



Innovation Pioneers

THIS BRIEFING PAPER INCLUDES KEY TAKEAWAYS FROM TANK MEETING NR 60, HOSTED BY LANTMÄNNEN ON “HOW TO BE BRAVE ENOUGH IN HARD TIMES?”

The Tank meeting took place on Sept 21st, 2022 at LAMB, Drottninggatan 71C in Stockholm

PARTICIPATING: Googol, Doberman, Tetrapak, Alfalaval, RISE, CGI, Handelsbanken

PURPOSE

Tank Meeting #60 was focused on innovation during challenging times and how to approach innovation when the company is facing a crisis.

Lantmännen Cerelia started a new innovation & insights team focusing on long-term (H2, H3) innovation one year ago. Since then the team has developed a clear innovation strategy and identified many promising opportunities. Now is the time to realize the plan.

However since the team was born, the food industry has become pressured by changes in consumer behaviour, increasing commodity prices and inflation. Many organizations are now facing a shift of focus from long-term innovation to short-term financial performance.

How do you get the whole company on board the innovation journey, when many are busy handling short-term turbulence? How do you get a company to remain focused on explorative innovation in times of crisis? How many innovation bets can you dare to invest in, given the current market situation?

Those were some of the questions we discussed and brainstormed during the workshop.

Thank you Lantmännen for hosting a very insightful and exciting day!



LANTMÄNNEN – ABOUT THE HOST

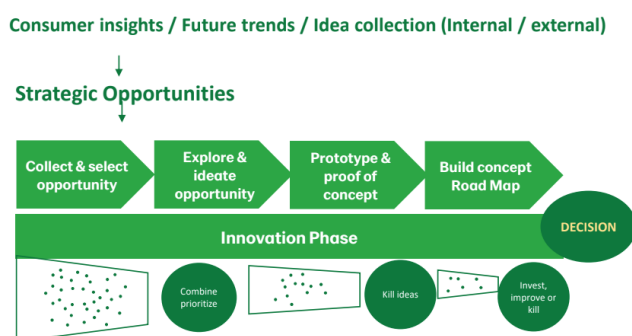
Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 19,000 Swedish farmers, they have 10,000 employees, operations in over 20 countries and an annual turnover of approximately SEK 48 billion. With grain at the heart of their operations, they refine arable land resources to make farming thrive. Read more at lantmannen.com.

LÄNTMÄNNEN INNOVATION PROCESS AND STRATEGY

How does Lantmännen work with innovation? Lantmännen Cerelia started a new innovation & insights team focusing on long-term (H2, H3) innovation one year ago. The purpose of the innovation team is to explore new areas and meet new consumer demands and trends. To facilitate and speed up the process from ideation to commercialization, they focus on building an innovation platform and process. Lantmännen monitors external food trends and always aims to find the sweet spot between its strengths and new consumer demands. One of those areas is the green eating revolution, where Lantmännen can utilise its own strengths within the oat business area.

Lantmännen Innovation Process

Process



The Lantmännen Innovation Process is an iterative process including four main steps. It starts with collecting ideas and exploring new opportunities before moving



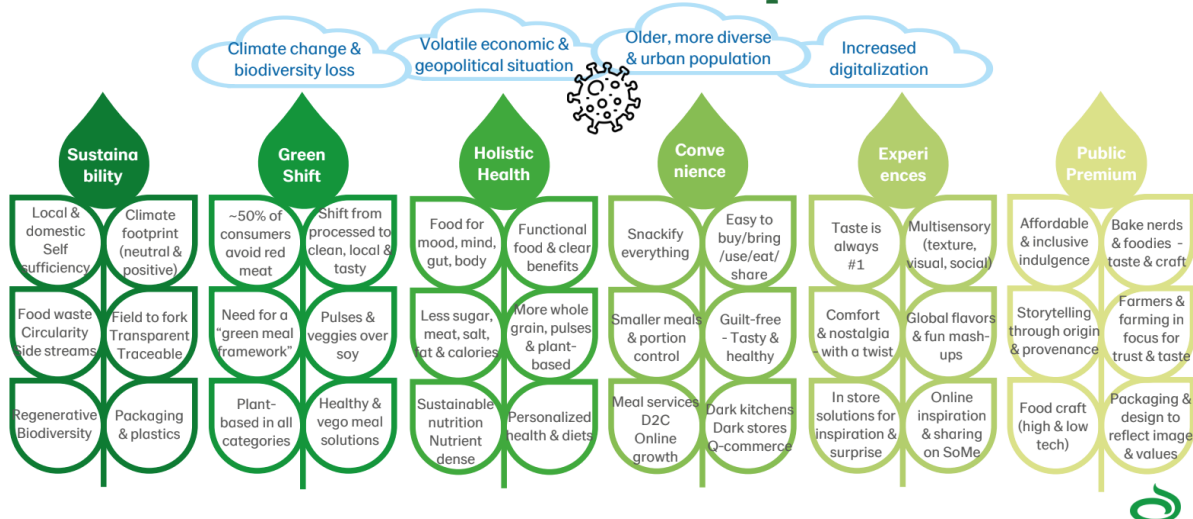
into the prototype and research phase. Lantmännen has found many ways to collect ideas internally, through everything from innovation days to new tools. Once they get to the prototype and proof of concept stage they assess what insights they need to validate the hypothesis. The prototype stage is the phase they would like to become better at, to speed up the process from an opportunity to prototype and commercial validation. Once the prototype has been validated it is time to build a concept and road map, before making the final commercial decision.

