. Normal RIRDC project management, financial accountability and reporting requirements will apply. A precondition for Stage 3 funding will be alliance participation in the alliance monitoring program.

MARKET FOCUSED VENISON ALLIANCES: GUIDELINES AND APPLICATION FORMS FOR STAGE 1: *KICK START WORKSHOP* (KSW)

The Hypothesis and associated Objectives, Strategies and Methodology together with the Funding Initiatives described above, provide a rationale and strategy for the following items under Stage 1:

- An *Information Pack* for potential alliance members which contains information on the funding opportunities including preconditions together with examples of a draft code of conduct and draft alliance agreement
- *Application forms and associated explanatory information* that alliances will need to complete in order to gain approval for funding

ATTACHMENT 1

INFORMATION PACK FOR APPLICANTS SEEKING FUNDING SUPPORT FOR THE RIRDC AUSTRALIAN VENISON MARKET FOCUSED ALLIANCE PROGRAM – STAGE 1

1. INTRODUCTION

This information pack has been developed to assist you to prepare an application for funding support to undertake an initial “*Kick Start Workshop*”(KSW) under the RIRDC Market Focussed Alliance Program. The KSW is the first of three funding Stages to be offered under this program as follows:

Stage 1: *Kick Start Workshop*: Funding for a KSW to confirm the commitment of potential alliance participants to establish their market focussed alliance with an agreed Code of Conduct and to proceed with development of a Commercial Alliance Business Plan.

Stage 2: *Development of a Commercial Alliance Business Plan (CABP)*: Funding to support further development of the CABP initiated in the *Kick Start Workshop*.

Stage 3: *Funding for Alliance Development Initiatives*: Funding to support development initiatives that are important in order to address commercially significant problems or challenges faced by alliances that are outside the scope of their CABP’s. These can be of a technical (production), marketing, organisational, or business management nature.

This Information Package relates to the Stage 1 *Kick Start Workshop* only. Information on Stages 2 and 3 can be obtained after the Kick-Start Workshop by accessing the RIRDC website www.rirdc.gov.au/programs/deer.html or by phoning the RIRDC Senior Research Manager:

Annette Sugden (02) 6271 6497

This Information Package contains:

- Background information on the significance of this program
- An *Expression of Interest form* which each potential alliance member is to sign prior to the alliance submitting its application form and attending the *Kick Start Workshop*. *These forms are to be submitted with the alliance KSW application*
- An *Alliance Application form* for the Stage 1 *Kick Start Workshop*
- Associated explanatory information to assist you to complete the application including:
 - Preconditions for submitting this funding application
 - A draft code of conduct for alliance members to consider and modify as necessary at the KSW
 - A draft alliance agreement for alliance members to consider and modify as necessary at the KSW

2. WHAT TO DO NEXT

- Contact potential members of your alliance and discuss the market focussed opportunity you have in mind for your alliance as well as the preconditions for seeking Stage 1 funding from RIRDC.
- Identify a CONTACT PERSON who has the time and ability to organise this funding application for your potential alliance. Advise the Project Officer of the name of your Contact Person and the proposed name of your alliance.
- Identify a CONSULTANT as soon as possible to advise and assist your proposed alliance. For Stage 2 funding this consultant will need to be approved by the Steering Committee, so you may want to think carefully about the person you engage. The consultant will need to have professional training and experience in Business Plan development and business alliance advising. If you cannot identify a suitable consultant yourself, please contact the Senior Research Manager to obtain a list of names. It is strongly recommended that the consultant who will be assisting you with the business plan also attends your KSW.
- Read carefully through the material which follows. It is designed to clarify the steps you need to take to apply for funding.
- Get in touch with your RIRDC Senior Research Manager (see contact details below) to discuss and clarify your ideas prior to proceeding with the next steps.
- Make sure that all interested potential alliance members receive this Information Pack and return their signed *Expression of Interest* commitment to you, to be forwarded with your Application Form to RIRDC.
- Complete your *Alliance Application* form with assistance from your consultant and with the Funding Round cut off dates in mind, forward this form together with the *Expression of Interest* forms signed by all potential alliance members to:

Senior Research Manager, RIRDC Market Focussed Venison Alliance Program
 Postal Address: PO Box 4776, KINGSTON ACT 2604
 Street Address: Level 2, 15 National Circuit, BARTON, ACT 2600

Telephone - General: (02) 6271 6497 Fax: (02) 6272 5877

Email Address: annette.sugden@rirdc.gov.au

Website: <http://www.rirdc.gov.au>

- Await advice from RIRDC concerning the outcome of your Alliance application. This should normally take 3 weeks from the Funding Round cut off date. *If successful* you will need to submit finalised details of the Kick Start Workshop to the RIRDC Senior Research Manager and determine how to further identify 'in kind' contributions and expenses claims for payment by RIRDC.
- *If unsuccessful* you need to determine in consultation with RIRDC Senior Research Manager whether or not to address the deficiencies and then re-apply.

Your Venison Alliance application will be evaluated by a Program Steering Committee to be appointed by RIRDC. *Any commercially sensitive information that is required to assess applications will be treated in strictest confidence.*

If there are any issues associated with the assessment of your application, RIRDC may contact you for clarification prior to the final determination by the Committee.

3. SIGNIFICANCE OF THE MARKET FOCUSED VENISON ALLIANCE PROGRAM

In 2005, RIRDC funded a research project which investigated the difficulties being faced by the Australian venison industry. From this Project, Five Key Problems confronting the industry were identified. These are:

1. Declining economic viability of the Australian venison industry in the domestic market. This includes:
 - High infrastructure and slaughter charges compared to competing products
 - Declining number of viable participants in the industry (the number of deer farmers with an estimated value of agricultural output over \$22,500 has fallen from approximately 400 producers in the mid 1990's, to less than 50 in 2002/03).
 - Low deer prices received by producers
 - Long transport times from farm to abattoir
 - Poor scheduling of slaughter
 - Low number of accredited abattoirs
 - Small number of procurement companies

2. Lack of consumer awareness of venison in the domestic market across all sectors. Contributing to the lack of awareness for venison in the domestic market is the absence of a researched venison marketing plan for the industry.

3. Underutilised value of the whole deer carcass – particularly for secondary cuts and by-products.

4. Lack of suitable product specifications and feedback to enhance demand throughout the whole venison supply chain. These include:
 - Inconsistency of product presented
 - Very little feed forward information
 - No grading system
 - Poor use of AusMeat approved terms
 - Poor quality assurance declarations

5. Competition from New Zealand at the high quality end of the foodservice market, particularly in the leading markets of Sydney and Brisbane. New Zealand venison's consistency and quality are perceived to be above that of the Australian product.

To address these 5 problems, the researchers recommended in January 2006 that the development of market focussed alliances within the Australian venison industry should be the primary strategy to be implemented and supported immediately. The researchers viewed this option as the major method the industry can undertake to increase consumer demand for venison and thereby increase the value returned to industry stakeholders. This is particularly important to producers who require substantially higher average prices for venison to remain viable as industry operators. *Under the endorsement process, 100% of industry stakeholders surveyed, indicated 'in principle' support for this strategy while 91% indicated that they would participate in the strategy should it be implemented.*

4. WHAT ARE MARKET FOCUSED ALLIANCES?

Currently, the Australian venison industry operates as a commodity system. This essentially involves each industry participant focusing on their particular issues of production and having little knowledge of how the supply chain operates ‘further up or down the line’ ie, participants within a commodity system have very little whole-of-industry appreciation and are essentially concerned with their own production situation. One characteristic of a commodity system is fluctuating prices, with periods of boom and bust – situations the Australian venison industry has fully experienced in its short lifecycle. As well, due to the *competitive isolation* of participants, commodity based systems tend to be adversarial in nature. This adversarial approach to business creates significant uncertainty and insecurity for industry participants at all levels of the supply chain, and this in turn inhibits investment and industry growth.

Market Focussed Alliances offer an alternative to the commodity system. In these alliances, members from key points in the supply chain commit to combine their activities in a focussed way to add value to products or services *targeted to specific end consumer markets* at acceptable profit and risk to themselves. Such alliances are not typically a limited company or a legal partnership. Rather they utilise signed operating agreements amongst all parties and in this venison situation, conform to the conditions listed below. Examples of successful alliances from other meat industries such as the Australian beef industry are trade branded alliances that supply portion sized secondary meat cuts to the food service sector and consumer branded alliances such as Angus Beef or Hereford Prime. Branding however is not essential for a venison alliance.

