



## **It's Not Always about Growth! Development Dynamics and Management in Food Businesses and Chains**

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**Abstract.** Growing small and medium-sized food enterprises (SMEs) face specific challenges, especially when they aim to maintain a higher quality of products and processes. While growing, they tend to converge either towards niche markets or mainstream commodity markets, and as a result sacrifice higher quality and value. In this article, we explore the growth of small and medium-sized enterprises and their related food supply chains, as well as the related challenges. The focus is on the management of individual businesses, the coordination and cooperation along chains and the required realignment during growth. Particular attention is paid to discontinuities and inconsistencies, and the identification of the factors that limit or enable a sustainable development of food enterprises and chains. The article is based on a case-study approach. The business logic concept, which has been developed in the context of a European research project, provides the analytical framework for the analysis of the cases. Central to the business logic concept is the idea that business goals, strategies, management and management instruments ought to be coherent. The business logic approach facilitates the examination of coherence in business and in chain management. It helps to identify the adjustments and realignment needed in times of change. Our results show that development paths vary significantly between businesses and chains, and that business growth in particular is associated with a variety of challenges. Such discontinuities and inconsistencies tend to be linked with phases of internal consolidation when management capacities, structures and processes are adapted to new requirements. Adaptations in business strategies and operational management are particularly important when food production, processing and sales aim

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**to maintain higher product and process qualities in spite of rapid growth. Reflexive management practices and continuous learning among managers and those in responsible positions, and the related coaching, are key success factors.**

### **Background and Focus of the Article**

The food industry is changing rapidly throughout Europe, and the main results of this change are an increasing scale and concentration of operations. Distinct factors prove to be decisive for these developments: in Mediterranean countries such as Greece or Spain, the food industry was strongly affected by the economic and financial crisis that began in 2008 but, since then, economic indicators give evidence of a return to a trajectory of growth even in those countries (OECD, 2014). In northern EU countries such as Germany, the demand for organic food shows particularly high annual growth rates. Increasing imports of organic products from abroad cover the additional demand, while the national and regional production and processing enterprises are not able to keep pace with the growing market (BÖLW, 2016). Therefore, agri-food policy aims to support sector and business growth in particular for products from organic and other sustainable production systems (BMEL, 2016).

The European Commission emphasizes that ‘a dynamic economy requires the continuing and successful growth of new businesses, together with the consistent development of existing enterprises’ (DG Enterprise, 2014). Schwenker and Bötzel (2007) add that enterprises often uphold the claim ‘stagnation means decline’, and argue that the only way a company can prevent to fall behind their competitors is ‘to grow at least at the level of the market – or, better still, grow faster than the market and so gain market share’. This deeply ingrained orientation towards economic growth also applies to the agri-food sector. Growth in smaller and alternative food businesses is seen as important by many because they are particularly strong at enhancing certain desirable qualities such as fair trade, organic, locally produced, or based on animal-friendly practices. We refer here explicitly to alternative businesses (meaning non-conventional, non-mainstream) as they often have a particular need for professionalization in management. Stevenson and Pirog (2008) termed food supply chains that ground their strategic development on such quality aspects ‘values based’.

A growing number of consumers demand food with these additional qualities. Various approaches nourish hope among stakeholders in the sector that smaller food businesses and their values-based food chains will be able to grow into stronger economic structures.

- Local and regional production is often unable to keep pace with the growing local and regional demand. The expectation is, therefore, that smaller food businesses will grow and will eventually be able to meet the increasing demand as well as maintain consumers’ trust in food.
- Since smaller food businesses are often located in rural areas, their growth is expected to contribute to rural incomes and employment. This is particularly important in more remote and lagging regions (Ilbery et al., 2004).
- Smaller and medium-sized food enterprises are sometimes also seen as drivers of innovations, which can further enhance the prospects of rural areas (DG Enterprise, 2014).

The problem is, however, that food businesses face substantial challenges when vol-

ume and turnover start growing significantly, and when the geographical area of supply and sales spreads. For higher-value food chains, this problem is even more pronounced (Stevenson and Pirog, 2008). As a result, they tend to converge either towards niches or towards a loss in added value. Smaller businesses and chains tend to have problems moving from niche to volume, whereas larger chains have problems in securing, advancing and communicating process and product quality standards (Stevenson et al., 2011). The basic premise of this article is that small food businesses can, in principle, maintain added value even when growing out of their niche market. Related to that, the requirements for meeting emerging challenges or crises will be of particular interest.

In both economic studies and the public media, the understanding of the term 'growth' is commonly used for the phenomenon of quantitative growth. Indicators for the description of quantitative growth are annual turnover, number of employees, and sales volumes (or market shares). When we use the term 'growth' in this article, we follow this common understanding. At the same time, we will emphasize that there is also a possibility of qualitative growth, which 'indicates a stable consumption of inputs... with an increase in output (or at least a constant output)' (Seeberg and Monauni, 2012). Qualitative growth denotes improvements in processes and structures, e.g. increased range or mix of products, reduced resource needs, more efficient decision-making, risk reduction, or a growing emphasis on knowledge exchange, learning and strategic planning. It focuses on the 'getting better' of the business and of the embeddedness in its business environment. Professionalization of the business and chain management is a core element of qualitative growth. We use the term development when we refer either to phases of quantitative or qualitative growth, stagnation or even decline. This means we distinguish carefully between the terms growth and development.