Lantmännen's innovation team and process have a few pros and cons. Some of the pros include being a small and flexible team, who can update the budget and plans regularly. They also have an insights team who can support them. Their owners (19 000 farmers) are focused on long-term so innovation is well supported. Some challenges include being a small team with few resources, so they need to work with the rest of the organization to get innovation work prioritized. The execution stage is therefore the most challenging phase.

CONTEXT: THE FOOD TRENDS LANDSCAPE

To set the scene before moving to the workshop, Lantmännen shared some insights on current food trends and the food landscape. They shared a one-slider summarizing the trends they need to consider and navigate. One obvious trend is climate change and the sustainability movement, where red meat is subject to the most criticism and innovation. The pandemic has also created new opportunities and ways to reach consumers. In addition to the financial and geopolitical instability, we are also becoming older. How do we transform the food industry to meet these challenges in a sustainable way? Lantmännen also shared it is not enough to create new green food products, consumers also need help in learning how to cook with these new green products.

Lantmännen Cerealia's TrendScape 2022





Another large trend is the health trend, where more and more consumers care about what they eat and how this affects them. For example, consumers are looking to improve their sleep through what they eat. Self-help is no longer only found in meditation and other mindfulness activities, consumers are now looking to improve their mental health through food.

Another big trend is the food experience trend, where it is no longer about the ingredients but your whole experience. According to Lantmännen, consumer tests indicate that we tend to think food tastes even better once we've taken a photo of it and shared it on Instagram. The whole experience matters, from the food inspiration phase to getting food on the plate. How can we create value-adds for consumers, enhancing the experience of food? The do-it-yourself or grow-your-own trends have also spiked during the pandemic, enhancing the full food experience.

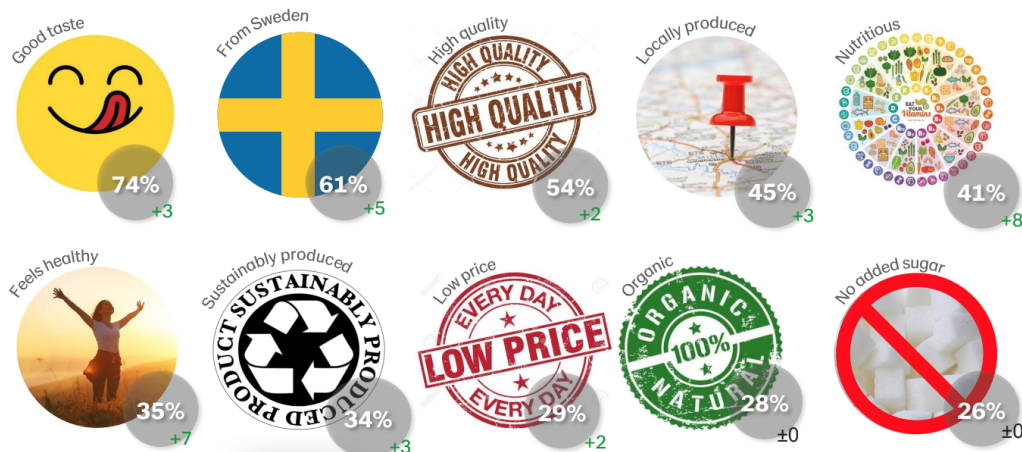
What do consumers value the most?

Lantmännen shared a top list of what Swedish consumers value the most. 74 percent indicate that taste is what they value the most, followed by 61 percent who value local production in Sweden and 54 percent who value food quality. 41 percent value nutritious food.