The formation of an alliance *at the least* will mean that:

- **alliance members will identify how various end-customer market segments can receive increased value through the delivery of specified venison products from the alliance**
- **alliance members will develop a market focussed approach which ensures they continually improve their ability to provide this increased value via more transparent feedback and feedforward information flows. (*This culture of continuous improvement based on performance monitoring is a key criteria for success.*)**
- **alliance members will research and plan how to overcome low prices that have traditionally been received by stakeholders such as producers and in turn jointly plan and agree upon future supply and quality specifications for the alliance that will provide a secure supply chain which is transparent to alliance members.**
- **alliance members will be prepared to develop, agree upon, and live by a code of conduct appropriate to their alliance that affirms:**
 - **the principles of commercial trust building behaviour (particularly with regard to commercial confidentiality and dealing outside the alliance)**
 - **commitment to meeting agreed outcomes and expectations**
 - **a willingness to effectively resolve conflicts as they arise by agreed dispute settling mechanisms within the alliance.**

These aspects of Market Focussed Alliances form the core preconditions that potential alliance members will need to address in completing their Application Form for RIRDC support under this funding program, beginning with the *Kick Start Workshop*.

5. PRECONDITIONS TO APPLYING FOR THE KICK START WORKSHOP

Potential venison alliances need to address these preconditions in preparing their Stage 1, *Kick Start Workshop* Application forms. Applications will be assessed by the Steering Committee against these criteria.

A successful Venison Alliance application for a Kick Start Workshop should include:

- **A market focussed, commercial alliance opportunity:** For this Market Focussed Venison Alliance program, RIRDC is interested in funding any application from a group of participants *who can move beyond a commodity trading environment* and identify how forming their alliance can potentially provide additional value to targeted domestic or export end-customers at acceptable profit and risk to all alliance members. Alliances will become aware of issues surrounding what is the market? how do we get it? how do we grow it? This means that alliance members will identify who their ultimate customers are (eg customers consuming venison from food service; restaurant; or retail providers) and how these customers can receive increased value through the delivery of specified venison products from the alliance. Furthermore, via more transparent feedback and feedforward information flows, alliance members in a supply chain will use quality assurance systems to continually improve how they will provide this increased value at acceptable profit and risk. Alliances of various sizes in terms of supply volume are welcome to apply as long as they can indicate that their proposal is likely to be commercially feasible. For the KSW, the commercial opportunity to be addressed by the alliance will need to be identified with sufficient background information to demonstrate that it is a realistic opportunity but it is not expected at this stage that all the development work required to fully assess or lock-in the commercial prospects will have been undertaken – that is part of the Stage 2 process. These aspects are identified under the various questions asked in the KSW application form.
- **A commitment to develop clear and measurable outcomes for the alliance:** RIRDC is interested in funding an alliance application where all potential partners have a commitment to overcoming the traditionally low returns producers have in the past received and assisting downstream supply chain partners (eg abattoirs, processors, wholesalers, food service and retailers) to secure the Australian supply and quality they require to service targeted domestic markets at acceptable cost. A commitment by all alliance participants to defining and implementing the outcomes that are necessary to achieve this objective needs to be demonstrated in the KSW application.
- **Appointment of a leader/contact person** to liaise with RIRDC, who manages administration of the alliance and is responsible for organising and reporting to the RIRDC Senior Research Manager. (Reporting by alliances will be an important part of the project to enable RIRDC to monitor the impact across the industry of the funding committing to this project). The alliance Contact Person must have the ability and the information necessary to assess alliance progress against agreed outcomes and is responsible for ensuring the project administration in the alliance runs smoothly and for communicating with the RIRDC Senior Research Manager if changes need to be made. Specified reports from alliances will be required as a condition for further funding after the KSW, with all reports endorsed by all alliance members. Some funding may be used to support this important coordinating role in Stage 2.

