

# Towards Developing Aotearoa Value Chains

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# What is a supply chain?

If you produce and sell a product then your business is part of a supply chain.

A supply chain covers on-farm production (including inputs from other suppliers) and stretches to the purchasing and consumption of a product or service.

A business that operates in a supply chain will often have a relationship with immediate suppliers and buyers.

The business may not have much knowledge of what happens further down the chain towards the final customer.

There may be ways to increase the value that your business creates and captures (i.e. increase income) by becoming part of a value chain.



# What is a value chain?

Just like a supply chain, a value chain involves all the processes and activities involved in getting a product from the farm to the final consumer. Some people call this “gate to plate” or “farm to fork”.

The key difference between a supply chain and value chain is the focus on creating and capturing value through understanding what is valued by the **final consumers**, and using this in product creation.

For example, a group of consumers may value eating meat that is pasture raised and organically grown, and may be willing to pay a premium for this.

Producing a product that meets these demands, and making sure consumers know about this, allows businesses in the value chain to capture extra premium.

In a value chain, information about what the final consumer values is shared with members of the chain, and a story, or marketing message, is developed to share with the final customer. *Information flows both ways along the chain!*

# Value Chains

A value chain may be long, needing many businesses to get a product to market.

A good example is selling meat overseas.



On the other hand, it may be short; for example, selling farm produce at a local farmers market.



# Moving from financial value to shared values

## SUPPLY CHAINS

A SUPPLY CHAIN DELIVERS A COMMODITY TO A CUSTOMER, MEETING AGREED SPECIFICATIONS AT A FIXED PRICE



## VALUE CHAINS

A VALUE CHAIN DELIVERS A QUALITY PRODUCT TO A CONSUMER, DELIVERING VALUE THAT IS SHARED WITH PRODUCERS

Moving from a supply chain to a value chain requires thinking about your business, the products you offer, and how this will provide value for the final consumer.

Economists often define value as financial return. However, our research identified that **shared and articulated values** are often just as important – they provide the glue that holds the value chain together.

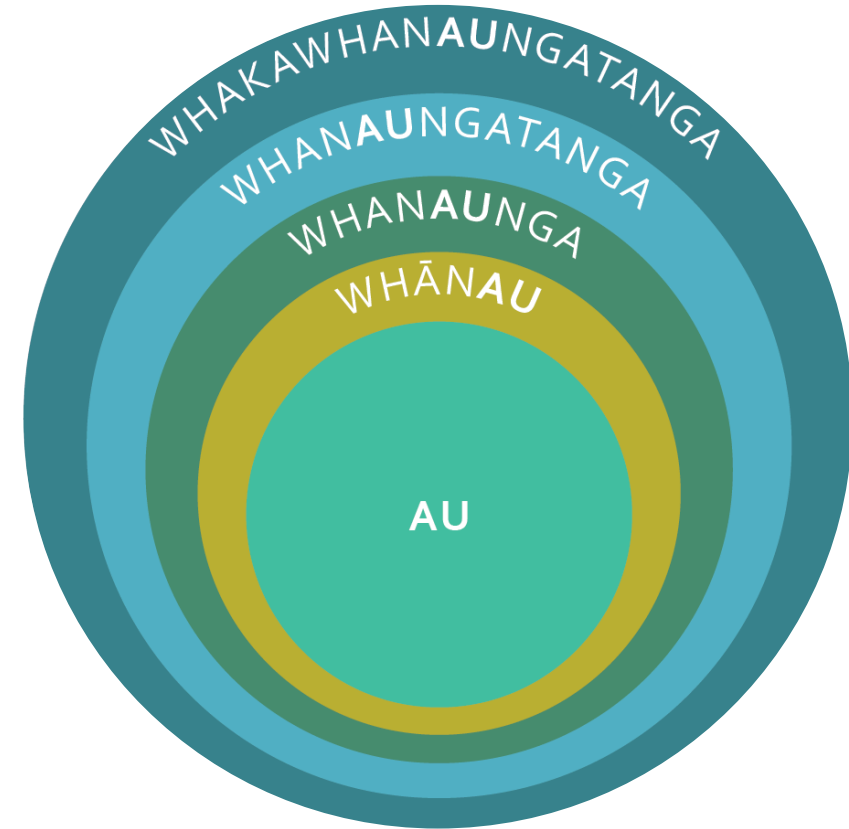
Best practice value chains not only produce commercial value, but build on, and enhance, the values that each agribusiness in the value chain holds.

