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Reaping the benefits of value innovation: Lessons for small agribusinesses in Africa

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Small agribusinesses play a vital role in sustaining the gross domestic product (GDP) of numerous economies in Africa. The survival and continual growth of these businesses in the global economy is essential to poverty minimisation, sustaining the livelihoods of individuals and subsequently the growth of African economies as a whole. The strategy to stimulate agricultural development advocated by prominent African agricultural organisations and policy makers is to boost investments from the private sector into agriculture by getting domestic and global financial organisations to invest in agro-industry and therefore, agribusiness. This paper argues that such a strategy has the potential to increase the debt of African countries and proposes a more effective alternative. By adopting the strategic logic of value innovation, African small agribusiness owners and/or managers can use and even reduce their current resources or create new ones that can lower their costs substantially, and at the same time, allow them to differentiate themselves. This approach, which has the potential to transform the industry, has had very little exposure in terms of its application in the agricultural industry in Africa. Also, very limited research on value innovation in the context of small agribusinesses in Africa exists. A theory building study was conducted using empirical evidence from a theoretical sample of cases. Reasons why value innovation as strategy is not utilised by small agricultural businesses in Africa were identified and a theoretical model – the awakening model – developed to assist small agribusinesses in Africa to adopt this logic and boost their growth and increase their profits for a more prosperous Africa.

Key words: Value innovation, small agribusiness, strategy, Africa.

INTRODUCTION

Achieving high growth and revenue is no longer about outmanoeuvring competitors but rather creating value for consumers as well as the business (Kim and Mauborgne, 1997, 2005; Pitta, 2009; Sheehan and Vidyanganathan, 2009). According to the New Agriculturist (2008), the agricultural and agro-industry form the backbone of many African economies. African nations rely on it to support their gross domestic product (GDP), food security, employment and trade which have resulted in the economic growth of the continent at an average of five per cent per year over the last seven years. The importance of agriculture to the African continent is confirmed by many sources (African Agribusiness and Agro-Industries Development Initiative, 2010; Food and Agriculture Organization, 2010; Hall et al., 2005; World Bank, 2006; Yumkella, 2010). Sustaining the growth of agribusinesses in Africa is therefore a major concern for policymakers and small agribusiness owners and/or managers. Weatherspoon et al. (2001) as well as Thistle et al. (2003) all support the notion that most of the world is poor. These poor are people living below the poverty level of $1 per day and most of them reside in Africa and Asia. With regards to African agriculture, there is increasing support for African agribusiness in response to the growing demand for and raising prices of basic crops due to the recent global recession, which has threatened to send millions back into poverty. Bonney et al. (2007) confirm that “the globalisation of agricultural food

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markets and liberalisation of world trade has resulted in the creation of a whole new competitive environment for primary producers, food manufacturers and food retailers all over the world over." This creates new challenges for the small agribusinesses in Africa in terms of their ability to sustain high growth and grow profitably.

This paper highlights a concept that has had very little exposure in terms of its application in the agricultural industry but has the potential to transform it. This concept or different strategic outlook has come to be known as the strategic logic of value innovation. In a five year study of high growth in over 30 different companies in 30 different industries by the initial postions of the concept, Kim and Mauborgne (1997) found that, companies that display high growth only have a slight awareness of their competition and do not focus on matching or beating their competitors, instead they use value innovation to make the competition of no consequence. Dillon et al. (2002) define value innovation as generating outstanding value for customer and suggest that technology need not be a feature of this type of innovation as it can occur in any organisation and at anytime in a sustainable way. In addition, value innovation is plausible only when companies align innovation with utility, price and cost positions. It is a logic not restricted to the size or wealth of the firm that can be applied to any industry or business (Kim and Mauborgne, 2005). The logic of value innovation entails that small agribusiness owners and/or managers need not have a capital intensive approach to innovation. These owners and/or managers in fact can use and even reduce their current resources or create new ones that can lower their costs substantially and at the same time allow them to differentiate themselves.

In order to determine how small agribusinesses in Africa can use the strategic logic of value innovation to boost their growth and increase their profits sustainably, the following research questions were formulated:

1. What do the managers and/or owners of small agribusinesses in Africa understand about the strategic logic of value innovation?
2. Are the managers and/or owners of small agribusinesses in Africa applying the strategic logic of value innovation?
3. How can managers and/or owners of small agribusinesses in Africa apply the strategic logic of value innovation to their various businesses?
4. What are the barriers and incentives to small agribusinesses in Africa adopting value innovation as a strategic logic?

BACKGROUND

Director General United Nations Industrial Development Organisation of (UNIDO) (2010), requested agribusiness in Africa to undertake a profound structural revolution and technological advancement in order to combat the problems of unemployment and poverty in Africa. The study claimed that countries investing in agribusinesses will generate the jobs and incomes that are urgently needed by Africa’s growing population. This is a position taken by many African nations looking to leverage their agricultural industry. They seek to invest monetarily and reap the benefits of becoming more technologically advanced. Historically, there has been a profound and very visible focus on developing innovation in African agriculture, more recently there is a need to adopt a new and more effective approach towards eradicating poverty in Africa by leveraging the agricultural industry (Bonney et al., 2005; Possas et al., 1996; Spielman, 2005). This study suggests that one such approach is value innovation. Value innovation goes beyond industry boundaries in the ways it looks at strategy, customers, assets and capabilities as well as product and service offerings. In an agricultural industry characterised by ever increasing supply and therefore, increasing competition, it is not difficult to see that a traditional look at strategy will result in smaller profits and the eventual loss of business for small agribusinesses in Africa, due to cut throat tactics by larger competitors to eliminate their competition.

