

**BUSINESS SKILLS
PROJECT**

RESEARCH OVERVIEW

July 2009

INTRODUCTION

The agrifood industry consists of a diverse group of predominantly small businesses across a number of sectors including agriculture, racing, food and meat processing. As with many small businesses, many agrifood business owners and operators tend to lack the business and management skills required to grow a high performing business.

Recognising this, Agrifood Skills Australia has designed a project that aims to build, test and demonstrate the benefits of an innovative skills development and training model that addresses small business shortcomings and restraints. This model will then be extended across the agrifood industry.

The purpose of this report is to outline some of the messages arising from research on learning in the agrifood sector (referenced at the end of this report) relevant to developing a skills development and training model. While the research does not cover all of the areas in the agrifood sector, the messages are still relevant across the sector.

WHY BUSINESS AND MANAGEMENT SKILLS MATTER

A number of significant structural changes in rural industries over recent years have put increasing pressure on farmers, as farming has become a sophisticated, high technology, high risk business.

It used to be enough that farmers were good at the 'hands on' aspects of farming, but these days, they need much more than practical skills. Water and labour shortages, pressure to reduce the industry's carbon footprint, demands for higher accountability from better-informed consumers, competition from imports, changing weather patterns and uncertain markets all call for broader and deeper knowledge and skills.

Now, farmers need access to good information, and they need exceptional business management and leadership skills, clever business models and the capacity to adapt and innovate.

Even as far back as 1993, the National Farmers' Federation acknowledged in its strategy for the Agrifood industry, that farmers need to complement their technical skills with other skills in areas such as financial management and risk management, if they want to remain internationally competitive:

... the skills required of farmers in the past in order to succeed in agriculture will in future need to be supplemented with additional skills in order to cope with the changes that have emerged over recent decades. Good technical skills in crop and livestock husbandry will need to be supported with skills in financial management... and with skills in risk management. This is not to say that good technical skills are of any less importance than in the past, but in the future, additional skills will be pivotal to the survival of farm businesses...

WHAT KINDS OF SKILLS ARE REQUIRED

Research has identified the particular skills and knowledge most needed by business owners in the agrifood industry. For example, research into the training needs of vegetable growers indicated that growers need skills in the general areas of business management, financial management, people management and marketing—particularly at Certificate IV level and above (Fullelove 2008).

This is consistent with the findings of some other research which articulated the skills needed by managers in the process manufacturing industry, in order to succeed in a global market. They include:

- ∂ general management skills – particularly business planning, administration and office efficiency
- ∂ financial planning
- ∂ human resources and people management
- ∂ business development and marketing skills
- ∂ innovation, research and development skills; and
- ∂ exporting skills.

(Manufacturing Learning Australia 2008)

Farmers themselves say that the skills that are important for good farm management are flexibility, decision-making ability and the ability to plan, communicate and manage time (Kilpatrick et al. 1997)

CURRENT PARTICIPATION IN FORMAL EDUCATION AND TRAINING

One message from the research is that the agricultural sector is characterised by low levels of participation in formal education and training . According to data from the Agricultural Financial Survey, eighty percent of Australian farm businesses participate in ‘training’, however many of these attend only field days and only 3% participate in courses of several sessions. Skill development happens in an ad hoc manner and there is very little coordination between commodities (Kilpatrick 2000).

Farmers divide themselves into two categories. There are the ‘progressive’ and ‘innovative’ farmers who are up to date with the latest innovations, who use a variety of information sources to assist in their management—including experts, farmer-directed groups and the latest journals and newsletters, and who regularly participate in trials and test plots.

Then there are the more ‘traditional farmers’, who largely rely on their own experience and knowledge, who are wary of ‘outside’ advice, are less likely to see the need for new technology or production techniques, and who find it difficult to adapt to new trends such as improved pasture management techniques (Kilpatrick et al. 1997).

WHY EDUCATION AND TRAINING MATTERS

In the face of the pressures facing farm businesses and low participation rates in formal education and training, it becomes all the more important to know with certainty that engaging in training can make a difference to the bottom line of farm businesses.

Research into the impacts of education and training on farm management practice found that, for a given size of farm business, farm businesses with managers who had participated in more education and training were more profitable than businesses with managers who had participated less. This is

because those farm businesses which participate in training are more likely to have made a change to management practice. 68% of farm businesses which engaged in training also made changes to their practice, compared to only 39% of those who did not engage in training. Businesses who engaged in training and changed were also found to have a higher gross operating surplus.

Education and training impacts on the farm business because managers become more aware of possible innovations, they make better decisions and allocate resources more wisely. They also adopt attitudes that are likely to encourage changes to practice (Kilpatrick 2000).