# Whakawhanaungatanga

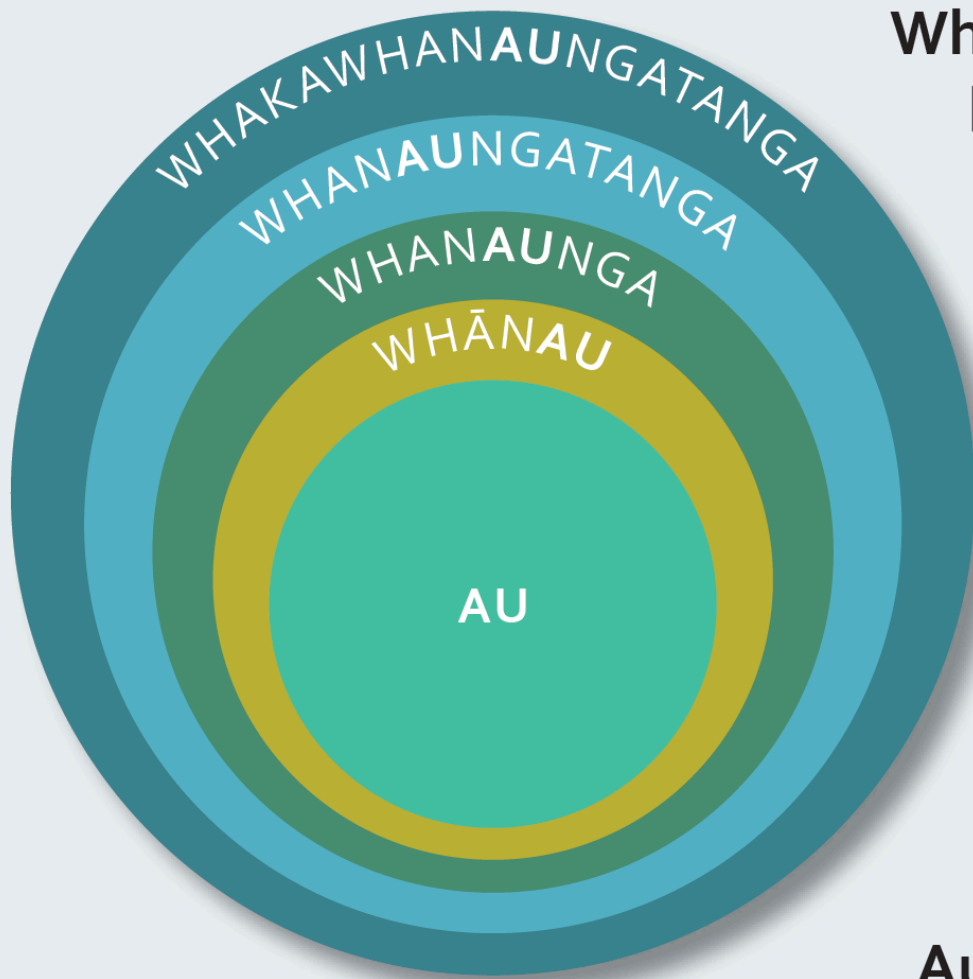
This conceptual framework comes from [He Kākano](#), Ministry of Education, that encourages educational leaders to view themselves as cultural beings that move into different spaces.

In the same way, we see people in a value chain as beings of culture and values who can create and add value in different ways, and at different levels.

Note that each individual, denoted as 'au', can progress through each level of engagement.



Source: Adapted from <https://hekakano.tki.org.nz/The-programme/Outside-school-wananga>.