Based on the sweet spot between external trends and Lantmännen's own strengths, they have identified two main areas of focus: sustainability and field-to-fork.

Top valued food qualities for Swedish consumers

- taste, domestic/locally produced & health attributes increased in importance during the pandemic



5

Which of the following is important to you when it comes to your diet?
Base: SE: 1400



EXAMPLE CASE - INNOVATION PROCESS IN FUNCTIONAL HEALTH



To show how Lantmännen works with innovation, they walked us through an example of a new product concept within the health category and its innovation process.

Lantmännen has the ambition to lead the way with new products in the functional health category. Many health products already exist on the market, and some of them promise too much to everyone. How can you communicate health effects in a trustworthy way? Lantmännen went back to their core strengths and concluded they had many food products with scientifically proven health benefits to work with. This was a fantastic starting point to start a new innovation process.

Lantmännen researched and gained insight into three different consumer needs in the functional health industry:

- **Solve a health problem:** when a consumer has a specific problem, they are looking for food products that help them solve the health issue. Probiotics are one example of a product within this category.
- **Maintain health:** consumers who are not looking to solve any specific problem but would like to make sure they stay healthy. Fibres and vitamins are two examples of products in this category.
- **Boost:** for example protein powders or supplements after visiting the gym.

Lantmännen then also mapped out three persona types in the functional health category.

BUSY CAREERISTS



CONSCIOUS INDEPENDENTS



HOLISTIC DO-GOODERS



ATTITUDES FUNCTIONAL HEALTH

- I like to choose protein-enriched products lx 118
- I like to choose performance-enhancing foods (eg BCAA) lx 116
- I like to choose foods with functional benefits lx 116
- I like to choose foods with lots of energy lx 113
- I always check the nutritional content in food lx 92



ATTITUDES FUNCTIONAL HEALTH

- I like to choose foods with superfoods (eg acai, spirulina and macha) lx 140
- I follow a certain diet to become more energetic and cope better lx 129
- 12 I am often the first among my friends to try new functional foods lx 127
- I like to choose foods with lots of prebiotics lx 123
- I always check the nutritional content in food lx 123



ATTITUDES FUNCTIONAL HEALTH

- I like to choose foods with functional benefits lx 126
- I like to choose foods with lots of probiotics lx 125
- I like to choose foods with lots of prebiotics lx 125
- I always check the nutritional content in food lx 122
- I like to choose foods with superfoods (eg acai, spirulina and macha) lx 122



Lastly, Lantmännen looked into the functional health market and investigated what product categories are driving the market development. They identified four main categories:



- **Drinks:** it is very simple to drive change through drinks, as it is very easy for the consumer to pick up another drink from the shelf
- **Powder:** this is a product on the intersection between regular food and food supplements
- **Snacks:** pros of focusing on this product category is that it is very easy to deliver “health in snacks”
- **Breakfast:** mainly in the Nordic countries where we are focusing on health products for breakfast

Based on all these insights, they identified 7 opportunity ideas to focus on. Out of these 7 opportunities, Lantmännen decided to focus on gut problems, as approximately 40% of consumers suffer from some kind of gut problem. The consumer pain point is big as this affects the quality of life and restricts daily life. The market is large and Lantmännen believes they can contribute with helpful products in this field.

EXAMPLE CASE - PARTNERSHIP OPPORTUNITY

Not every innovation starts with structured innovation research and process. Sometimes serendipity leads you to new exciting opportunities. Lantmännen stumbled upon a startup that is developing a new mycoprotein and Lantmännen believes this protein has great potential. Because of this, they decided to start collaborating with this startup and innovate new products together within this field.

WORKSHOP 1: HOW TO BALANCE INNOVATION WITH SHORT-TERM GOALS

After a morning of great insights into the food industry we kicked off the workshop section of the day. Lantmännen shared their challenges with working with long-term innovation whilst facing a crisis in the industry, with increasing food supply costs, electricity costs and high competition. How to balance long-term innovation with short-term performance is a challenge most of the members can relate to, so it was an excellent topic to brainstorm on collectively.

