

# Value chain sustainability and competitive advantage

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Australian cotton has global demand and appeal and is considered to be of good quality and reliable in supply. On-farm research driven productivity improvements have contributed to a higher quality product but the increased quality appears unable to attract a price premium. End users of cotton are using sustainability related indices more and more to evaluate products, though it is unclear whether they are willing to pay a commensurate premium. Australian cotton farmers have already been developing sustainable farming practices as part of the myBMP system. The expectation is that this information can be used along the cotton supply chain to signal the added value of the cotton product to help create improved competitive advantage for Australian cotton. This joint CRDC-UTS project has been established to further develop the myBMP system and to re-position the cotton supply chain to enable the creation of this new competitive advantage. The project will run for three years from June 2011 to June 2014.

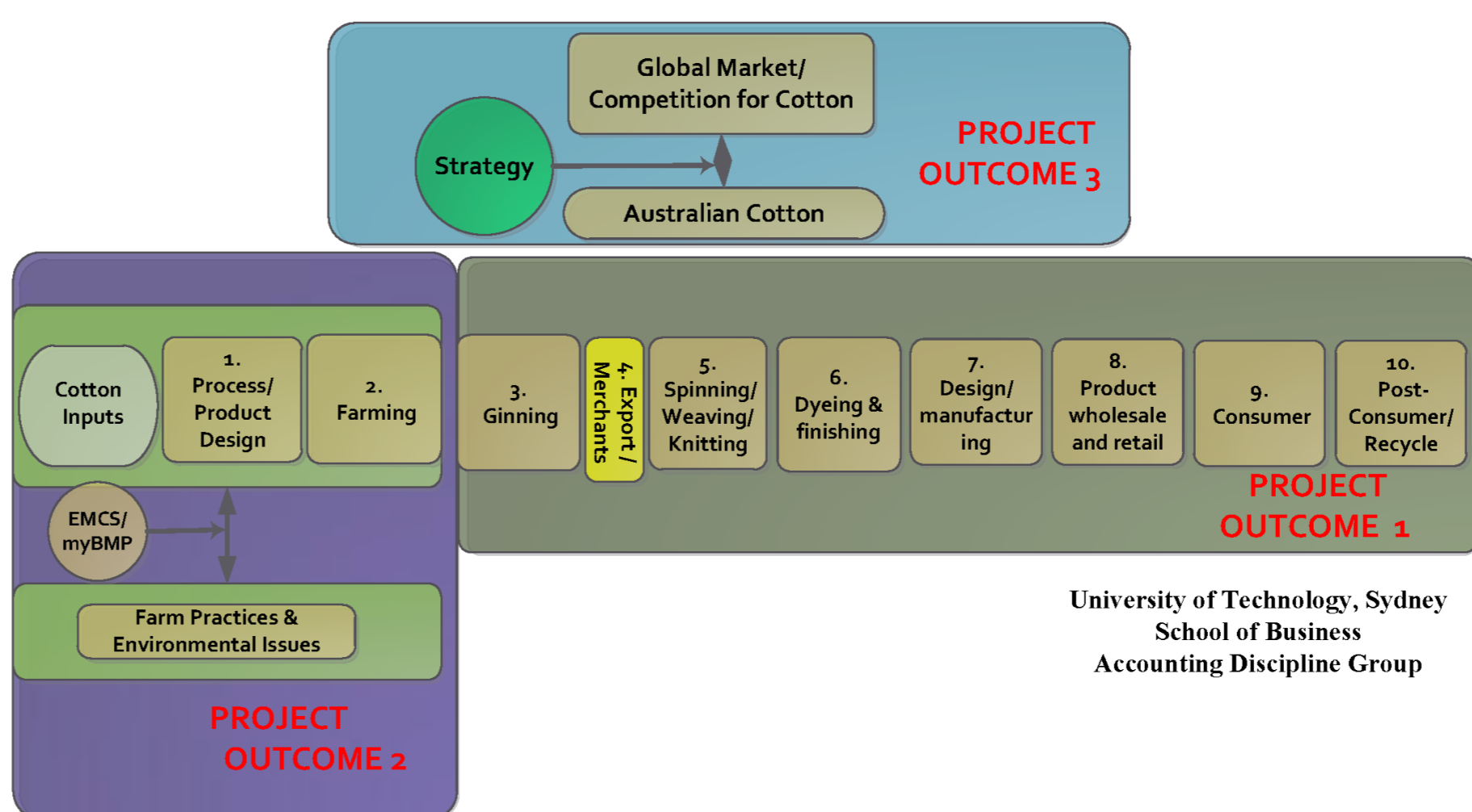
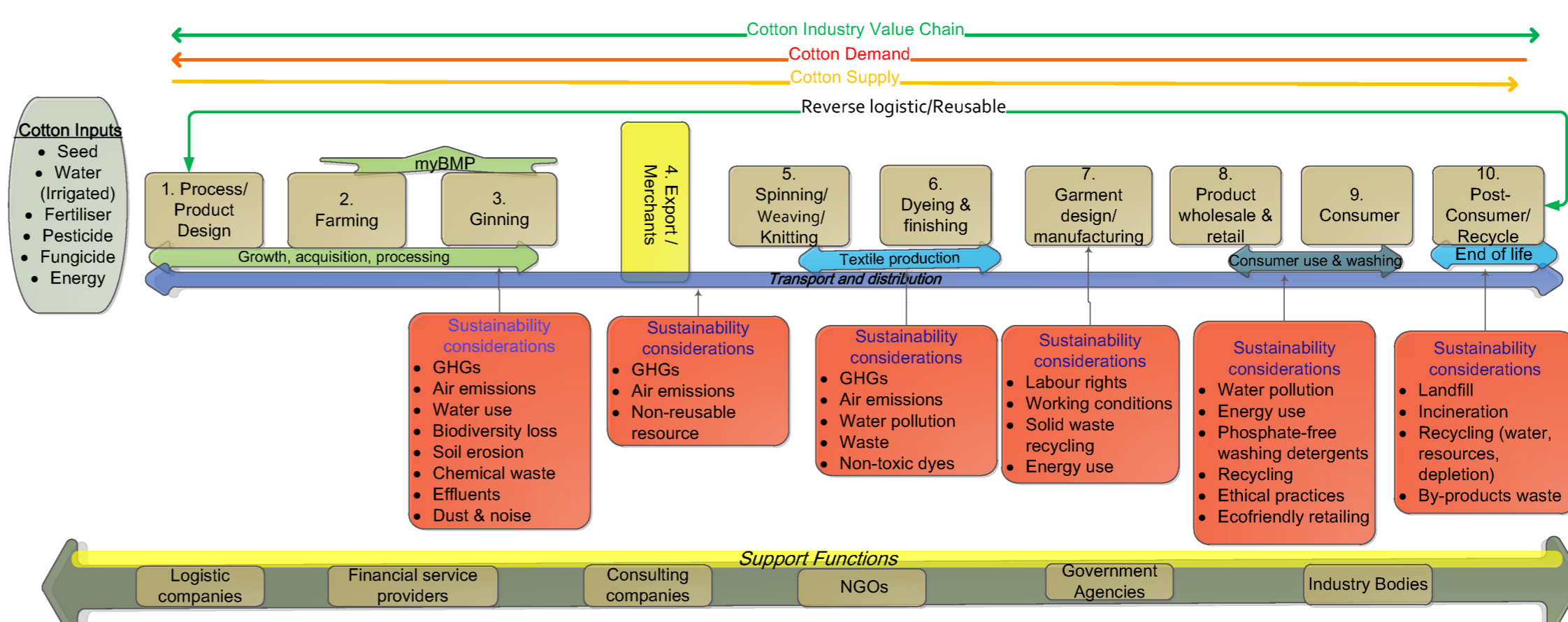


Figure 1 shows the three main outcomes of the project. Each outcome focuses on a different perspective of how Australian cotton growers can operate in a more sustainable and competitive manner.