**Whakawhanaungatanga:** relationship building (enacted through shared history, shared experiences, whakapapa, shared values, common interests)

**Whanaungatanga:** relationships (identifying business purpose)

**Whanaunga:** stakeholders, landowners, beneficiaries

**Whānau:** focal company, business entity, trust, organisation, enterprise

**Au:** Individual

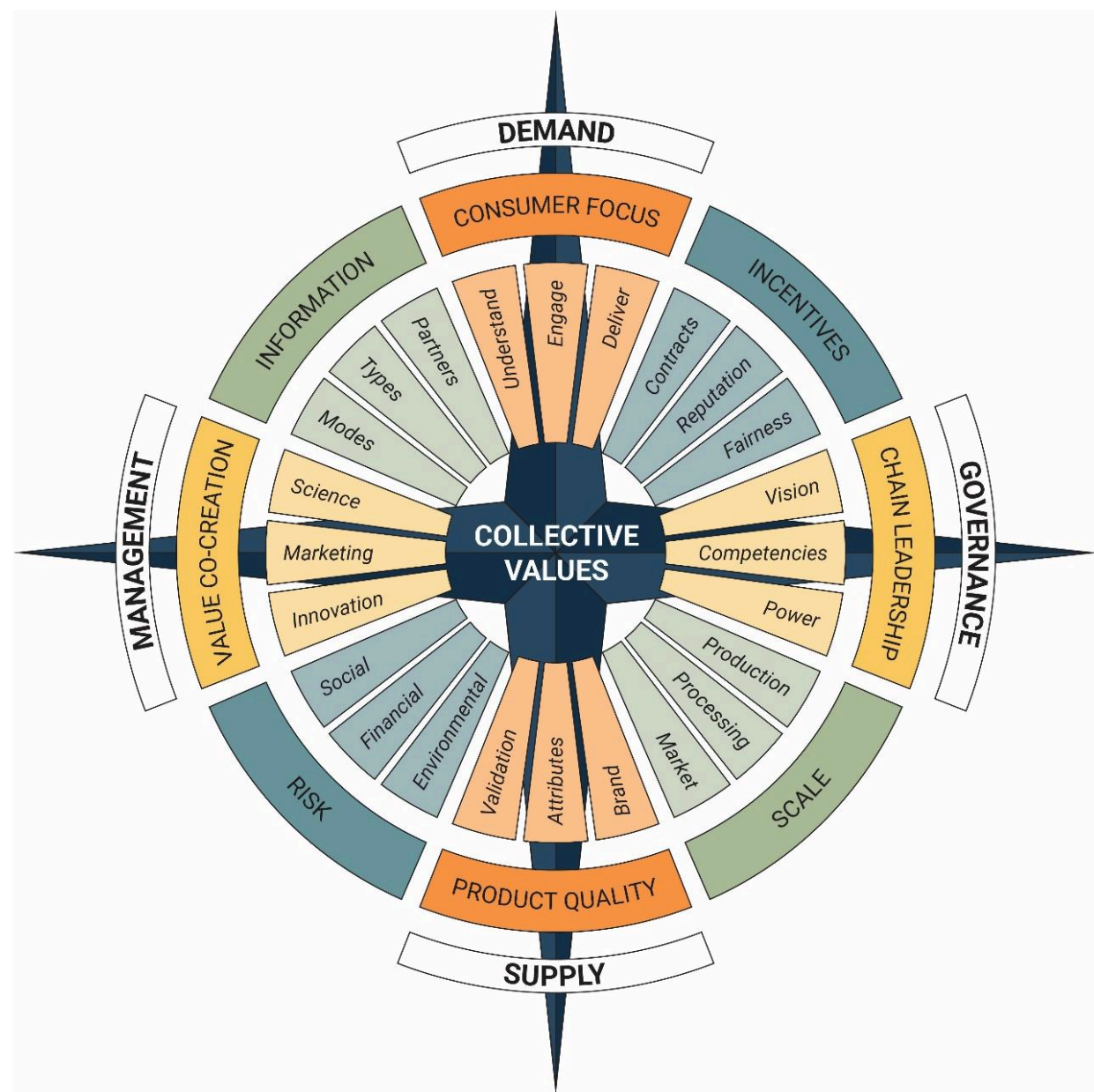
**Key Question:** What special quality do I have that can add credibility and value as it passes through, circulated and recycles through each level?

# The Value Chain Compass

[The Value Chain Compass](#) offers a guide for enterprises wanting to create a new value chain, or to transform an existing supply chain into a value chain.

Based on five years of case study research, this value chain compass resource offers an in-depth information guide that explores a series of value chain attributes to consider when developing a value chain strategy.

It highlights nine key characteristics of successful value chains and presents them in an organised way around demand, supply, governance and management.



Source: <https://www.aeru.co.nz/valuecompass>.