In this article, we analyse the development dynamics in smaller food businesses and chains. The focus is on the management of individual businesses, the coordination and cooperation along chains, and the required realignment during growth. Particular attention is paid to inconsistencies and discontinuities, and to the identification of the factors that limit or enable a sustainable development of small values-based food businesses and chains.

Key research questions are:

1. What drives business missions, goals and the strategic management of small values-based food businesses and chains? Are goals, strategies and the management of the business coherent?
2. How can discontinuities in businesses development, e.g. due to external shocks or internal crises, contribute to a sustainable long-term development?
3. What adjustments take place in strategic and operational management in times of crisis and change?
4. What support measures can enhance business development and the expansion of small values-based food businesses and chains?

We use a methodological approach that helps to analyse growth processes of a set of case studies of businesses and food chains from the European research project HealthyGrowth (CORE Organic, 2014). The businesses were selected for the analysis because they had the ability to transmit process and product qualities from farm to fork, and they ensure (or at least aim) to generate added value for all business partners in the supply chain. The analysis of the cases focuses on the coherence of

business goals, strategies and management instruments. We apply the business logic concept in this analysis (Münchhausen et al., 2016). Using an enlarged framework of business growth, we focus in particular on periods that retrospectively are seen as particularly challenging by management.

## Conceptual Framework and Methodologies

### *Concepts Capturing Growth in Smaller Businesses and Chains*

Business growth has been an area of study for many researchers from a variety of business-related fields for decades. Many economic theories see growth as the ultimate result of a series of phases (or stages) of development through which a business may pass. The general idea is that a firm's life begins with the 'foundation/start-up', followed by 'expansion/rising growth rates', and then 'maturity/falling growth rates'. Most authors describe a final phase as 'decline', 'renewal' or 'differentiation'. However, no consensus has been reached on the number of stages (ranging from three to 10), and conditions or requirements of changes between phases (McMahon, 1998; Schwenker and Bötzel, 2007). Traditionally, life-cycle models focus on internal dynamics of enterprises and measure enterprise size in terms of sales revenues or number of employees, but they usually disregard other measures of performance such as the range and mix of products or the value added (McMahon, 1998). They neither provide an explanation of why growth emerges nor do they consider links with external factors in the natural or social environment or economic and business context. Aspects of resilience or innovation are not considered either. (Schwenker and Bötzel, 2007)

Some authors argue that enterprise growth is linear or predictable while others suggest that growth depends on a variety of factors and is unpredictable (Schwenker and Bötzel, 2007). However, the recognition of the complexity of these dynamics is of particular importance for the analysis of business growth. Leitch et al. (2010) emphasize that it is important to understand 'growth as a process', rather than a 'change in amount'. They also highlight that (compared to the past), the complex nature of business development was recognized in more recent research, together with the underlying mechanisms for growth. Instead of just turnover, number of employees, or market shares and data on entrepreneurial or organizational development, they focus on the 'getting better' of a business as well as embeddedness in the business environment. Entrepreneurial knowledge and learning are also seen as highly relevant (Desouza and Awazu, 2006).

For example, Vickers and Lyon (2012) examine strategies of enterprises with a business orientation based on environmental and social values. As a result, they consider business development to be a discontinuous process that is subject to the uncertainties of the external environment, such as markets or climate and the characteristics of businesses and their entrepreneurs.

Gimeno et al. (1997) developed an analytical model that 'explains why some firms survive while other firms with equal economic performance do not.' They analysed a significant set of case studies, which gave no evidence of the unidimensional relationship between economic returns and long-term viability of the studied enterprises. The model explains the persistence of underperforming firms by considering other key factors that ensure an enterprise's survival, such as the entrepreneur's human capital characteristics or the costs of switching economic activities. Gebauer

and Sagebiel (2015) present an analysis that investigates key factors driving the development strategy of post-growth pioneers who decided deliberately for or against a further growth of their business. These factors were age and size of the company, geographical reach, growth dynamics of their market and the prior use of external finances. Independent from the development phase, the main items when elaborating strategic management plans are the given situation and resources and the business context and trends (Sørensen, 2012).

To summarize, our brief literature review indicates that there can be very good reasons for varying development trajectories among enterprises; some expand steadily, while for others, a mix of growth and consolidation can be observed, and in particular situations, even a phase of shrinking might be reasonable. We can also find business leaders who established an upper limit for growth and ceased to strive for further increases. It follows that simplistic models tend to be insufficient, as they cannot explain all the development dynamics and observations referred to above. Deeper analyses of business development and dynamics require more systemic approaches.

#### *Values-based Food Businesses and Chains*

Stevenson et al. (2011) emphasize that successful mid-scale food value chains are built on three foundations. The first is appropriate volumes of high-quality, differentiated, market-engaging food products, coupled with value-adding stories of people, land, and practices. The second is trust-based business partnerships, and the third foundation is effective chain management.

Local-origin food sourcing is an important and common value-driving, values-based food chains. The additional quality attribute of 'locally produced' can help to minimize transportation and pollution and also foster income and employment in surrounding communities. Process qualities such as improved animal welfare or farming based on the principle of care are ethical values. The use of traditional methods without food additives, for example, is another strong concept for the development of a values-based supply chain. Moreover, benefits for the local economy of remote rural areas can be quality properties for values-based food products. In food markets, such reconciliation of organic values or of well-established (conventional) product brands with other potentially relevant values tends to increase consumers' trust in, and loyalty to, high-value products (O'Doherty Jensen et al., 2011).