WHY FARMERS AREN'T PARTICIPATING IN FORMAL TRAINING

People who live in rural and regional areas face a number of barriers to participation in formal training. These include:

- ∂ **Fear:** Particularly among older primary producers and those who don't have any post secondary education, fears of technology, of failure, and of looking foolish all hold people back from further training.
- ∂ **Technology:** Many people living in rural and remote settings still don't have good access to telecommunications, including internet access. When they do have internet access, there still seems to be a reluctance to use the computer to access training opportunities, even though an increasing number of farmers will use the internet to check weather, email, stock and commodity prices and other relevant information.
- ∂ **Time:** This barrier is not unique to farmers. Most people juggling work and family commitments find it difficult to take time for learning. For people in rural areas who usually need to travel to and from structured learning activities, this barrier is even more significant.
- ∂ **Cost:** Incomes for many farmers are usually marginal, and the cost of training, including the cost involved in taking time off work, is easily regarded as too much. Training must represent value for money, in terms of the immediate returns to the businesses bottom line, or opening up opportunities for new business income streams.
- ∂ **Misperceptions:** there is a perception among sections of the agricultural industry, that farmers don't actually need a formal education to run a successful farm. They regard formal courses as too theoretical for practical farming and continue to believe that local knowledge, the willingness to work hard and being able to work unsupervised are the most important characteristics of a farm manager.
- ∂ **Low literacy levels:** low literacy levels, either real or perceived, pose a barrier to participation in training.

(Quay Connection 2003)

Added to these barriers is the problem that available training programs, particularly in the area of management and marketing, are often not consistent with farmers' preferences. There is a belief among farmers that available courses do not meet their needs, that training is often not available locally and is not sufficiently promoted.

HOW FARMERS PREFER TO LEARN

Even though they may not be participating much in formal education and training, farmers do still learn and update their skills—it's just that they do it informally. Their main motivation for learning is usually to improve an aspect of farm efficiency and, depending on what it is they want to know, farmers learn from experts, observation and experience, attending field days, other farmers, or print and electronic media. Social and business networks are valuable sources of information and learning. These networks also provide important support for farmers when they are implementing changes (Kilpatrick et al. 1997)

The reasons some farmers like learning from informal sources, rather than from training, are summarised by Kilpatrick and Rosenblatt as: a preference for independence, familiarity with a highly contextual learning mode, lack of confidence in working in training settings, a preference for information from known sources, and a fear of being exposed to new knowledge and skills (Kilpatrick & Rosenblatt 1998).

WHAT THIS MEANS FOR THE DELIVERY OF TRAINING

Not surprisingly, training which has been found to be effective and preferred by farmers has some of the features of informal learning from networks of known contacts. Effective training is:

- ∂ interactive
- ∂ relevant and applicable to their own situation
- ∂ problem-based and practical
- ∂ delivered to groups who feel a sense of commonality
- ∂ presented by credible facilitators; and
- ∂ in short sessions at convenient times and locations.

(Kilpatrick et al. 1997)

This is confirmed by research into training in the Australian vegetable industry which found that vegetable growers generally do not access the courses and programs available in their industry because they are:

- ∂ generic in nature and do not specifically relate to the horticulture or vegetable industry
- ∂ too lengthy as considered by vegetable growers (more than 2 days duration)
- ∂ inconveniently located; and
- ∂ presented in unappealing ways. People in the industry indicated a strong preference for experiential learning with a 'hands on' approach and a strong resistance to a teacher/classroom centred model for delivery.

Kilpatrick et al. (1997) conclude their research into how farmers learn with a number of implications and recommendations. The recommendations include:

- ∂ offer more training through well-organised and well-facilitated farmer-directed groups and agricultural organisations, which tend to provide training in a way that is suited to adult learners

- ∂ cover a wide variety of topics at field days (which a wide range of farmers attend)
- ∂ increase opportunities for farmers to have their current competence recognised
- ∂ promote the benefits of learning about management and marketing
- ∂ make information about training more accessible to farmers
- ∂ enhance outcomes from training by incorporating 'follow-up' mechanisms within training programs such as support networks, help services and web information and discussion sites
- ∂ make links between training programs and other learning opportunities
- ∂ encourage participation by whole farm management teams
- ∂ use case studies to provide 'real', successful examples
- ∂ implement a more systemic approach to mentoring; and
- ∂ address persisting barriers to training participation.

(Kilpatrick et al. 1997)

HOW TO ENGAGE FARMERS IN SKILL DEVELOPMENT

Other than making the delivery of training better suited to the preferences of farmers, the challenge remains to inspire the more 'traditional' farmers to grasp the importance and value of learning and skill development and to encourage them to take up training opportunities. The research provides some suggestions for how this might be achieved.