# Connections

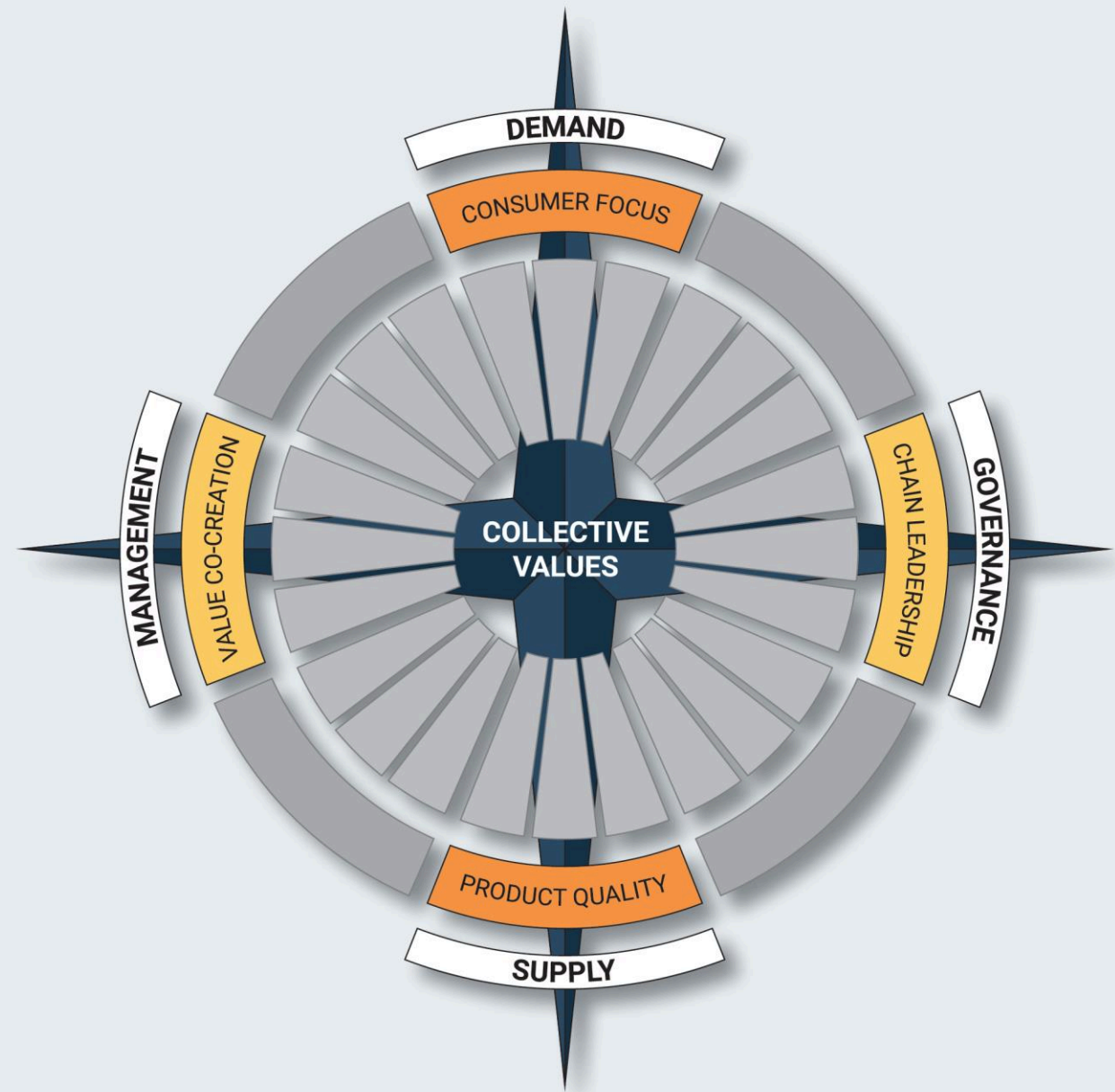
**Whakawhanaungatanga** is an invitation to build relationships and make connections.

Alongside **values**, our research highlights two key connections that underpin a successful value chain:

- Between **consumers** and **producers**.
- Between **governance** and **management**.

## Further Resource on Value:

Mika, J. P., Dell, K., Newth, J., Houkamau, C. (2022). Manahau: Toward an Indigenous Māori theory of value. *Philosophy of Management*, 21, pp. 441-463, available [here](#).



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