#### *Business Logic Concept*

Management frames the rationale or logic of how a company produces and delivers. We call this rationale the business logic. Central to the business logic concept is that business goals, strategies, management, and the set of management instruments used are, ideally, fully coherent. In reality, the business logic can be more or less coherent. The underlying assumption for our analysis is that coherence in goals, business strategies and management is a precondition for sustainable, long-term business development. The business logic concept helps to find out if all management areas of the studied food business, i.e. strategic planning, governance, organization of supply, production and logistics, control and personal management, are coherent, and if they support the companies' visions and business goals in a coherent way

(Knickel et al., 2016).

The concept is applicable to both the management analysis of an individual business as well as an entire supply chain. The testing of the coherence of business goals, strategies, and management instruments offers the opportunity to identify imbalances and inadequacies in management – for example, after investment in new facilities, during market expansion or financial problems (Desouza and Awazu, 2006; Matopoulos et al., 2007; DG Enterprise, 2014). As discussed in earlier publications, the concept's application is possible at any stage of business development (Münchhausen et al., 2015).

For the operational management of businesses or values-based chains, the application of the business logic concept with its examination of the coherence between strategic management on the one hand, and daily routines of procurement, production and sales on the other, helped to recognize if and where modifications were urgently needed (Knickel et al., 2016). Former analyses showed that the business logic tends to be under particular threat when businesses grow quickly or external events challenge the firm's viability (Münchhausen, 2015). For that reason, in this article we will pay particular attention to crises the case studies had to overcome (see Table 1). Our aim is to learn more about the adjustments that were needed.

### *Empirical Basis*

The empirical foundation for this article is a selection of 19 systematically selected case studies analysed in the interdisciplinary HealthyGrowth research project (CORE Organic, 2014). The aim was to analyse development processes of a wide variety of farm businesses and agricultural cooperatives, food processing and sales enterprises, as well as food and regional initiatives in European countries and Turkey. These small and medium-sized enterprises represent distinct values-based food chains (Stevenson et al., 2011), as well as several concepts of supply chain integration, which had grown out of the niche market. All cases chosen were selected because they were viable in the long term. Consequently, they were able to solve severe problems at certain stages (CORE Organic, 2014).

The research teams of the HealthyGrowth consortium collected secondary data from earlier research projects and literature, and they conducted interviews and workshops based on semi-structured guidelines for their case studies (Furtschegger et al., 2013). Interview partners were the managers and/or members of the management team of the selected enterprises or food initiatives. Moreover, the teams surveyed supplying farmers and/or representatives of downstream businesses. A common methodological framework of food chain mapping presented both the structures of the chain and the long-term trajectory. The teams followed common reporting guidelines (Furtschegger et al., 2013). Although the in-depth study of the business cases followed a common guideline, the work differed between research teams due to differences in, for example, disciplinary backgrounds or because of experiences from earlier projects that could be used in some cases. Other differences existed in access to quantitative or more detailed qualitative information (which was often limited for confidentiality reasons), a reduced time frame for the interviews or the change of personnel since inception.

For the analyses presented in this article, a subset of five cases out of the 19 case studies was selected, representing varied growth phenomena and legal, structural, and policy conditions for small values-based food businesses and chains. In a sec-

ond step, we identified the challenging times or major crises of these businesses and the related supply chains. Thirdly, the in-depth analysis of these difficult periods focused on changes in business strategies and adjustments made on the operational level of management. Since businesses adjusted during and after challenging times successfully, we studied the adjustments made in strategic and operational management for both individual businesses, and their cooperation along the chain.

## Case Study Analysis: Application of the Business Logic Concept

### *Presentation of the Case Studies*

The following section provides a brief profile of the business cases studied in Sweden, Norway, Germany and Austria. They include: the box scheme Ekolådan (Sweden), run by a foundation; the multi-branch farm enterprise the Biohof Achleitner LtD (Austria); the umbrella cooperative for producers and consumers the Landwege cooperative (Germany); and two examples of a liaison between farmers and processors, Røros Meat LtD (Norway) and BioAlpin Cooperative (Austria). The profiles highlight the firms' main characteristics and the key milestones in their development. Moreover, it shows particular values that the food businesses aim to enhance and key results of the analysis of their business logic.

Ekolådan: The box scheme is a division of 'Stiftelsen Biodynamiska Produkter', a non-profit foundation for biodynamic producers in Sweden (Milestad and von Oelreich, 2015).

- Ekolådan started as a project of the organic foundation in 2003 and grew quickly during the first years. The team delivered up to 4,200 boxes yearly but could not manage that volume. Volume and turnover decreased significantly. Since then Ekolådan grew slowly, and it is one of several stable and successful branches of the organic foundation today.
- Excellent service and quality produce are highly relevant. For Ekolådan, fairness to the supplying farms is of particular importance because the Swedish Biodynamic Producer Foundation that runs the box scheme has strong social values due to its non-profit orientation.

Biohof Achleitner: The Austrian family-farm business converted to organic in 1990. Today, the family runs a farm connected to a restaurant, a farm shop and an organic box scheme (Furtschegger and Schermer, 2015a).