In an effort to improve Africa's agro-industry, UNIDO, Food and Agriculture Organisation (FAO) and International Fund for Agricultural Development (IFAD) are currently working with the African Development Bank (ADB), the African Union Commission (AUC) and the United Nations Economic Commission for Africa (UNECA) and the Nigerian government to instigate the African Agribusiness and Agro-industries Development Initiative (3ADI) (FAO, 2010). This initiative aims to be built by the year 2020, an agricultural sector in Africa that consists of industrious and lucrative agricultural value chains that connect agricultural producers, whether small or medium sized to the markets in an effort to supply superior food stuffs, fibre, feed and fuel commodities. It is proposed that the outcome of this initiative will be an increase in farmer’s incomes, the sustainable use of natural resources and the generation of greater, higher quality employment.

3ADI aims to achieve its objectives by boosting investments from the private sector into agriculture by getting domestic and global financial organisations to invest in agro-industry and therefore agribusiness (FAO, 2010). This study proposes another route to take which will not increase the debt of African countries in trying to achieve these objectives, that is, African agribusiness owners can empower themselves by adopting the principles of value innovation. Rather than only investing in agriculture monetarily, this has been proved unsuccessful to a certain degree that African farmers and governments can invest in knowledge. Learning about value innovation and how to apply it can lead to its successful application in small agribusinesses in Africa. Value innovation is a low cost and empowering way for
African agriculture to achieve the goals set out for it. Despite this increasing support towards agribusiness development to create jobs and support economic growth; Diao et al. (2007), identify that there are increasingly new challenges facing African agriculture in the globalised environment and governments are now beginning to shift towards non-agricultural growth opportunities. This study investigates a way Africa can continue to grow through agriculture by thinking about it differently. There is a need to move away from conventional strategic thinking to something more substantial and rewarding. Conventional strategic thinking involves comparing strengths and weaknesses and building advantages based on them. Value innovation affords a new strategic outlook. It focuses on creating “blockbuster ideas” and “quantum leaps” in value that result in higher growth and profits and make the competitor inconsequential (Kim and Mauborgne, 1997). Although, this idea was not officially coined ‘value innovation’ before Kim and Mauborgne, it has been present throughout history manifesting itself in unimaginable new markets (Kim and Mauborgne, 2005). Examples of which include the move from radio, to television, to personal computers and more recently to laptops. There is a new opportunity for African agriculture. If it is adopted, value innovation can result in small agribusinesses that are differentiated from each other as well as global competitors and have a lower cost structure than any of their competitors. The future for small agribusinesses in Africa, this study proposes, is therefore, to get on the value innovation bandwagon and receive all the benefits that it offers – a topic that has received very little research attention up to now.

THEORETICAL FRAMEWORK

Value innovation and competitive strategy

Value innovation is a vital business strategy (Kim and Mauborgne, 1997, 1999, 2005; Pitta, 2009). It stems from the idea that conventional logic (which advocates competitive advantage) will not be able to provide organic growth and sustainable profits for businesses in the long run. Innovation is a concept that appears in literature on competitive strategy as well as value innovation (Baregheh et al., 2009; Kim and Mauborgne, 1997, 1999, 2000, 2004, 2005; Zahra and Covin, 1994). The concept is therefore, a link connecting competitive strategy and value innovation and is not a new one (Baregheh et al., 2009; Schumpeter, 1934; Teece, 1988). As far back as 1950, Schumpeter contended that in order for organisations to refurbish their asset endowments, they had to innovate. Previous to this contention, processes associated with innovation were deemed important (Baregheh et al., 2009). Corporate survival and growth is dependent on innovation and recognisably plays a role in value creation and creating a sustained competitive advantage (Zahra and Covin, 1994). Innovation is built on the idea of gaining competitive advantage suggested by Michael Porter in 1980 using the five forces of competition (O’Shaughnessy, 1996; Porter, 1980). Porter (1980) advises that in an industry, the type and intensity of competition hinges on five forces: the risk of new contestants (entrants), power of customer and suppliers to bargain, the risk of alternative goods or services and the jostling between existing contestants. Managers quickly picked up that awareness of these five forces of competition helps their company stakeout a position in the industry that is less vulnerable to attack (Smit, 2000). It is unfortunate however that, the tactic of defending yourself from competitive threats actually leads to the creation of more competition that in effect strengthens the threat to the business.

It is difficult to generalise the state of competition in small agribusinesses in Africa. If regarded as highly competitive, hyper-competitive environments can be created. The success of organisations in hyper-competitive environments is dependent on unique mixtures of activities and tactics aimed at gaining momentary advantages and obliterating those of the competitors (Melo and De Medeiros, 2007). The conventional logic of strategy implies that if a competitor starts to manoeuvre more belligerently and swiftly, the rest of the competitors in the industry will follow (D’Aveni, 1995). This “red ocean strategy” as coined by the creators of the concept of value innovation, Kim and Mauborgne (2004), is characterised by a focus on competition that results in oversupply, static or falling demand and declining brand loyalties which lead to price wars and therefore shrinking profit margins. Kim and Mauborgne (2005) suggest that the solution to this problem is to have a different strategic outlook. Value innovation turns away from jostling for position in shrinking or declining markets and looks at creating new and uncontested markets or “blue oceans”.