- **Commitment to develop and adopt a Code of Conduct:** This Code of Conduct is designed to promote goodwill amongst alliance members and to ensure effective alliance operations. Successful alliances survive and thrive because participants are prepared to live by a code of conduct that affirms the principles of commercial trust building behaviour (particularly commercial confidentiality and dealing outside the alliance), commitment to meeting agreed outcomes and expectations, and a willingness to resolve conflict by agreed mechanisms. One outcome of the KSW will be for alliance members to develop and refine a Code of Conduct for their alliance based on these and associated principles.
- **Professional help:** Experience with similar alliance programs indicates that the likelihood of success is increased if applications and reporting receive an appropriate level of assistance from professional specialists or private consultants. *This is highly recommended* and funding will be provided to support consultant input for successful Stage 1 applications.
- **High level of member participation:** *Active personal involvement by all members and a willingness to learn about their supply chain* have been critical factors in successful alliances. Evidence that the potential alliance members are serious about attending the KSW workshop, learning about their supply chain, and exploring their future contributions will assist the likely success of an application. *In particular this can be demonstrated if opportunities are organised for potential alliance members to learn about other aspects of their supply chain during the Kick Start Workshop period through visits and informed discussion.* The majority of this evidence relating to member involvement can be gathered through the *Expression of Interest* responses of participants which form part of this application.
- **Agreement for RIRDC to attend meetings:** *Alliance members need to be aware and agree that a RIRDC staff member and/ or a RIRDC nominated representative(s) can attend any alliance meetings or workshops for monitoring purposes or to convey information to the members.*

6. ALLIANCE CODE OF CONDUCT

This document has been created to ensure that potential alliance members are aware of the need to commit to an agreed *Alliance Code of Conduct* as an outcome of the Kick Start Workshop. This document is to be considered as a draft and can be altered and customised to meet alliance needs during the Kick Start Workshop. It is not intended to be a legal document but seeks to offer boundaries of intention and behaviour which alliance members freely agree is in their best interests to live within.

Agreement by alliance members to a *Code of Conduct* is a trust building alternative to attempting to prescribe alliance behaviour through legal contracts. (A major conclusion from recent studies of successful Alliances in the Australian Lamb industry has been that rigid legal structures lead to member unrest and are not a platform for developing member to member *trust*. This in turn has been found to be *the* major alliance success factor).

The Alliance Code of Conduct is written using 'I' statements to emphasise the personal significance of alliance commitment by each of its members.

Commitment to meeting agreed outcomes and expectations

As an alliance member I recognise that I am entering into a commercial arrangement to achieve agreed alliance outcomes and expectations. In joining the alliance I undertake to clarify the contribution and roles I intend to play in seeking to achieve these outcomes and will actively work to meet these commitments within agreed timeframes. If for any reason I cannot fulfil this contribution or roles, I will immediately make the alliance aware of these circumstances.

Commitment to active participation

As an alliance member, I will participate in meetings of the alliance when these are called and actively participate in the business and growth of the alliance. When called upon to participate in a dispute resolution process, I will participate in a way that promotes the future interests of the alliance rather than the interests of any individual. I will seek to be involved in assisting new and existing alliance members to learn about and develop their contribution to the alliance and to consider how to effectively expend funds in line with the alliance business plan.

Commercial trust building behaviour:

Trading

- As an alliance member I will not knowingly deal or trade in a manner that competitively disadvantages the alliance or compromises the undertakings I have made to contribute to the alliance at certain times and in certain circumstances
- As an alliance member I will immediately declare any conflict of interest I may have with the decisions or operations of the alliance
- Should I leave the alliance I will provide at least a month's notice and undertake not to trade or operate in a way that could competitively damage the alliance for a period (as determined by the alliance) after my departure.

Information sharing and commercial in-confidence information

- As an alliance member I value the need for transparency in information sharing with other members of the alliance. Accordingly I agree to share and not withhold any personal and commercial information that is necessary for the successful undertaking of alliance initiatives.