- Biohof Achleitner grew quickly in turnover and volume and developed several new branches of the organic, medium-scale rural enterprise. The organization of the wholesale branch was a challenge. The family could not manage all business activities and decided to downsize the enterprise.
- The farm business and branches emerged from the philosophy of circular systems. Achleitner's value system, 'The farm as an organic body!', relies on the idea of a closed-loop system of fertilization, cropping, animal farming, manure/compost. This business philosophy is the key driver of the goals, strategies and day-to-day management of the multi-branch family enterprise.

Producer–Consumer Community Landwege: The cooperative is an independent organization with 30 member farms and five retail shops in the city of Lübeck in northern Germany (Münchhausen, 2015).

- Landwege started as a garage initiative in 1986, and had a long period of very slow growth in the 1990s. In the early 2000s, growth started to accelerate. Partner farms have been supporting the cooperative because they needed it for the marketing of organic products in the local (values-based) market. Since 2010, the number of full-range organic supermarkets jumped to five.
- The value of local origin is striking at the producer–consumer cooperative Landwege with its motto ‘Organic from the neighbourhood’. The credibility of Landwege’s marketing is the basis for the economic success of the retailer. Business goals, strategies, procurement and marketing measures are coherent and consistently implemented under the legal and organizational umbrella of the cooperative. Due to the narrow definition of local origin for fresh produce in connection with the limited production of organic food in the ‘neighbourhood’, Landwege’s expansion will reach a physical limit.

Røros Meat Ltd: Røros organic farmers’ cooperative initiated the company and was originally one of seven shareholders. It is situated in the Norwegian tourist area of Røros (Kvam and Bjørkhaug, 2015).

- In 2003, Røros farmers’ cooperative took over the local meat processing plant Røros Meat that always cooperated closely with Røros Abattoir. It has held a majority of Røros Meat shares since 2007. Røros Meat sells mainly (non-organic) specialty meat products but also organic meat products under the brand of Røros Food.
- Røros Meat aims to realize the goal of locally embedded production and processing in the Røros area, which is well known for its tourist attractions and natural landscapes. The business goal of Røros Meat is the processing and marketing of conventional and organically raised animals. In close cooperation with its main shareholder, Røros Abattoir, and other board members, the processor defines its value system, business goals and strategies as well as management tools. The business logic is in place. However, its realization at the level of practical management continues to be a challenge since its inception.

BioAlpin eGen.: The Austrian farmers’ cooperative manages the brand Bio-vom-Berg (‘Organic from the Mountain’). It is independent, but received important initial support by Agri-Marketing Tyrol (AMT), the conventional food marketing organization of the region. Moreover, it has been connected closely with a regional family owned supermarket MPreis since its inception (Furtschegger and Schermer, 2015b).

- The cooperative BioAlpin, formally founded in 2002, sells members’ (farmers and dairy/meat/mill processors) products to wholesalers and retailers. Turnover and product range are steadily growing. BioAlpin has long-term and trust-based business partnerships with organic wholesalers and a large Austrian retailer.
- Bio vom Berg is the brand of BioAlpin. Key values focus on fostering the economic situation of traditional mountain farmers and small processors. Artisanal dairy, meat and cereal products undergo rigorous BioAlpin testing. The cooperative is responsible for the successful marketing of around 200 products from the mountain area of Tyrol (and recently also from Southern Tyrol/Italy). BioAlpin cooperative communicates the values of high-quality (artisanal), organic production, and geographical origin via wholesalers and retailers to customers in Austria and Germany.

All five cases base their core values on organic processing standards and the origin of products, but the most outstanding quality attributes differ between cases. All cases implement unique values-based business models. The growth processes differ significantly: Ekolådan and Achleitner expanded too fast and were forced to shrink. The managers had to focus on continuity and capacity limits. Landwege and Røros Meat ceased their rapid growth because they were (and still are) bound to the production capacities of the supplying member farms in the area. Following their business logic, which includes the superordinate chain logic, they did not aim to grow beyond local supply capacities. The BioAlpin cooperative represents a food business that grew continuously in volume and turnover since its inception.

### *Discontinuities in Growth and Inconsistencies in Business Logic*

Table 1 presents the analysis of the enterprises' development during difficult times or crises (see research question 1). Column (i) presents type of difficulties and implications for the growth process. The assumption is that difficult times, which can result from internal or external problems, challenge the enterprise's business logic. Column (ii) highlights key issues, threatened values, business goals, and overall coherence. This step represents the application of the business logic concept and contributes to answering research question 2 about the potential impacts of discontinuities in growth for the future development of an enterprise (1.2).

Ekolådan, Achleitner, Landwege and Røros Meat faced particular problems that caused different crises:

- The rapid drop in demand which Ekolådan experienced was difficult to handle due to capacity limitations. Volume and turnover of Achleitner grew faster than management could accommodate. For different reasons, Ekolådan and Achleitner changed from a growth strategy to consolidation with significant downsizing in the first instance (Furtschegger and Schermer, 2015a; Milestad and von Oelreich, 2015).
- As a cooperative, Landwege has its foundation in members' participation. At the same time, internal debates about values, objectives, and management structures hampered Landwege's development for a period of nearly 10 years, due to inefficient internal management and decision-making processes (Münchhausen, 2015). Røros Meat had similar organizational problems. In addition, processing required significant finances for ongoing operations and regular technical investments. Problems with the organization of the business and the marketing of products resulted in no profits in the first years. The economic situation worsened during the global financial crisis. The business logic helps explain why Røros Meat survived despite its economical underperformance. Strategic goals on volume growth in quality food were realized, but the goal of increasing organic sales was not achieved (Kvam and Bjørkhaug, 2015).
- BioAlpin cooperative experienced a growth process with several challenging situations without major problems. However, mutual support from partner organizations that were well established in the Austrian organic sector helped to avoid severe crises (Furtschegger and Schermer, 2015b).