Value innovation is a way for small agricultural businesses in Africa to escape the trap that is red ocean strategy and rather swim in uncontested blue oceans where they can get a breath of fresh air and a new lease of life on their business cycle. This strategic logic offers small agribusinesses in Africa the opportunity to be free of their competition and benefit considerably from focusing on their customers. The main differences between conventional and value innovations based on the five dimensions of strategy are illustrated in Table 1.

Porter (1979) said: “The essence of strategy formulation is coping with competition”. Value innovation stems from a need to break away from the struggles associated with competitive strategy. Pearce and Robinson (2007) define strategy as “large-scale, future-oriented plans for interacting with the competitive environment to achieve company objectives”. Literature on strategy focuses on the idea that beating the competition is the only way to get ahead (Ehlers and Lazenby, 2010; Gregory et al.,
Table 1. The five dimensions of strategy according to the conventional and value innovation logic.

<table>
<thead>
<tr>
<th>5 Dimensions of Strategy</th>
<th>Conventional Logic</th>
<th>Value innovation Logic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic focus</td>
<td>Conditions of industry are specified</td>
<td>Conditions of the industry can be fashioned</td>
</tr>
<tr>
<td>Competition</td>
<td>Competitive advantages should be built. Competition must be beaten</td>
<td>To dominate the market, strategy should be providing exceptional value not benchmarking competition</td>
</tr>
<tr>
<td>Customers</td>
<td>Current customers should be retained and expanded through additional segmentation and customisation. Disparity in what customer’s value should be the main focus</td>
<td>The mass of consumers is targeted. Some current customers are readily let go. Key commodities in what customers value in the main focus</td>
</tr>
<tr>
<td>Assets and Capabilities</td>
<td>Current resources and capabilities should be put to their maximum use</td>
<td>Current resources and capabilities must not limit a company. It must ask, ‘what we would do if we were starting anew?’</td>
</tr>
<tr>
<td>Product and Service Offerings</td>
<td>Offered services and products are determined by conventional industry limits. The aim, is maximising the value of these products and services</td>
<td>Can go beyond industry’s conventional offerings to provide a total solution for customers</td>
</tr>
</tbody>
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Source: Adapted from Kim and Mauborgne (2000).

1984; Pearce and Robinson, 2007; Pitta, 2009). Strategy is implemented using strategic management and the strategic management process. Strategic management is the method by which organisations apply devised strategies that are associated with the environment in order to realise long term goals and in so doing gain competitive advantage (Ehlers and Lazenby, 2010).

Gaining competitive advantage is the starting point of competitive behaviour. According to Porter (1980), competition works in a free market to constantly erode profits. Porter (1980) offered the five forces of competition (mentioned previously) as a means of analysis for firms to identify the nature, strength and impact of competitive pressures. The outcome of which is the creation of strategies to protect themselves from the impact of competitive forces or influence them in their favour.

It is because of this repetitive profit-eroding, non-advantageous cycle that managers need to re-evaluate and change their strategic outlook from focusing on beating the competition to focusing on creating value or out-competing the competition (Matthyssens et al., 2006). Ehlers and Lazenby (2010) aptly suggest that managers need to start with a point of view of how the world can be. They need not focus on how to improve what is available but rather how to alter it drastically. Value innovation occurs when organisational strategy eliminates and reduces aspects on which the industry competes, amplifies buyer value by raising rudiments the industry has not offered before and in doing so creating cost savings (Leavy, 2010; Sheehan and Vaidyanathan, 2009). In the long run, costs are reduced and superior value generated.

Strategy based on competition creates a trade-off between value and cost where value innovation breaks this trade off and provides the maximum amount of value at a lower cost. The result of competition is the alignment of activities throughout the entire system with the strategic choice or pursuing either differentiation or low cost. Prahalad and Ramasway (2004) anticipate that competition in future will feature an individual-centred co-creation of value between consumers a companies; this is already being reflected in value innovation. The value innovation strategy aligns its whole system of activities in the quest of both low cost and differentiation (Kim and Mauborgne, 2005).

Defining the small agribusiness

In studies investigating this issue, what constitutes a small business, tends to be adapted to suit the study being conducted. As the context of the study is Africa and the research conducted among small agribusinesses in South Africa, the definition of small business in this study is taken from the definition found in the South African Small Business Act of 2003. The South African Small Business Act (2003) characterises a small business as consisting of roughly fifty full-time workers or staff and about hundred part time while and making an annual
turnover of about two billion Rand.

The definition of a small agribusiness is hard to come by as the criteria for what makes an agricultural business small varies from country to country, region to region and sector to sector. The FAO (2010) states that, an agribusiness represents the combined business actions that are preformed from farm to fork and covers the supplying of inputs for agriculture, the manufacture and transformation of agricultural merchandise and their subsequent distribution to end user. For this study, small agricultural business will be referred to as small agribusinesses and their characteristics are drawn from a study on small agribusiness in China by Xiaofeng and Fenguin (2006), which classifies small agribusinesses as constituting a number of characteristics. Firstly, small scale agricultural operations, mainly privately owned with simple construction structure and without fine interior work division. Secondly, small agribusinesses tend to have a strong regional nature with limited market scope; the business concentrates on labour intensive industry which contributes a lot to employment and economic growth. Furthermore, small agribusinesses tend to exhibit a lack of capital, have informal management and external environmental factors tend to affect the development of these businesses substantially.

The small agribusiness therefore, employs between fifty full-time and hundred part-time workers, takes part in any business activity that involves the production, supply, transformation and distribution of agricultural inputs. It also has a limited market scope, is labour intensive, greatly affected by external environmental factors and contributes significantly to employment and economic growth.