- As an alliance member I will clarify what information the alliance wishes me to hold in commercial confidence. I will take steps to secure any written information in my possession and I will not knowingly break the confidence that has been entrusted to me.
- I will assist the alliance to meet its reporting commitments under the RIRDC funding program.
- I will not provide any information to the alliance that I know to be unreliable or inaccurate

Ethics, Participation and Conflict Resolution

- As an alliance member I undertake to act legally at all times in all my transactions with the alliance
- As an alliance member I undertake to be involved in alliance meetings and to bring a positive and optimistic spirit to these meetings and negotiations. I will not seek to undermine the alliance through generating personality conflicts or focusing excessively on minor concerns
- Should significant conflict develop, I undertake to discuss the issue first with the people concerned and if this does not resolve the issue I will seek mediation assistance under the agreed dispute resolution procedures of the alliance via the alliance Contact Person
- Where issues are taken to the vote within the alliance, as a continuing member of the alliance I agree to abide by alliance decision making processes, even though I may have expressed dissent or reservations within the discussion leading to that vote.

7. THE ALLIANCE PLAN – AN OUTCOME OF THE KICK START WORKSHOP

It is anticipated at the conclusion of a successful Kick Start Workshop, that alliance members will want to formalise the future activities of their alliance. This would best be done by the alliance members developing and endorsing a brief interim business plan. The draft alliance plan below seeks to provide assistance in this process but recognises that changes and customisation will occur to meet the needs of each alliance and that the Kick Start Workshop represents the initial stage only of alliance development.

To assist in understanding the framework of the plan an example of plausible, market focussed, outcomes has been created but no link to any existing or potential venison alliance is intended or implied.

AIM (What broadly do we want to achieve?)

For example: The Southern Quality Alliance aims to provide venison products to the food service industry operating on the Australian Eastern seaboard. We seek to grow this market as a niche player and secure an annual average price for alliance members that make deer production and marketing a viable, long term operation.

MISSION (Why is this important to us?)

For example: To operate successfully as a market focussed alliance in the venison industry by working together to secure our future rather than operating in competitive isolation

OBJECTIVES (What outcomes do we need to achieve?)

For example: To fulfil this aim and mission we need to achieve the following within the period June- December 2006:

- *Successfully apply for Stage 2 support from RIRDC to complete a Commercial Alliance Business Plan*
- *Research and develop a Commercial Alliance Business Plan with consultant assistance*
- *Meet on at least 2 occasions, produce 2 brief newsletters for alliance members and measure the strength of commitment to the alliance through the final business plan endorsement process.*
- *Gain supply commitments from producer members and begin trial implementation of the plan through the supply of venison to one alliance customer*
- *Identify the risk factors that could impede successful implementation of the the plan (eg sufficient carcasses that meet specifications; long transport distances; insecure killing schedules)*
- *Develop strategies to overcome these risk factors*

STRATEGY (How do we want to undertake this?)

For example: To achieve these objectives, alliance members have confirmed that alliance tasks and activities will be undertaken by allocating Task Responsibilities to specific people under agreed timeframes and through developing relationships based on the Alliance Code of Conduct. An action program which outlines these commitments is to be attached and further key areas are discussed below.

RESPONSIBILITIES

For example: Members of the alliance agree that the detailed development of the funding applications will be the primary responsibility of the Consultant and the Contact Person with drafts going to all members for comment prior to submission.

Research and detailed development of the Commercial Alliance Business Plan will also be the primary responsibility of the Consultant and Contact Person in association with two other members elected at the Kick Start Workshop. A draft of the plan will be circulated to members for comment with subsequent endorsement to take place at a convened meeting of the alliance.

CODE OF CONDUCT

For example: Each of our alliance members has agreed on and signed the draft Alliance Code of Conduct with one modification that members will involve the Consultant rather than the Contact Person to mediate in any significant conflict situation.

MONITORING ALLIANCE PROGRESS

For example: Alliance members wish to be informed regularly by quarterly newsletter of alliance progress. This will be undertaken by the Contact Person in association with the Consultant with any member having the opportunity to contribute and raise issues or comment.

RIRDC

For example: The Alliance recognises the critical role that RIRDC funding is playing in supporting this initiative. All members agree to supply the RIRDC project officer with any information required to establish the smooth administrative running of the Stage 1 and Stage 2 operations so that RIRDC can be kept informed of alliance progress and negotiate any changes to the alliance direction should there be a need to adjust strategy at some future time.