The members got divided into groups and brainstormed three main questions:

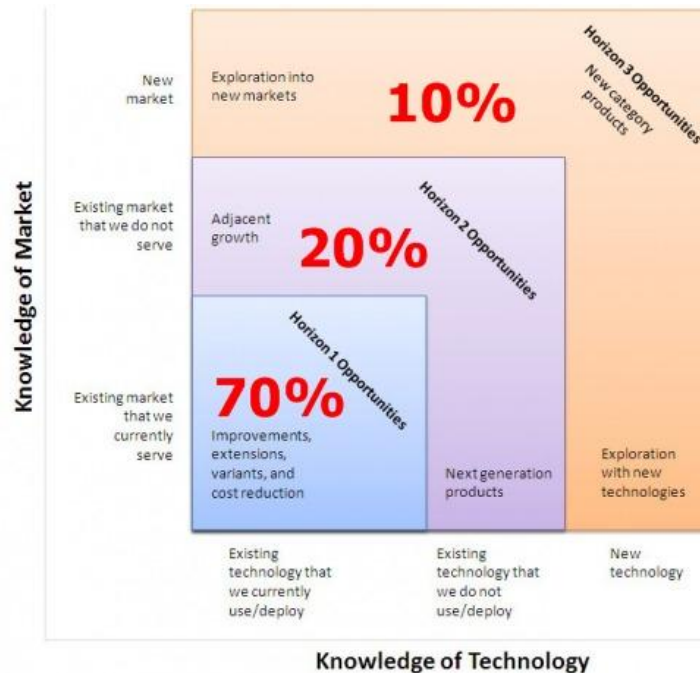
1. How do you get the organization on board to focus on long-term innovation bets in times of crisis?
2. How do you visualize innovation opportunities for stakeholders?
3. How many innovation bets should you dare to invest in?

Afterwards, the members shared their thoughts and ideas on how to approach these challenges. Below are some of the ideas and thoughts that were discussed.

Challenge 1: How do you get the organization on board to focus on long-term innovation bets in times of crisis?



- **Making innovation clearly connected to strategy:** If the goal is to be a top-class innovative company, then innovation needs to be clearly connected to the strategy and company goals - with buy-in from management.
- **H2 and H3 as a mindset:** communicate H1, H2 and H3 as a mindset to management. H2 is the next upcoming product, but we never know when we'll reach the next S-curve. Because of this, we need to be prepared with long-term bets in H3 so we can continue to deliver value in the future.



- **Be clear on your needs.** When presenting your idea to management, be clear on your needs and your 'ask' from management. Perhaps also provide a cliffhanger at the beginning of a management presentation that you will share your 'ask' at the end of the meeting. This way they will stay alert and you have communicated clearly what is necessary to reach success.
- **Let management test your product.** It is easier to be convinced if you get to test the product yourself. Could management be invited to the lab themselves? Can you make an opportunity so obvious you cannot miss it?
- **Request your own internal resources.** It will always be slower and more expensive to work with innovation if you do not have your own dedicated resources. By having your own resources, you'll be able to quickly evaluate ideas and more effectively develop promising innovation bets.
- **Turn executives into innovation champions:** assign one leadership member to each innovation bet. The leadership champion is then accountable for creating the internal conditions for the innovation bet to be turned into a success.
- **Crisis is an opportunity.** Many great innovations have been born during times of crisis, where Airbnb is an example that was born during the financial crisis. Can you showcase the opportunities of focusing on innovation during tough times?



- **Lobbying 1:1.** Can you focus on lobbying in one-to-one meetings with relevant stakeholders?
- **Leverage important customers or partners.** Do you work with an external stakeholder strongly supporting your idea? Can you use that stakeholder to build credibility for your idea?
- **Evaluate KPIs.** Do you need to reassess how you measure success internally?

Challenge 2: How do you visualize innovation opportunities for stakeholders?

- **Use storytelling and prototypes.** Using stories and pictures from real life, using the power of storytelling and showing prototypes in real life are great ways to visualize opportunities to stakeholders. Can you play on feelings to get an emotional attachment to the idea?
- **Put management into the head of the consumer.** Instead of visualizing possibilities with a new innovation, could it help to explain customer pain points and how they think and behave? Can you even get executives to meet customers in person?
- **Use other risky success stories.** You can use other successful stories, such as Spotify, to show that reward requires risk.
- **Visualize the innovation process:** show how the innovation funnel and process work to visualize that you need 100 ideas to find one outstanding idea.
- **Utilize behavioural economics.** It hurts more to miss an opportunity, compared to the positive feeling when coming up with something great. Can you visualize missed opportunities, by showing how you'll lose market shares to startups?
- **NABC model:** a helpful model and efficient way to visualize opportunities in the early stage could be the NABC model; Needs, Approach, Benefit and Competition. If you focus on the insights, the pitch will be more effective as you cannot argue against an insight or fact.