Across the five cases, we identified the following key issues:

- The analysis affirms that 'model types' of growth and business development are

**Table 1.** Analysis of the development of small values-based food businesses and chains in periods of challenges or crisis.

| Main challenges/crises (i)  | Implication of the crisis for the business logic (ii)   | Change of strategies (iii)   | Management adjustments (iv)  |
|---|---|--|--|
| <p>Box schemes experienced a rapid increase in boxes (4,200/yr); number of employees rose accordingly. In 2009, demand decreased due to competition and the weaker economy of many clients. The consequence was a downsizing to 2,000 boxes. Since then, the situation has slowly consolidated.</p> | <p>The business logic is based on product / process quality, supplied by partner farms; non-profit organization; organic values orientation (focus on fairness). Ekolådan shares values with supplying farmers. The crisis resulted in Ekolådan becoming less important as a market channel for many farmers.</p> | <p>Strategy changed immediately; termination of growth strategy; instead, consolidation strategy with downsizing and reorganization. Hence, focus on consolidation strategy (professionalization, fewer levels of hierarchy and work flow organization)</p>      | <p>Downsizing of logistics and packing; upkeep of service orientation, less staff in packing and delivery in the wake of the drop of ordered boxes. Significant downsizing of handled volumes compared with pre-crisis time.</p>   |
| <p>Family farm grew quickly in turnover and volume; the family could not cope with the work required for the management of a farm with own composting cycle system, wholesale business, restaurant and box scheme. The wholesale business was sold and is now a business partner.</p>               | <p>‘The business as an organism with organic material cycles’; value concept of a traditional organic farming system – no changes over time. However, the business logic was under threat when the wholesale business became overwhelming and required all available work force and management capacity.</p>      | <p>Adaptation of strategies: termination of the firm’s differentiation strategy; instead outsourcing; end of expansion; reorientation to (original) ‘organic cycle’ strategies. Chain strategy: foster cooperation and coordination with partner businesses.</p> | <p>Sale of a significant branch; designation of responsibility to family members. Reorientation: value of cycles driving internal organization. Chain management: close and well-defined cooperation with chain partners. Improvement of internal and external communication processes – trust and efficiency.</p> |
| <p>Producer–consumer cooperative had extended internal crises due to management problems.</p>   | <p>‘Organic from our neighbourhood’; local producers bring fresh organic produce to town but growing supply and demand volumes challenged the organization; increasing number of employees without expertise in procurement and sales of organic food.</p>  | <p>Initially, the food initiative had no business strategy; instead a community action concept. Later, leaders developed a business development strategy; including a growth strategy.</p>   | <p>Formal foundation of a legal cooperative; training of managers; professionalization of processing, logistics, outlets, accountability, control and cooperation with external partners.</p>  |

Ekolådan

Achleitner LTD

Landwege

|   |  |  |   |
|---|--|--|---|
| <p>Met some economic challenges; annual results were poor from the beginning, even before the general financial crisis hit the business. After significant changes in management and marketing, the economic situation improved.</p> <p>Rørros Meat LTD</p> | <p>Farmers' organic coop, Rørros Meat, Rørros Abattoir and Rørros Food are linked by a com-mon business logic. They aim to develop Rørros as a food region based on local food production, traditions, clean products and organic to some extent. No premium prices for organic beef are achieved, yet.</p> <p>Selling alpine products from small-scale organic farms; aiming to ensure profitable mountain farms; consistent business logic that includes embeddedness in a network of well-established organizations and value chains.</p> | <p>Development strategy is in place following the aims of local partnerships of involved organizations. However, the lack of finances and management skills have slowed down the realization of the joint strategy of Rørros Meat and Rørros Abattoir.</p> | <p>The management of the intermediary has been difficult from the beginning. Changing management teams; regional support improved the marketing concept for organic meat from the region.</p> |
| <p>Views failure as part of the daily business when new products or marketing fails during testing. The cooperative is younger than most organic organizations in Austria.</p> <p>BioAlpin cooperative</p>  | <p>Marketing strategy based on fair pricing system for members; strong product differentiation strategy; professional marketing strategy; no big changes since inception</p>   | <p>Steady increase in number of employees adjusted to the increase of sales; on-going professionalization of all management areas; focus on innovative, high-quality organic food products and marketing.</p>  |   |

Note: Case studies: Ekolådan (Milestad and von Oelreich, 2015), Achleitner (Furtschegger and Schermer, 2015a), Landwege (Münchhausen, 2015), Rørros Meat (Kvam and Bjørkhaug, 2015), BioAlpin (Furtschegger and Schermer, 2015b).

not uniformly emerging in the values-based food sector (Lerman et al., 2012). The analysis shows – similar to the results of other authors – significant differences and very unique forms of enterprise growth (Vickers and Lyon, 2012; Levie and Autio, 2013). Moreover, the in-depth case studies underline that growth can be qualitative as well as quantitative (Schwenker and Bötzel, 2007). The long-term development pathways highlight that the businesses managed to enhance their particular values and basic ideals even in times of rapid growth (Ekolådan, Achleitner, Landwege, BioAlpin). Rapidly growing businesses like Landwege faced big challenges. However, it was not forced to downsize volumes or staff. Ekolådan, Achleitner and Røros Meat experienced significant weaknesses in management and/or economic results. Turnover and numbers of employees even fell in the cases of Ekolådan and Achleitner. Overall, growth rates alternated significantly between businesses and over time, confirming the observations of Vickers and Lyon (2012).

