

# Lessons from a bumper harvest – Financial Times

By John Murray Brown

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Gerard Keenan is searching for the right words to express the difference between small and big companies.

“It’s the ‘bejaysus’ factor,” he says suddenly, alighting on an Irish idiom to denote extreme, but pleased, surprise. He explains he means differences such as the can-do flexibility of smaller companies that continues to surprise his new partners. As big companies, they “kind of lose” that.

“It’s like someone in one of these big feed companies said to me – [that] none of his guys understood what was meant by meeting payroll by

Friday,” he says. A smaller business such as his specialist farm machinery exporter, Richard Keenan & Co, and its customers is always aware of issues such as costs and cash flow.

Keenans, with a turnover of more than €50m a year, was started by Mr Keenan’s father in 1978. The family-owned company makes a mechanical cattle feeder that uses a patented process to maximise the nutrient and energy content of a cow’s ration. The machine helps raise milk and beef yields, while also decreasing the cows’ wind. It has 60 per cent of the UK and Irish market, and is market leader in several other countries.

But two years ago, Mr Keenan, the executive chairman, and his board wanted to change the business model. Instead of relying on sales of machines to farmers, the company set out to monetise the patents, knowhow and knowledge of markets it had acquired over the years by seeking links with the big feed companies, which are its traditional competitors.

“It was time to talk to the enemy,” says Mr Keenan, speaking at his headquarters in Borris, county Carlow, where the mud-spattered company cars outside are a reminder that this is deeply rural Ireland. This small company, by keeping its roots in remote rural Ireland while finding a new way to expand, offers a lesson in innovating to transform a traditional business.

The Keenan family is entrepreneurial by background. Gerard’s father was one of three brothers running a contracting business before selling his share in 1978 to set up a specialist farm machinery maker with a former aeronautical engineer and a fitter, who is still in the business. Gerard was called home from his job at John Deere in Germany to help. His three brothers were all also in the business in the early 1990s, but a decision to specialise further as a nutrition systems company led to a boardroom shake-up. Gerard, now 55, emerged as CEO in 1992.

“I suppose my elder brother Richard was sort of earmarked for the job but there was no plan,” he says. He is the only Keenan involved in the day-to-day management of the business. “I don’t think it actually needs a Keenan person working in the company, but we don’t rule it out either.”

## On working with competitors

**Gerard Keenan calls his relationships with bigger rivals ‘trial marriages’. He offers some insights into how to make them work:**

- **Don’t rush into a formal joint venture.** “It’s fine if you’re at the stage where you’re really into a commercialisation phase, but when you’re in a proving, trialling, learning and development phase you don’t necessarily want to be lumbered with lots of board meetings and other governance issues.”

- **Share information.** “There is a certain risk, as you engage with companies, that you are leaking out knowledge. But if you’re to be credible you have to be prepared to share information.”

- **Prepare by talking to lots of potential partners.** “We weren’t going to hinge it all on one or two companies, or one or two countries and then find a particular company didn’t want to go as far as we wanted to go – and so we [would] end up with a good idea that died.”

But for now the focus is on bedding down a series of partnership agreements with big feed companies such as Archer Daniels Midland in the US, which has sales of \$60bn.

The time seems right. The issue of feed efficiency – a measure of the conversion rate of dry matter to milk and beef – is becoming increasingly important as a surge in food prices reawakens concerns about how to feed the world's population.

Mr Keenan believes the big feed companies are changing from a preoccupation with selling feed inputs to considering the impact of their policies on the food chain, on food processors and ultimately on retailers – hence their interest in Keenan's machines and knowledge.

Meanwhile, agriculture is changing. "Farmers desperately need to find a sustainable way of staying in business – in a prosperous way, not just surviving," he says. There is a trend in agriculture that is moving to produce food in a more environmentally friendly way, that is also good for animal welfare and which gives the food processors and supermarkets the consistency they want.

Mr Keenan says he was inspired to change by learning about a completely different sector – high-technology – at a series of lectures he attended at Harvard in 2005, as part of an entrepreneur competition run by Ernst & Young, the professional services firm. "I was fascinated [by] how high-tech companies build their businesses. They often have solutions to someone else's problems and that someone else doesn't even know they exist," he says. "But the challenge is how do companies like ours break through? How can you find the right company, and find the right person in the right company?"

In 2008, Keenan appointed Bentley Associates, a New York-based consultancy, to identify companies with experience of joint ventures with small partners. "If a company was on that journey already they were far more likely to be responsive," he says.

The next hurdle was how to make contact. Bentley "kept saying 'we need to identify what the feed company's problem is, what their problem might be'."

Although the relationship with Bentley forced Keenan to ask this type of essential question, the key connection with ADM was actually made through a scientist friend of Mr Keenan's. "These guys at the high end in the academic world are actually very strategic," Mr Keenan says. "They're not just scientists."

Mr Keenan's links with scientists were the result of his company's decision to set up an in-house scientific advisory board, to achieve the validation that small companies need to be seen as credible in the eyes of the industry's big companies. "The problem was: how do we actually get ourselves into a form that a big company can make a positive decision about us? Big companies are entrepreneurial but they're also conservative at the same time," he says. "As they become bigger they probably become more conservative. But scientific validation makes it an awful lot easier for them to accept what you're doing."

As a small, family owned business that guards the secrets and reputation of its technology and its homegrown R&D, Mr Keenan had serious misgivings about formal relationships with a big partner. But, he says, it has turned out differently from how he had expected.

Mr Keenan likens the relationships with big companies such as ADM to a trial marriage. Neither side wants to get bogged down by board meetings or other governance issues. Their more informal arrangements allow the big feed company to test Keenan's technology but also for both sides to see how they might get on in a full-blooded commercial relationship.

"Now, we're asking do we want to get married? We've got a good bit of learning behind us. It means it's an awful lot less risky than it would have been 18 months ago. We now know an awful lot. So do our partners."

What do other family shareholders, his brother Thomas who has retained a stake and his two sisters, think of the move? "From a family perspective, the opportunity to create major shareholder value is enhanced. This isn't just us talking about ourselves. We now have someone else, who's got major credibility, pushing us to the front."

Mr Keenan was never meant to take over the business, but he is confident he has mapped a way forward for the family and the company.