Challenge 3: How many innovation bets should you dare to invest in?

- **Adopting the venture capital model:** One way to approach this question is to seek inspiration from the venture capital industry. Investors know that if they invest in 10 startups, maybe 1 will reach break-even. And maybe 1 out of 100 will become a unicorn. In order to succeed with one idea, you need to adopt the experimental approach and quickly test and develop ideas at scale - and learn to kill ideas fast and at an early stage. Venture capitalists know they can increase the likelihood of startups succeeding - can you create the same conditions internally to succeed with new ventures? For example by finding the right network and consultants to work with?
- **Adopt portfolio thinking:** related to the previous point, the company needs to have a portfolio strategy. This way risk can be managed on a portfolio



basis where it is natural to invest in the future. Also, someone in the leadership team needs to own the portfolio strategy.

- **Train the organizational capabilities:** the development cost of innovation increases exponentially the further you reach in the innovation process. In the beginning, it is cheap to test new ideas. When you reach the development phase the costs increase exponentially - how can you train the organizational capabilities to more cost-effectively work with innovation and new product development? Should you increase the long-term organizational capabilities?
- **Number of bets as a function of 1) risk, 2) the horizon and 3) the capabilities.** There is no easy answer to the question of how many bets you should dare to focus on, but it is most likely a function of those three factors.
- **Consider organizational sustainability.** How many bets can the organization sustainably work with? Innovation needs to be a long-term project, so straining the organization is not a sustainable option.
- **How cheap can we learn from innovation bets?** The cheaper you learn how to learn from new innovation bets, the more bets you can focus on.
- **Use the 'pull' approach, based on priority.** One way to approach the question is to adopt the pull approach, meaning adding new innovation bets in order of priority whenever there is organizational capacity.

WORKSHOP 2: 4 HOURS OF FAME WITH THE MANAGEMENT TEAM

Imagine you would get four hours with the whole management team. What would you do?

The members were invited into groups and brainstormed some thoughts and ideas.

- **Divide the day into three parts.** First, you want to create a warm and fuzzy feeling and create positive feelings. Secondly, you want to transition into threats and risks and create feelings of unease. Lastly, you want to transition back into positivity, optimism and opportunities. The goal is to take the team on an emotional roller coaster journey and leave the room with optimism about innovation opportunities.
- **Experience the product in real life.** Can you take management out of the boardroom and into the world of customers, and get them to play with your product?
- **Show them the innovation process.** Could you take them through a micro journey from idea to product, to show the innovation process in real life? You could also show them different innovation approaches, with respective pros and cons. This way you can show them that innovation starts with insights, not ideas, and how this is connected to the strategy. If you invite them into your world, they'll become better equipped at helping you. If you first show them how you work, you can then clearly communicate *what you need from them* in order to succeed. You can also invite them to *come to you* with ideas.
- **Host a hackathon.** Showcase a clear problem and invite the management team to a hackathon to solve the problem. Use coaching to help them use



innovative methods the right way and help them succeed. Ideally, you could also invite an external jury to evaluate the ideas - who could also ask them tricky questions. It is important to create a good team spirit and turn this into a positive team effort and not make anyone feel stupid. If you succeed in creating a positive and inspiring day, potentially this could create a desire for more innovation.

- **Visualize future scenarios.** Can you paint the picture of future scenarios and visualize the differences between each scenario? Then you can focus the discussion on what is needed to get to the desired future scenario, and how to do things differently to get there.
- **Invite an external success story.** Could you invite another company, for example, White Arkitekter, that has successfully transitioned its organization and adopted a new innovation process management system? Then the company could share their learnings and insights and what has been key to success.

CLOSING THOUGHTS

Many members could relate to the topic of the workshop, so this spurred many great discussions and knowledge sharing between members. At the end of the day, the participants shared their excitement and gratitude to be able to take part in this workshop and realize that 'you are not alone' in facing these challenges. The team at Lantmännen feel ready to get back to work with all the post-its from the day and they are thankful to all members who shared their words of wisdom. Thank you Lantmännen for hosting an inspiring day filled with great energy and new insights!

SHARED DOCUMENTATION

This and previous documentation from other sessions can be downloaded on our website: <https://www.innovationpioneers.net/members-area>
Password: innopion2019

UPCOMING MEETINGS

IP Summit 2023

Date: 24 – 26 January, 2023

Venue: Skogehem & Wijk in Lidingö (Stockholm)

Register: TBA

CONTACT

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