- Competitiveness is very important for values-based food businesses and their supply chains (Landwege, Ekolådan, BioAlpin), especially when the chain partner faces economic problems (Ekolådan, Røros Meat). The application of the business logic concept to individual businesses and values-based food chain highlights that management knowledge and experience related to change has been a particularly important factor for successfully managing crises.
- Chain embeddedness can play a major role. For the understanding of discontinuities in growth, it is crucial to investigate the specific conditions and the business logic of those enterprises that drive the chain's development. In the cases of Ekolådan and Røros Meat, for example, their mother organizations had a coherent business logic enhancing the long-term development of the values-based food enterprise. The reason for the shrinking and/or subsequent survival of a poorly performing intermediate food enterprise is the result of (at least in these cases) strong bonds within the supply chain. Ekolådan was only able to survive because the umbrella organization provided short-term financial support.

#### *Management Adjustments for Consolidation and Professionalization*

The following section aims to answer the initial question about adjustments that usually take place in strategic and operational management in challenging times. The columns on the right side of Table 1 present changes in strategies (iii) and management instruments (iv) that result from shifts in goals, strategic or/and operational management.

- After the economic collapse, Ekolådan focused on its consolidation and professionalization. The number of boxes slowly increased, but remains below the former peak and the team manages the sales in line with customer demand (Milestad and von Oelreich, 2015).
- When the management capacities of Biohof Achleitner family business were over-challenged, the out-sourcing of one unit of the farm and food enterprise was the appropriate response. Cooperation and shared responsibilities along the chain replaced their own business activities. Their restructuring resulted in a more efficient exploitation of other family members' expertise. They shared responsibilities and leadership for areas such as gastronomy, sales and accountancy. Government policies were favourable. (Furtschegger and Schermer,

- 2015a).
- Because of rising demand and increasing requirements of customers and public authorities, Landwege had to become a more formalized business in the 1990s. Challenges resulted mainly from management problems related to leadership, personnel management and financial control. Overall, it took more than a decade until the initiative was able to realize a rapid and sustainable growth. Landwege's viability resulted from a professionally managed and transparent strategy process. The outcome was coherence in business goals, strategies and management instruments and appropriate governance structures. This professionalization of all management areas and of chain coordination was the precondition for growth (Münchhausen, 2015).
  - Changes in management helped to improve the situation of Røros Meat. Both the owners and the management of the processor aimed to bring capacity and performance of the meat processor in line with the business goals of the chain. After several changes of leadership, a more efficient management assured the survival of Røros Meat. However, major problems persist (Kvam and Bjørkhaug, 2015).
  - BioAlpin cooperative consists of a small but competent management team. As a trading and marketing business, BioAlpin's growth needed constant improvements in organization and coordination. The implementation of professional marketing instruments was crucial for the establishment and expansion of the organic brand Bio-vom-Berg. Problems with product development and marketing, as well as cooperation with the large number of small suppliers, are common and in line with the business logic (Furtschegger and Schermer, 2015b).

#### *Fostering Values-based Businesses and Chains*

All case study businesses experienced distinct forms of support that ensured business development and contributed to the expansion of values-based food chains:

- External support of Ekolådan was the initiator for the box scheme. It started as a project financed by the Swedish Board of Agriculture. Financial support covered half of the project budget, which was unique in the Swedish organic sector. With this budget, it was possible to hire a professional project leader to start the project (Milestad and von Oelreich, 2015).
- Achleitner farm enterprise received financial support and consulted external offices for financial advice at all phases of the development. Public support was helpful, particularly in the start-up phase of new branches (Furtschegger and Schermer, 2015a).
- Landwege received support from both the partner farmers who aimed to maintain the direct sales to consumers and from the customer members in the neighbouring city. In the beginning, financing was only provided by member farms, private members and regular customers. These stakeholders always shared the philosophy of the food initiative and had a mutual interest in maintaining the locally based exchange of organic food. Government policies were unfavourable for the producer–consumer community. Access to public funding was impossible because of production-focused funding regulations. Initially, Landwege profited from the voluntary engagement of several people. During the process of professionalization of the cooperative's retail business, voluntary work was

replaced by employees and hired service agencies. This more formalized and more focused expertise is very important for business growth. For example, a coach enabled the process of internal development, and an accounting office became responsible for financial control and helped with long-term financial planning. Both external service agencies still provide substantial support and are of core relevance for Landwege's management (Münchhausen, 2015).