Value innovation as concept

Value innovation is a combination of the concepts of value creation and innovation (Dillon et al., 2005; Kim and Mauborgne, 1997, 1999, 2000, 2004, 2005; Sheehan and Vaidyanathan, 2009). In general, the concept of value innovation is best explained using red and blue ocean strategy as done by the authors of the concept. Current industries and therefore the known market represent red oceans, while blue oceans represent all the industries that have not yet come into being, and therefore, denote unidentified market space (Kim and Mauborgne, 2004, 2005). According to these researchers, blue ocean strategy is the cornerstone of value innovation and is vital for sustaining high growth and remaining profitable.

Innovation

There is no one definition of innovation in literature (Baregheh et al., 2009). However, one thing is agreed upon, and that is, that invention precedes innovation. Whereas, the creative act is invention, innovation is the early on application of the initiative by an organisation or organisations with related objectives (Becker and Whisler, 1967). Damanpour (1996) gives a definition of innovation that is extensively utilised. It states: “Innovation is conceived as a means of changing an organisation, either as a response to changes in the external environment or as a pre-emptive action to influence the environment. Hence, innovation is here broadly defined to encompass a range of types, including new product, or service, new process technology, new organisation structure or administrative systems, or new plans or program pertaining to organisation members.”

Innovation when used competently constructs long-term advantages and creates remarkable changes in competitive positioning; being average at innovating provides competitive advantage but being exceptional at it can result in major industry-wide disturbances (Dobni, 2008).

Value creation

Value creation involves creating value with customers and is aimed at spawning new levels of personalisation at a lower cost by exploiting extraordinary advances in producer-consumer real-time connectivity (Leavy, 2010; Ngugi et al., 2010; Sheehan and Vaidyanathan, 2009).

Value innovation as a strategy should “embrace the entire system of a company’s activities so as to orient the organisation towards creating quantum leaps in value for customers as well as itself” (Kim and Mauborgne, 2005). Dobni (2008) advises that employees need to be creative thinkers and risk takers but in a managed setting. Innovation without value creation threatens to be over advanced technologically and not suiting the needs of consumers. The trade-off of devoting too many resources to innovation or under committing to creating value is addressed using value management (Dobni, 2008). If knowledge management is connected to overall strategy and strategic decisions, an organisation is likely to create significant value if it manages that knowledge well (Halawi et al., 2006). Voelpel et al. (2006) go on to affirm that successful businesses can only survive or shape their business environments if they are at the forefront of innovation and apply these innovations for value creation.

Applying value innovation

Most of the literature on value innovation focuses around the blue ocean strategies proposed by Kim and Mauborgne – the initial positrons of value innovation (Kim and Mauborgne, 1997, 1999, 2000, 2004, 2005; Leavy, 2010; Pitta, 2009; Sheehan and Vaidyanathan, 2009). The theory of value innovation is still relatively new and
there is a research gap concerning this phenomenon with regards to its application in the agricultural industry in Africa. Nonetheless, literature suggests that although the concept was not officially coined as value innovation, it has been present throughout history and will continue to be present in the future (Kim and Mauborgne, 1997, 1999, 2000). Value innovation has manifested itself in unimagined new markets, for example, the move from floppy disks to CD-ROMs to flash disks and the evolution of Walkmans to Discmans to mp3’s. This implies that there is always room for the creation of new and uncontested markets.

The four guiding principles of successful value innovation

All strategies involve a certain amount of risk be it strategies conducted in a red or blue ocean (Pitta, 2009). According to Kim and Mauborgne (2005), the four guiding principles of successful value innovation include: recreating market borders, having a future orientation not based on numbers, aiming to attract and retain non-customers and accurately following the strategic sequence. Following any one of these principals incurs search, planning, scale and business model risks. Failure to manage these risks places greater risk of failure on the organisation as well as management. In order to successfully execute the creation of blue oceans, key organisational hurdles must be overcome and execution of which must be build into strategy from the beginning (Kim and Mauborgne, 2005).

Organisational hurdles in executing strategy

In executing strategy, managers can face many hurdles (Freedman, 2003). Kim and Mauborgne (2005) identify four key hurdles that can prevent the firm from successfully executing its strategy namely: cognitive, resource, motivational and political hurdles. The cognitive hurdle involves ensuring staff are conscious of the necessity of a shift in strategic. Kotter (2007) states that, human nature being what it is, will oppose any fundamental transformation and the opposition will be greatest from the people it affects. Limited resources, is also considered a hurdle. Thinking with a conventional logic, shifting strategy makes people assume that more resources are needed when in fact resources are being cut – not raised – in order to achieve the strategy. Motivation is another organisational hurdle that needs to be overcome. Key players needed for the strategic shift need to be motivated to move quickly and resolutely to achieve the break from the current state. Politics is the fourth hurdle according to Kim and Mauborgne (2005). In some companies ideas that challenge the conventional way of thinking, even if they are exceptional, are shot down before they are presented due to opposition from powerful vested interests. Overcoming these key organisational hurdles leads to blue ocean strategy being put into action.