Figure 1: The overview model of The Australian Cotton Project: "Accounting for Value Chain Sustainability & Competitive Advantage"



Note: These sustainability considerations have been sourced from the following: Travelling textiles: A sustainability roadmap of natural fibre garments, May 2009, and the Natural Fibre Garment Roadmap, St James Ethics Centre and Brotherhood of St Laurence.

University of Technology, Sydney School of Business Accounting Discipline Group

Figure 2: PROJECT OUTCOME 1- Proposed Australian Cotton Value Chain as per the National Responsible Business Practice Project

For OUTCOME 1 (see Figure 2), we identify how the Australian Cotton Value Chain operates and assess whether changes to the value chain structure may allow cotton growers to realise benefits from operating more sustainably.

In Figure 2 we incorporate sustainability considerations identified by the St James Ethics Centre and the Brotherhood of St Laurence into the Australian Cotton Value Chain.

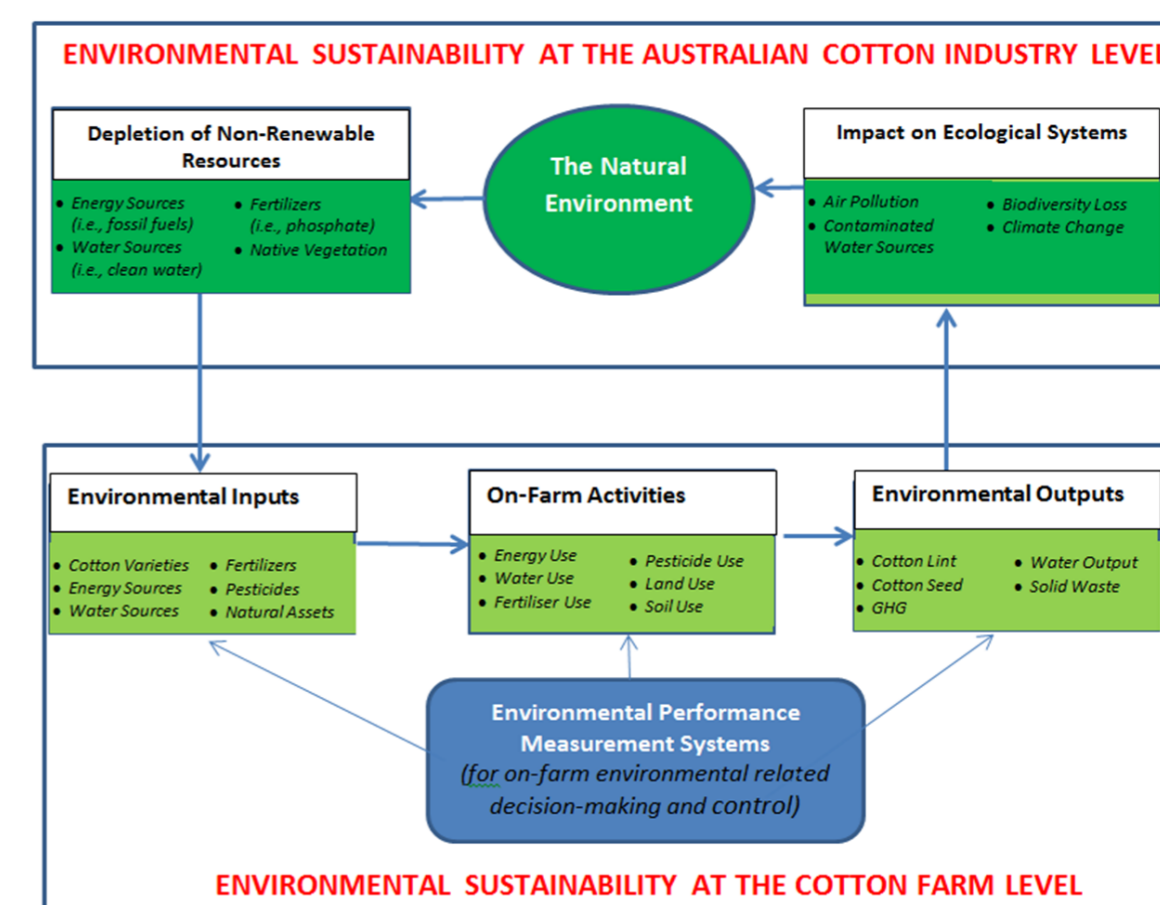


Figure 3: A Proposed Environmental Management Control System (EMCS) Model for Project Outcome 2

For OUTCOME 2 (see Figure 3), we are developing an Environmental Management Control System (EMCS) to supplement the myBMP system to support Australian cotton growers in more sustainable on-farm decision-making and control.