- Røros Meat Ltd received support from the policy programme 'Innovation Norway'. Payments for a marketing initiative were of particular importance. Moreover, the programme partly funded the planning of new investments. For Røros Meat, the mutual support of the chain partners, the organic farmers' cooperative, the abattoir and customers were essential for the survival and long-term development. Recently, the leaders of the slaughterhouse and Røros Meat started a joint strategy process for closer cooperation and chain integration. (Kvam and Bjørkhaug, 2015)
- Since BioAlpin cooperative is much younger than other grass-root organic organizations it was able to learn from the pioneers' experiences. Agri-Marketing Tyrol and the organic certifying bodies initially provided mutual support. Like Landwege, BioAlpin outsourced important responsibilities to external offices that took over the bookkeeping and financial control, auditing and IT services. Excellent and trust-based cooperation with public bodies was highly relevant for the processing and marketing of the wide range of Alpine BioAlpin products. A variety of district and/or communal offices are involved in authorization and control of the large number of small-scale milk or meat processors. Good cooperation and open communication with the retail partner MPreis were always crucial for the expansion of values-based food chains. BioAlpin received support from policy programmes that, for example, partly financed the employment of new staff for particular projects (Furtschegger and Schermer, 2015b).

### *Lessons Learned from the Analysis of the Case Studies*

Are business missions, goals and strategic management coherent? For challenging times like financial crises or a restructuring of the business, the analysis shows that all managers dropped growth strategies, and instead, applied consolidation and professionalization strategies, which focus on qualitative development or an improvement of internal structures and processes. Sometimes, market or product differentiation strategies were put on hold. Adjustments in operational management were manifold and depended on the particular situation of the food business and its business environment.

How can discontinuities contribute to long-term development? The analysis shows that businesses can become particularly strong in those management areas that were originally very weak or even caused a crisis. For example, Landwege established internal training schemes for new staff and personal coaching for managers. Ekolådan became an expert in box-scheme logistics and customer services. BioAlpin profited from additional marketing expertise in the leading team. In these cases, the crisis, combined with the willingness to change and learn, enhanced a professionalization process in the long term. However, it is important to keep in mind that although these cases consolidated specific management areas in the wake of a crisis, they still had other weak areas. For that reason, businesses such as Ekolådan, Achleitner, Landwege, and BioAlpin remained vigilant about potential internal and

external threats and therefore enhanced strategic development processes. All case-study managers emphasized the key role of knowledge and learning, which Desouza and Awazu (2006) describe as a 'learning institution' that will 'remain successful in leveraging the knowledge'.

Which adjustments take place in strategic and operational management in times of crisis and change? Interviews with representatives of the case-study businesses underlined that suitable management instruments had often been lacking in the management area that had caused or was related to the crisis. For example, problems with leadership and internal decision-making were issues for Landwege and BioAlpin, which are organized on a cooperative basis. Management adjustments took place to reorganize internal structures and processes. As a result, this became a starting point in preparing for the next surge of production and sales, as seen in the case of Landwege. Key success factors were knowledge and learning for the leading team and for responsible staff, as well as knowledge exchange with stakeholders in the chain.

Professionalization of management is important for the individual businesses as well for the values-based chain. An efficient management of chain cooperation helps to overcome challenging times. All case-study businesses are strongly embedded in their values-based food chain, and the leaders emphasize the importance of an efficient organization of business partnerships (Stevenson et al., 2011). Such professionalization of chain management takes place with Ekolådan, Achleitner, Landwege, and BioAlpin. The specific values and quality standards of these businesses require an efficient coordination of production, processing, logistic and controlling processes. Røros Meat is still in the process of realizing its envisaged values-based food chain.

What support measures can enhance business development and the expansion of small values-based food businesses and chains? Expertise is required in all management areas (e.g. planning, leading, organization of structures and processes, personnel management, as well as financial and quality control). However, the knowledge and capacity needed is sometimes too broad to be fully covered by small leadership teams. Third-party expertise is required to solve particular problems (Ekolådan, Achleitner, Landwege, BioAlpin, Røros Meat). Often, the businesses paid for external services. However, some cases profited significantly from their business partners, which provided support on an 'honorary' basis. Overall, external services and third-party support fill in capacity gaps in most cases.

Investment support can effectively support sustainable growth processes. Our analysis of support measures shows that investment support is particularly important for improvements in building and technology in farming (Achleitner), processing and marketing (Røros Meat). Moreover, policy schemes can provide financial support for consultation, or can generally support advisory services or innovation networks. Initially, however, Landwege cooperative, with its strong focus on sales and marketing, was not able to apply for public funding. BioAlpin was able at least to apply for project-related grants supporting the employment of new staff. Ekolådan started as a nationally funded project of a private foundation.

## **Integration of Findings and Conclusions**

### *Methodological Limitations*

The data used in the analysis was based on a literature review of business growth,

on published data for and information on the selected businesses, and on semi-structured interviews conducted by the HealthyGrowth project teams. A main limitation of the analysis presented in this article is the availability of quantitative data. The HealthyGrowth case studies had a strong qualitative focus. In further research, a more detailed quantitative analysis could provide further insights when linking the application of the business logic concept with production and business-economics data.

Currently, most models for the investigation of business development tend to be too simplistic. They can only partly explain the development dynamics occurring in reality. Follow-up studies focusing on small food businesses that ceased to strive for further growth would be particularly valuable for policy and practice in a post-growth economy. Moreover, a more active involvement of practice partners from the studied food chains in the analyses would offer further insights in business development dynamics and management adjustments needed. Since crisis and growth are complex processes, a further development of the methodological approach with a particular focus on interrelations and dynamics could enrich subsequent studies.