Analytic tools and frameworks assisting organisations to apply value innovation successfully

In order to create and capture blue oceans, a series of analytical tools and frameworks need to be used (Kim and Mauborgne, 2005); The six path analysis and the strategy canvas: As guidance for generating sets of attributes that may lead to the discovery of blue oceans, Kim and Mauborgne offer the “Six Path Analysis”. The six paths analysis is applicable across any industry and can guide companies into blue oceans that are commercially viable (Kim and Mauborgne, 2005). This analysis involves investigating other industries as well as strategic groups within industries, buyers within a chain, complementary products and service offerings, the emotional and/or functional appeal to buyers and looking across time. Following this framework should result in innovative products that are unique in their offerings. The strategy canvas is an action framework that can be used diagnostically to construct an enthralling blue ocean strategy. It enables the six path analysis (Shehaan and Viadyanathan, 2009). The strategy canvas analyses the current state of the known market allowing an understanding of what the competition is currently focusing their investment on. It allows for understanding of factors on which the industry is competing in terms of products, services and delivery and also gives perspective as to what value customers are receiving from existing offerings. In order to shift the strategy canvas of an industry, organisations must reorient their strategic focus to alternatives and non customers in an industry (Kim and Mauborgne, 2005). Doing this gives the organisation insight on how to redefine the problem focused on by the industry and in doing so allows for the rebuilding of elements of buyer value that are inherent across industry boundaries.

The four actions framework

The four actions framework recreates buyer value elements and creates novel value curves that set an organisation apart from its competitors. The four actions framework is illustrated in Figure 1. This framework suggests that to create new value curves that offer both differentiation and low cost, there are four key questions that must be asked as they challenge the industry’s strategic logic and business model (Kim and Mauborgne, 2005; Sheehan and Viadyanathan, 2009).

1. Which factors that the industry takes for granted should be eliminated?
2. Which factors should be reduced well below the industry's standard?
3. Which factors should be raised well above the industry's standard?
4. Which factors should be created that the industry has never offered.

Pursuing the first two questions offers insight on how to lower the cost structure, the third question encourages the organisation to expose and eradicate the concessions the industry insists customers must make. The fourth question helps organisations find totally new sources of buyer value, create demand for the innovation and shift the pricing of the industry (Kim and Mauborgne, 2005). When the four actions framework is applied to the strategy canvas, revealing insight at old perceived truths is usually discovered.

The eliminate-reduce-raise-create grid

This tool is a supplementary analytic to the four actions framework and is essential to the creation of blue oceans. The grid encourages companies to act on the four questions presented in the four actions framework by driving them to complete the grid with the actions they intend to take to eliminate, reduce, raise and create. According to Kim and Mauborgne (2005), the grid provides companies with immediate benefits which include:

1. Pushing them to pursue both differentiation and low costs simultaneously in order to break the trade off between value and cost.
2. It instantaneously identifies companies that are determined to only raise and create, thereby lifting their cost structures and often results in over engineering products and services.
3. Managers can easily understand the grid, therefore generating a high level of commitment in its application
4. Completing the grid encourages companies to dissect every factor their industry competes on and makes them realise the assumptions they make when competing.

Once these analytical tools have been employed, organisations have to formulate good strategies for value innovation to be successful. Good strategy depends on having focus, being divergent and having a compelling tagline. Kim and Mauborgne (2005) advise that once the blue ocean strategy is identified, the business model needs to be robust and compatible with this strategy so as to make profits off of the idea. Companies therefore, need to build their strategy in the sequence of buyer utility, price, cost and adoption. Following this sequence ensures the success of blue ocean strategy by unlocking exceptional utility, setting a fair strategic price, ensuring the cost of producing the product does not outweigh the income generated by its sale which results in profits for the organisation. Finally, adoption hurdles such as potential resistance by retailers or partners needs to be addressed to ensure the success of the blue ocean strategy.

Successful value innovation, sustainability and when to repeat the process

Creating blue oceans is a vibrant process and once it has been achieved and its benefits recognised, it will not be long before the competition once again tries to enter this market and turn the blue ocean into a bloody red ocean. Fortunately, the complexity of blue ocean strategy offers a number of barriers to imitation or entry into the market. These barriers include that blue ocean strategy goes against the conventional logic that imitators will try to use; it may conflict with image of their brand; due to the creation of a natural monopoly, a second player may not be supported by the market; legal permits and patents will block substitutes; the value innovator will develop a cost advantage that may deter potential entrants; imitation will be discouraged due to network externalities such as imitation usually involves considerable operational, political and being the first to offer exceptional value creates customer loyalty (Kim and Mauborgne, 2005).

Despite the numerous barriers to entry, eventually they will be broken and the cycle of red ocean strategy may begin again. To avoid resorting back to competition, value curves on the strategic canvas must be monitored to signal when the organisation should value innovate again. Overall it is up to the owners and/or managers of small agribusinesses in Africa to choose between the
conventional logic that will keep them strapped in their current positions, or dare to be different and choose value innovation.

Value innovation in small agribusinesses in Africa

Hall et al. (2005) advise that impoverished persons depend on agriculture to sustain their livelihoods. There is little to no literature on small agribusinesses using value innovation. Rottger (2010) confirms this by stating that with the exception of South Africa, other African countries included in his study of agribusiness displayed a distinct lack of data on the agribusiness sector. Bonney et al. (2005) is one of the few articles used in this literature review that attempts to link both the concepts of innovation and value innovation in agriculture stating that the agro-food industry needs to embrace a consumer focused approach to market development and business growth as well as embrace the principles associated with value chain management. There is documentation of creating value through value chain innovation, information systems and technology advancements (Cooke, 2004; Stanton and Burkink, 2008). In the literature on innovation in agriculture, Possas et al. (1996) inform that innovation in the agricultural industry has being receiving notice from economists since the 1960s. If agribusinesses are to profitably compete in the dynamic competitive environment associated with the modern agricultural sector, innovation is essential (Hall et al., 2005). The World Bank (2006), states that attention is now focused on the demand for research and technology and the development of information systems. This is in an effort to improve the capacity of innovation in Africa. Strengthening information systems supplies new knowledge and technology may eventually improve the capacity for innovation in the agricultural sector. There has been a focus on increasing innovation adoption in Africa through increased investment from both external and internal sources in Africa. However, what this does is force African countries back into the debt and dependence on foreign aid they are desperately trying to escape.