What won't work

Before considering some engagement strategies that might work, it is worth first ruling out what won't work. As pointed out by Rod McDonald in his report on 'Learning for 'sustainability' outcomes' for Rangelands Australia, this is a complex challenge for which there is no silver bullet. While it would be simple to just offer more formal courses, the strong message from the research is that formal courses only play a small part in farmers' learning. They learn in many informal ways and 'a successful strategy will need to harness and support many of these ways in which pastoralists actually learn.'

Understand the market

The report goes on to make a convincing argument for basing a strategy to promote learning in rangelands management on a professional and sophisticated segmentation of the market that provides a deep understanding of the potential learners, what drives them to want to improve their skills and how to tap into that.

A similar argument could be made for the agrifood sector. While the research provides some insight into how farmers prefer to learn and an indication that they are often motivated to learn by wanting to improve an aspect of farm efficiency, there is scope to gain deeper insight into what motivates farmers and the sorts of messages and approaches they are most likely to respond to. This could be a good starting point in any effort to engage farmers in education and training.

Work with training providers

One of the recommendations arising out of work conducted by Manufacturing Learning Australia ('MLA') for the NSW Department of Education and Training was to work with training providers as a means of engaging small and medium business owners on workforce development and skilling issues (Manufacturing Learning Australia 2008).

MLA was commissioned to implement a program designed to assist small and medium size businesses with workforce and skill needs. The primary mechanism for engaging industry was a one day industry workshop. A planned pilot of the program with process manufacturing SMEs in the Western Sydney area did not go ahead because there was insufficient interest or commitment from industry to attend the workshop. This indicated that:

- ∂ SMEs are unable to take time away from production to attend full day, or in many cases half day, workshops
- ∂ Their focus is on immediate concerns, rather than planning for the future
- ∂ The government involvement is off-putting to some enterprises

(Fullelove 2008)

Instead, MLA recommended an alternative model that focuses on engaging the service providers and equipping them to offer a broader service to SMEs that incorporates workforce planning and development skills. This model acknowledges and leverages from existing relationships between service providers and businesses and acknowledges the time constraints on small business owners (Manufacturing Learning Australia 2008).

Invest in training brokers

One piece of research makes a case for training brokers in the Australian agricultural sector (Kilpatrick et al. 2007). Training brokers act as facilitators or intermediaries in identifying and matching training needs and opportunities. They have close links with industry and extensive networks with training providers. They help to identify training needs and engage participants and to identify, negotiate and plan appropriate training.

Although training providers themselves can and do carry out some or all of these activities, they don't always have the resources or capacity to do so. There is a strong argument for resourcing outside agencies and organisations to fulfil this role.

Training brokerage can deliver a range of benefits for the individuals, broking organisations, training providers and the industry. The research indicated that a brokerage service helps individuals/farmers to access training that is targeted to their own needs and conditions, is accessible and affordable and is linked to specific outcomes. By being involved in the brokerage process, individuals also play an active role in their learning or training pathway and establish a learning support network. For broking organisations and training providers, broking allows them to pool limited resources and to deliver cost effective training. Brokerage also provides opportunities for collaboration which potentially enhances the capacity of both organisations by building on each other's strengths and supporting each other's areas of weakness. Finally, it is argued that brokered training has benefits for the whole rural sector including increased innovation and competitiveness, a better equipped workforce and the increased adoption of new practices. It also has the potential to reduce duplication of effort in assessing training needs and developing and delivering training.

Appoint People Development Managers

The 'Investment Plan in Leadership & Business Skills Development: Australian Vegetable Industry' proposes that a People Development Manager be appointed for the industry to coordinate and facilitate all people development activities.

Create opportunities for farmers to gain exposure to other regions and industries

A needs analysis conducted for the vegetable industry identified that gaining exposure to other growing regions and industries made people more willing to participate in training. Among the subjects of that research, there was a strong preference for study tours where members had the opportunity to visit other growing regions and businesses in the supply chain (Fullelove 2008).

CONCLUSION

To return to our starting point, education and training is becoming increasingly essential for business owners in the agrifood industry who are serious about keeping up with the competition and staying in business for the long-term.

However, encouraging members of the agrifood industry to participate in skill development is no easy task. They are usually small business owners with little time to spare, and they want to know there will be a return on any investment of time and money in training. If they are in the farming business, they may also hold fast to a belief that training isn't necessary—to quote one of the research reports, 'farmers have always managed without much education'.

Lifting rates of participation in skill development will therefore require not only changes to the way that training is delivered, it will also require strategies to change perceptions and attitudes and to demonstrate the benefits to be gained from an investment in training.

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