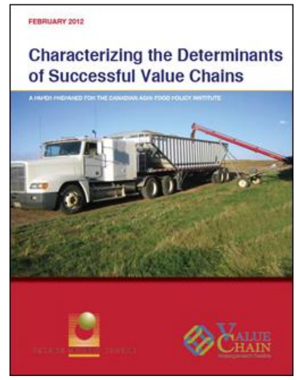
Characterizing the Determinants of Successful Value Chains



OTTAWA, March 19, 2012 — The Canadian Agri-Food Policy Institute (CAPI) has released a background report on how value chains can be managed so that they perform at their best. The report, called *Characterizing the Determinants of Successful Value Chains*, highlights what drives value chains to succeed and it offers new strategies for improving the agri-food sector's performance. The report was undertaken for CAPI by the George Morris Centre.

This report complements CAPI's work which is about creating a dialogue on the conditions needed to create a more competitive and profitable agri-food sector. CAPI has presented the case for encouraging highly collaborative value (or supply) chains and the need for such players to work with many others, including researchers, information and financial service providers, the health community, and various levels of government. This is about the "food system" working better to create change. (For further information on CAPI food systems, see the *Update* to the *Destination Report.*)

The value chain report released today is one part of a broader research project to determine how food systems can be optimized. In the spring of 2012, CAPI will release a comprehensive report on the Canadian beef food system.

Summary of *Characterizing the Determinants of Successful Value Chains*

Value chain management is a strategic business approach that is helping a growing number of businesses increase their long-term competitiveness. It would be extremely difficult, if not impossible, to achieve such competitiveness by operating as an individual business within a fragmented value chain. The primary purpose of this paper is to address misconceptions surrounding value chains and value chain management.

The report provides examples that illustrate five important requirements relating to effective value chain management.

- The first is that the decision to form and the ability to sustain a closely aligned chain depends on the attitude of the participants.
- The second factor is that the extent to which members of a value chain are motivated and able to learn and adapt as a strategically aligned system determines their own and the overall value chain's competitiveness.
- The third is the extent to which the internal dynamics of the value chain, and the external environment in which the chain operates, can positively or negatively affect the chain's ability and motivation to acquire knowledge and then translate it into actionable management decisions.

- The fourth is that a value chain's success is determined by its adherence to a certain set of principles. It is not determined by how specific value chains put the principles into operation and then monitor their operations and enforce management decisions.
- The fifth is that focusing on labels to evaluate a value chain is a pointless task. The focus needs to be on understanding how and why a value chain is managed in a certain fashion, on understanding the organizations and individuals that comprise the value chain, and the factors which determine the nature of the business relationships that bond, or fail to bond, the chain together.

This paper concludes by providing a high-level comparison of value chains and value chain roundtables. It illustrates why differences exist between the discussions that occur within the two entities, and what the separate entities are able to achieve. None is more important than the other; they each have a role to play in enhancing the competitiveness of commercial businesses, sectors, and industries. The paper provides the example of a five-year Australian initiative, formed in 2002, to help strengthen the competitiveness of that nation's industry by championing value chain research, training and industry consultations. The objective is to develop a whole-of-government approach to competitiveness related issues.