Possas et al. (1996) explain that the agricultural sector tends to consist of markets that demonstrate a very low degree of market concentration, a lack of oligopolistic structure, homogenous products, high levels of high competition, low rates of technical change, a very limited capacity to innovate on their own and insignificant research and development expenditures.

Unfortunately, as stated earlier, value creation and value innovation are two separate concepts and when not applied together do not add up to value innovation. Research on agribusinesses tends to focus on the alleviation of poverty in Sub-Saharan African by other means than value innovation representing a research gap (Berdegué and Escobar, 2002; Spielman et al., 2008; Sumberg, 2005). Examples of the success of value innovation in small agribusinesses are therefore also non-existent. In fact, Bryceson (1999) advocates that formerly intense academic and policy concern to do with transforming Africa’s rural labour, has evaporated over the past twenty years. This could be an explanation for the lack of evidence regarding value innovation in addition to the fact that it is still a new concept. There is a lack of interest in improving agricultural practices in Africa aside from the evidence regarding poverty reduction in Sub-Saharan Africa. This however does not mean that lessons cannot be taken from the successes of other types of businesses in other industries.

Despite the fact that there is little to no literature on value innovation agriculture, many examples of successful innovation in other kinds of businesses and industries exist. As previously stated, value innovation is not a concept restricted to specific firms, nor is it restricted to a specific industry. Therefore, following the frameworks and analytical tools provided by Kim and Mauborgne (2005), it should be possible to successfully adopt value innovation in small agribusinesses in Africa. The following additional steps are proposed to aid with the discovery of blue oceans (Abrahams, 2006):

1. Visual awakening – comparing oneself with competitors by means of the strategy canvas and identifying where change is needed. That is, asking the four questions, what can be eliminated, reduced, raised or created?
2. Visual exploration – collecting data from the field
3. Visual strategy fair – getting pointers on the design and current state of the strategy to be employed, and
4. Visual communication – using the strategy canvas

In addition, Pitta (2009) suggests three approaches to create blue oceans: adopting the right mindset; performing the right analysis; and having a good gauge of ingenuity. Adopting the right mindset involves redefining the industry and focusing on non-customers, creating total solutions for customers by selling goods that solve problems or provide substantial benefits. This approach is aptly termed ‘supplying complementary needs of customers’ and recognises the tradeoffs that product developers face (Pitta, 2009). By eliminating these tradeoffs and thereby de-segmenting the market, an underserved part of the market may be discovered.

Value innovation is possible in small agribusinesses in Africa if they use six paths analysis, the strategy canvas and the four actions framework and put it into action by using the eliminate-reduce-raise-grid followed by the formulation of a good strategy. The most challenging part of creating blue oceans will most probably be the execution of the strategy.

Limitations to the application of value innovation

According to Abrahams (2006), value innovation or “blue
Overcoming limitations to value innovation

Abrahams (2006) suggests that companies must possess the three P’s in order to be successful with value innovation. They are building a ‘portfolio of products’ for the blue ocean and an organisational ‘process’, and motivate ‘people’. Tipping point leadership can be used to transform people, acts and activities that affect performance which is a turn away from the conventional theories of effecting change. That is, conventional wisdom dictates that the way to effect change is to transform the masses and this requires precipitous resources and lengthy time frames. Tipping point leadership on the other hand suggests that “to change the masses, the organisation should focus on the extremes of people, acts and activities that exercise a disproportionate influence on performance to achieve a strategic fast and at a low cost” (Kim and Mauborgne, 2005). By consciously addressing the hurdles to strategic execution tipping point leadership aligns employees’ actions with the new strategy and results in its strategy execution.

When the workforce feels threatened by new strategy, this can lead to strategy not being executed. Managers can deal with this limitation to value innovation by using the power of fair process. Kim and Mauborgne (2005) state that fair process is a way of building execution into strategy by creating people’s buy-in upfront. It is made up of three elements: engagement, explanation and expectation clarity. Engagement requires the involvement of individuals in strategic decisions by requesting they give their input. Explanation requires that everyone involved and affected in this new strategic orientation, understands why strategic decisions are made that way. Expectation clarity requires that after strategy is determined, managers clarify the new rules of the game with employees. When combined, these three elements will lead to trust and commitment, voluntary co-operation and strategy execution that exceed previous expectations.

METHODOLOGY

The chosen research paradigm of the study was that of constructivism. The constructivist approach is subjective, uses relativism and requires close interaction between the inquirer and the inquired into, this is in line with the aim and purpose of the research being conducted. A theory building from cases research design was utilised in order to achieve the research aim and objectives.

Data collection

The research required a flexible, exploratory approach that allowed for in depth interactions and subjectivism. In order to achieve the research aim and objectives, unstructured interviews were conducted to collect data.

Sample selection

Because detailed information about the inner workings of the business was required and due to the in-depth nature of the unstructured interviews, managers and/or owners of small agribusinesses were chosen to participate in the study.

As per the definition of a small business according to the South African Small Business Act (2003), the chosen agribusinesses had to employ between fifty full time staff and up to a hundred part time staff as well as make annual revenue of up to two billion rand. The agribusinesses were located in the Mogale City Municipal Area.