For OUTCOME 3 (see Figure 4), we propose an improved strategy model for the industry. A change in the operating environment may create a need for changes to the intended strategy.

Emergent strategy is enabled by enriched management systems. OUTCOME 3 brings together the findings from OUTCOMES 1 and 2 and uses complex evolving systems theory to articulate the benefits of the model.

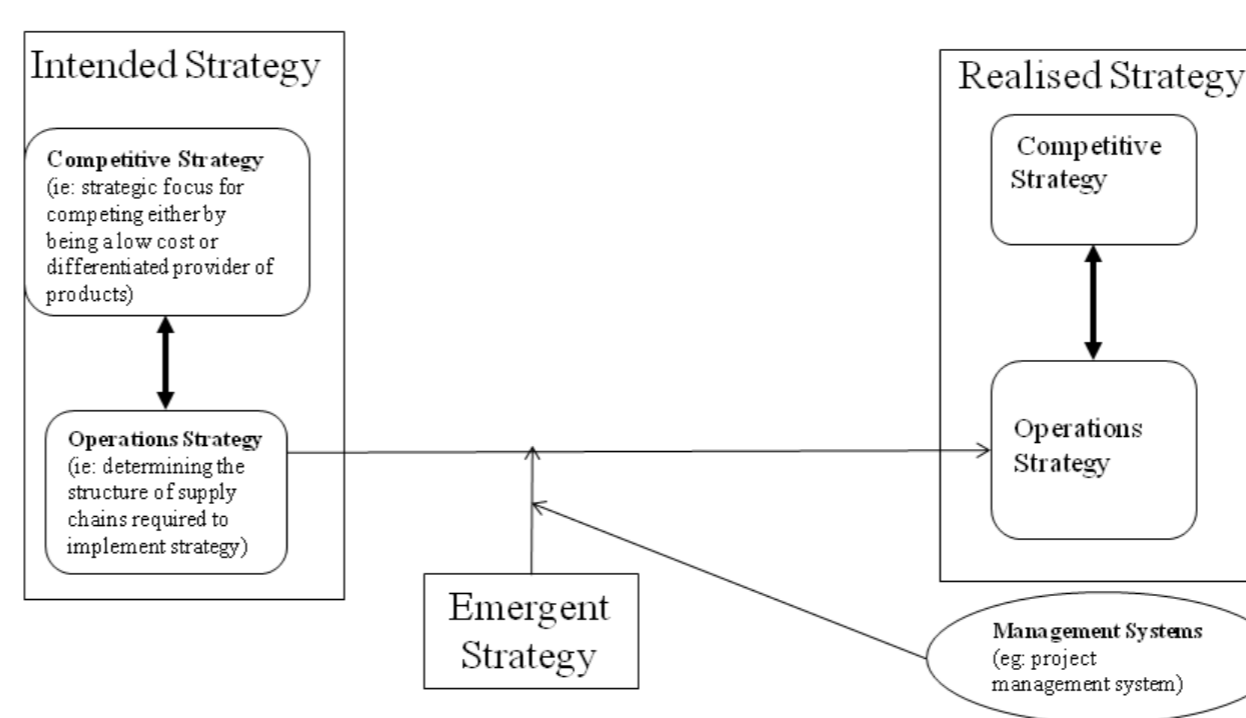


Figure 4: PROJECT OUTCOME 3: "A proposed Strategy Process "Model-

16<sup>th</sup> AUSTRALIAN COTTON conference

Growing Better all the Time