In the following, we will discuss the application of the business logic concept to the case-study enterprises and to the food chain in which they are embedded. Finally, we will reflect on the long-term development pathways observed in the values-based food businesses.

#### *Management Processes Need to Be Realigned during Development*

When markets, policy schemes or local conditions for production and processing of the cases changed, the managers made adjustments to these challenging external conditions. Although effects of a changing business environment are relevant, the case studies show that internal organizational problems can often cause crises as well.

In all cases, the adjustments required excellent management, although organic and other values-based farm and food businesses often have little management expertise. In practice, learning by doing has been a typical approach to overcome the challenges. This relates particularly to governance, personnel management and controlling. Often, the leaders introduced a strategic planning process only after they experienced problems. Managers realized that if they had introduced strategic processes in advance, many problems, including financial issues, would have been prevented. However, in remote areas with economic development needs, it is often impossible to find a locally based manager who is willing to 'save' the local dairy or slaughterhouse. For that reason, people already involved in the organic business are usually required to improve their own management skills. Food initiatives such as Landwege often start with volunteers. In those teams, the wish to live according to organic or social values is significant, but the knowledge required for a successful food processing, marketing, or for financial planning and control tends to be lacking. Members of such food initiatives often mention that they learned from their mistakes. In retrospect, they remember a variety of situations when access to relevant information or support by a professional could have helped significantly. They emphasize the importance of disseminating such experiences to new initiatives. The ability to adapt, exchange knowledge, and learn also represent key success factors.

Although challenges hit the food businesses in the early years or later on, a relationship with the age or development phase is apparent. During or after difficult

times, leaders made varying adjustments in operational management. Sometimes strategies changed. Phases of stability or even of downsizing emerged during the consolidation of management processes, and chain coordination and cooperation.

Overall, the analysis highlights a significant need for continuous reflection and improvement. Self-evaluation on the basis of the business logic concept and participative strategy processes should play a central role. Coaching of the leading team can support reorganization in management and the restructuring of decision-making processes in a systematic way. Moreover, it can bring in line business goals, strategies and operations. External experts can play a very important role in the realization of such management adjustments, and they support the learning required for successfully managing future challenges.

#### *Implementing the Partnership Principle in Food Chain Development*

Food initiatives without initial assets such as Landwege cooperative usually have no access to external financing. This lack of access can hamper growth significantly. In these cases, the engagement of civil society groups often plays a key role, not only for the foundation but also for financial investments and other support. Civil society helps food associations or cooperatives through crowd funding, shareholding, monthly grants, voluntary work, or free counselling in fields such as legal advice or financial planning. Moreover, the involvement of customers as food initiative members aims to stabilize customers' acceptance and monthly sales figures. The communication and discussion of core values with consumers also helps to emphasize these values internally and in cooperation with the business partners along the chain.

Usually, small food businesses are not solely able to drive or control a values-based chain (Stevenson et al., 2011). This insight is in line with the results of business logic analysis. For processing and sales, values-based businesses often cooperate with conventional (processing/retail) enterprises. This is especially the case in countries such as Austria, Sweden, Denmark and Norway, where the core aspects of organic and other values-based food is sold through conventional channels. In this context, it is vital for small food businesses to maintain control in negotiations over their sales. In Røros, the cooperation with the regional brand organization of Røros Food offers the opportunity to connect the organic and local products with the image (and name) of the area, which is well known for tourism and local food. Bio-Alpin grew closely connected with a conventional regional family-owned Tyrolean retailer. This business partnership has been vital in further developing the products and packaging, the cooperative's brand and the demand for innovative products. Landwege established an integrated supply chain under the umbrella of the legal unit of a cooperative. For the meat chain, however, a trust-based cooperation with external butchers and (often underestimated in importance) with the veterinary agency has been essential for the realisation of values-based meat and meat product sales. The maintenance and enhancement of the product qualities from farm to fork were always crucial for ensuring the viability of the businesses and/or the supply chain. Overall, the examples illustrate that values-based food chains could ensure economic benefit to all chain partners, including farm businesses and small processors if managed professionally and based on commonly agreed principles.

#### *It's Not Always about Growth*

The case-study analyses show that a positive development of food businesses and

chains does not necessarily imply that the businesses always grow in turnover or staff numbers. Several development pathways were characterized by discontinuities in growth. Our examples show that periods of consolidation can be positive and can strengthen a food business and chain. Sometimes, growth has even ceased to be a business goal. Moreover, a positive development may also result from improvements in strategic and operational management (described in this article as 'qualitative growth'). This is also true for values-based food businesses and chains because ensuring high quality standards along the supply chain is a major challenge for management in particular in times of growth.

Post-growth economic theories present enterprises, the so-called 'post-growth pioneers', who deliberately follow a non-growth strategy in the long-term (Gebauer and Sagebiel, 2015). The analysis presented in this article highlights that this picture might well be too simplistic; phases of significant growth in turnover and employees can also alternate with phases of stagnation and consolidation or, at times, even of shrinking. We think that irrespective of the particular development pattern, it is paramount that business goals, strategies and operational management are coherent. A coherent business logic, ensured by a professional management of all technical and organizational processes, including planning and risk assessment, is a precondition for a sustainable long-term development of small values-based food businesses and chains. And yes indeed, it is not always about growth!

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