Theoretical sampling was used as the cases were particularly suitable for illuminating and extending relationships and logic among constructs. Moreover, because the research question asked why value innovation is not utilised sufficiently as strategy by small agribusinesses in Africa and how these businesses can adopt it, the sample had to consist of more than one small agribusiness. Up to eleven businesses within the stated area were requested to participate in the research project, but only four agreed to participate. Of the four organisations that chose to participate, two were in the nursery business and therefore, represented horticulture, one was a trout farm and therefore, dealt with aquaculture, the fourth was a horse farm or in the equestrian trade and represented livestock rearing.

Data analysis

Once saturation point was reached in the data collection process, data was analysed using open coding, axial coding and selective coding. This is in line with the theory building approach in which data is analysed in stages; open coding to form categories of information about value innovation, axial coding to visually represent the central phenomenon and its sub themes once open coding has occurred, and selective coding to express the findings in
Table 2. Current understanding and application of value innovation.

<table>
<thead>
<tr>
<th>Participants</th>
<th>Understanding of value innovation</th>
<th>Current application of value creation and innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant 1</td>
<td>Did not know what value innovation was. “Value innovation? No, you better explain that to me!”</td>
<td>Industry efficient logic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Product innovation</td>
</tr>
<tr>
<td>Participant 2</td>
<td>I have not heard of value innovation but had a natural knack for supplying exceptional value</td>
<td>Industry efficient logic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Network services logic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Knowledge intensive logic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service innovation</td>
</tr>
<tr>
<td>Participant 3</td>
<td>Knowledge on value innovation was extensive. Plenty examples of it in a wide range of industries could be given</td>
<td>Industry efficient logic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Product innovation</td>
</tr>
<tr>
<td>Participant 4</td>
<td>Did not know about value innovation</td>
<td>Service innovation</td>
</tr>
</tbody>
</table>

Table 3. Strategic outlook: conventional or value innovation logic.

<table>
<thead>
<tr>
<th>5 Dimensions of strategy</th>
<th>Participant 1</th>
<th>Participant 2</th>
<th>Participant 3</th>
<th>Participant 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Focus</td>
<td>Conventional</td>
<td>Conventional and Value innovation</td>
<td>Conventional and Value innovation</td>
<td>Conventional</td>
</tr>
<tr>
<td>Competition</td>
<td>Value innovation</td>
<td>Value innovation</td>
<td>Conventional and Value innovation</td>
<td>Value innovation</td>
</tr>
<tr>
<td>Customers</td>
<td>Conventional</td>
<td>Conventional and Value innovation</td>
<td>Conventional and Value innovation</td>
<td>Conventional</td>
</tr>
<tr>
<td>Assets and Capabilities</td>
<td>Conventional</td>
<td>Conventional and Value innovation</td>
<td>Conventional and Value innovation</td>
<td>Conventional</td>
</tr>
<tr>
<td>Product and service offerings</td>
<td>Conventional:</td>
<td>Conventional</td>
<td>Conventional and Value innovation</td>
<td>Conventional</td>
</tr>
</tbody>
</table>

the form of a story (Creswell, 2007). A substantive-level theory was generated once data analysis was complete with the help of memoing.

Recruitment process

Data was collected from the managers and/or owners of the four small agribusinesses. It was vital to get either the top manager or the owner of the business in order to gain in depth insight into the strategic innovation logic being used in their current business practices. The different managers and/or owners were asked to participate through face to face interactions and follow up telephone conversations or emailed requests. Necessary explanations as to the purpose of the research and how it would be conducted were given in order to ensure that managers were ready for the data collection process.

RESULTS

The data collected suggests that the sample of owners and/or managers of small agribusinesses selected had limited knowledge as to what value innovation is and how to apply it (Table 2 illustrating the participants’ understanding of value innovation and its application). The owners and/or managers of small agribusinesses in general apply varying degrees of value creation and innovation. They mostly felt complacent with their current competitive positions.

With regards to the five dimensions of strategy, the data collected suggests that small agribusiness owners and/or managers apply varying degrees of conventional and value innovation logic. However, the dominant strategic outlook they apply is that of the conventional logic. Table 3 illustrates this point.
Reasons why managers and/or owners of small agribusinesses in Africa are apathetic to the adoption of value innovation

A variety of responses were acquired when asked about the need for value innovation in small agricultural businesses and shared some light into why small agribusiness managers and/or owners are currently practicing value creation and innovation and not necessarily value innovation. From the data collected, the common reasons for this current practice in small agribusinesses were as follows:

Benightedness: Feeling of being in the dark

There was a clear lack of knowledge of what value innovation is among participants. This benightedness serves as a reference point for managers and/or owners of small agribusinesses in Africa and their approach to the management of their business. It allows for the conventional logic to thrive as it results in small business managers and/or owners feeling comfortable in the environments in which they operate and fearful of the unknown (Haas, 1990).

Perceived hurdles and barriers to the adoption of value innovation

From the data gathered from participants, it was clear that a change in the status quo from conventional logic to value innovation logic is limited by both a lack of knowledge and perceived hurdles. Although, these businesses are changing, they change on an incremental level, by what Haas (1990) calls ‘change by adaptation’. Some of the participants were disheartened by the hurdles they see in legal restrictions and ethical considerations. This adds to their feeling of being boxed-in or trapped. This epitomizes the sentiment that industry conditions are given, that these restrictions not only limit what agribusinesses can and cannot do physically but also limits the creativity of the owners and/or managers to a certain extent and therefore binds them mentally. In addition to legal and ethical limitations, the data collected suggested that the managers and/or owners faced other hurdles such as: the cognitive, limited resource, political and motivational hurdles. These are major hurdles managers have to overcome in order to successful execute blue ocean strategy and are the organisational hurdles mentioned by Kim and Mauborgne (2005).

Lack of impetus and fear of the unknown

There is a clear lack of motivation for small agribusinesses in Africa to value innovate as competition is stiff but, it does not provide the necessary push to encourage managers and/or owners to create exceptional value that separates from the current competition. In addition to these hurdles, there was a strong feeling of trepidation amongst the participants. There is a clear reluctance to do anything drastically beyond the norm as would be required of value innovation and this is due to fear, feelings of separation from the customers, a low self-perception and the industry conditions in which the manager and/or owner is operating (Ashkanasy et al., 2002).

Being contented with the current situation, seeking asylum

Most of the participants seemed contented with the current situation with regards to competition and their positioning in the industries in which they operate. They seemed very comfortable in their settings and did not feel a strong impetus to change anything as things are going well as it is. The fundamental feeling shared by these participants was, ‘why ruin a good thing?’

A theoretical model to assist small agribusinesses in Africa to adopt the value innovation logic

Once open, axial and selective coding were conducted, the data suggested that in order to successfully apply the strategic logic of value innovation, managers and/or owners of small agribusiness first need to be more aware of the concept of value innovation. The research findings resulted in the development of the awakening model for small agribusinesses in Africa in Figure 2.

The awakening model suggests that when managers and/or owners of small agribusinesses in Africa conduct business using the conventional logic and are therefore operating in red oceans, there exists: a profound fear of the unknown; their self-perception in terms of what they believe they can do with the business tends is limited; they tend to be comfortable with the way things are and have a general belief of ‘why fix it if it is not broken?’; and they believe there are hurdles they will have to face such as legal and ethical considerations that limit their ability to want to value innovate. However, the model suggests that with deeper awareness and knowledge of the concept of value innovation, small agribusiness owners and/or managers in Africa can harness qualities they already possess such as passion, motivation, connections – both physical and virtual – and use their intuition to discover what it is that will provide customers with the quantum leap in value at a realistic price that will lead the business to blue oceans. Harnessing all these factors together with the use of the blue ocean analytical tools and frameworks, and following the blue ocean strategic sequence should position small agribusinesses
in to reap the benefits of value innovation.

DISCUSSION

To best of our knowledge, there are very few publications on value innovation in the context of small agribusinesses in Africa. The focus in literature tends to be on western innovation, value chain management and improving innovation systems through technological advancements (Bonnet et al., 2005; Cooke, 2004; Possas et al., 1996; Rottger, 2010; Stanton and Burkink, 2008). This paper sets a precedent for further investigation both qualitatively and quantitatively into this aspect of business practice in small agribusinesses in Africa.

A number of recommendations can be made to African small agribusinesses looking to value innovation namely:

1. Gain knowledge about value innovation.
2. Apply this knowledge. Using the strategy canvas, four actions framework, eliminate-reduce-raise-create grid and following the strategic sequence of blue ocean strategy should lead to the successful creation of blue oceans.
3. Ensure that the business is ready for change in terms of employee motivation and an organisational structure which is essential to the successful execution of blue ocean strategy.
4. Make creativity and learning a feature of the small agribusiness and built these into the business model. This can lead to the generation of new ideas within the business that could create exceptional value for customers as well as the business.
5. Engage the customer more vigorously in the value creation process. This can lead to quantum leaps in value for both the customer and the organisation. Small agribusinesses need to realise that value co-creation is the newest way to innovate and in so doing possibly create uncontested markets.

Small agribusiness owners in Africa need to realise that the industry may look like it has set conditions but these conditions can be altered drastically by having a different strategic outlook. These recommendations encourage small agribusiness owners and/or managers to take a challenge and dare to be different in the industries in which they operate.

IMPLICATIONS

The results of the study conducted highlight that there is a need for further research on value innovation and its adoption in small agribusinesses in Africa. This implies that the scope of study may need to be widened to provide for results with more in depth understanding of the phenomenon that can indeed be applied across small agribusinesses in Africa. Furthermore, a quantitative approach to the study can be conducted in order to provide more generalised findings. It is clear that there is a need to educate both, the small agribusiness owners and/or managers and governments or policymakers in Africa of the benefits value innovation can have for the continent as a whole if adopted. This can have far reaching implications and result in the transformation of the entire African continent.

Conclusions

This study investigate how small agribusiness owners and/ or managers in Africa can apply the strategic logic of value innovation to sustain high growth and grow profitably. It was found that knowledge of value innovation, as a concept is limited, which leads to a limited degree of its application. Small agribusinesses investigated seem to apply value creation and innovation in an incremental manner. Value innovation, however, entails one major change, a quantum leap that would offer customers exceptional value and create a new and uncontested market.

The study highlights that knowledge is a main barrier to the application of value innovation. The findings of the study would be helpful to the owners and/or managers of small agribusinesses in Africa as it can assist to fill gaps in information that could result in the adoption of the concept. Furthermore, policy makers should rather focus...
on enhancing innovation in agriculture, which does not result in high costs and greater debts. Being aware of value innovation, allows organisations that successfully apply it to lower costs and differentiate themselves, at the same time, would be a more sustainable way to reach the goals set out for the agricultural industry in Africa.

REFERENCES


