




"The problem was just the organization of the daily business" – managing growth in higher value food chains



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Outline

1. The main question
2. Why are we asking this question?
3. Approach and conceptual framework
4. Key findings
5. Conclusions



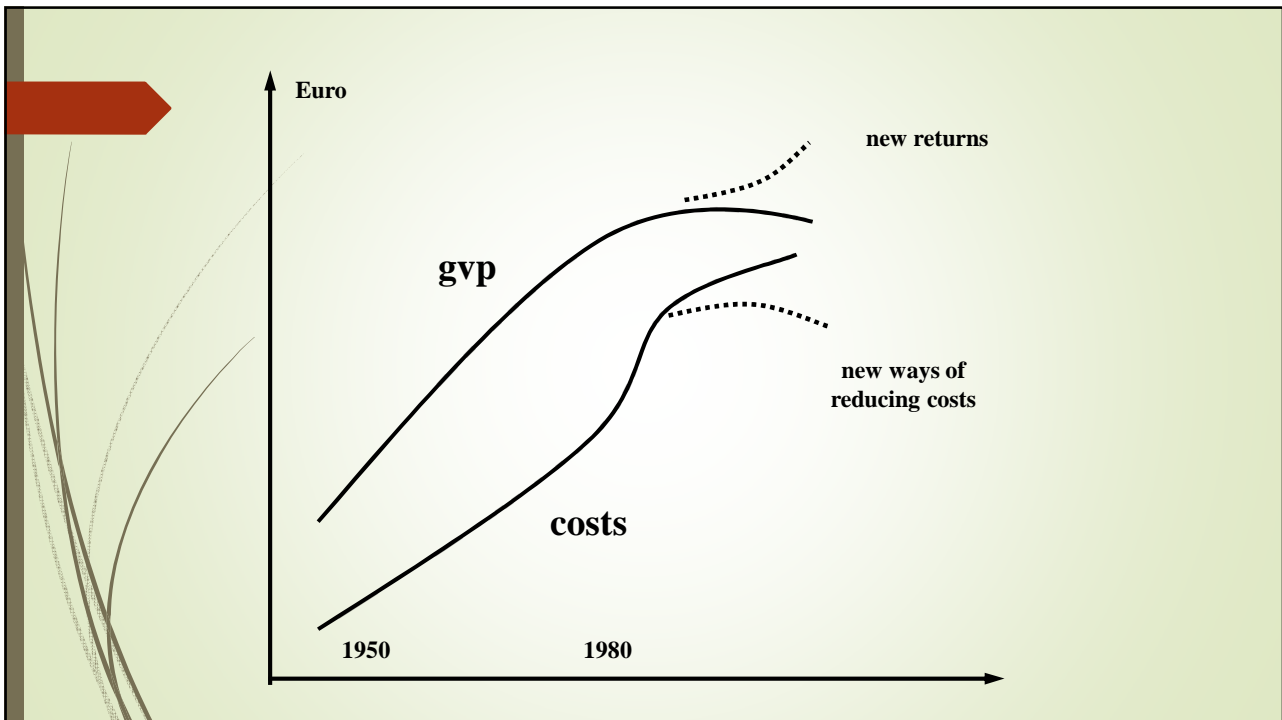
1. The main question

- “Higher value food chains tend to converge either towards rather narrow market segments and niches or towards conventionalisation and loss in added value when volumes and turnover start growing more significantly”
 - consistency in business logic and goals, development strategies and management instruments
 - related adjustments during the growth process
 - more competitive, resource-efficient, equitable and inclusive development of higher value agri-food chains (= more sustainable)



2. Why are we asking this question?

- Cost-price squeeze
- Opportunities off the main track, outside the mainstream
 - Higher value markets
 - New forms of organization – of (smaller) farmers, of food chains



3. Approach and conceptual framework

- ERA-Net project – funding from EU and 10 countries
- Common conceptual and analytical framework
- 18 case studies of growth in food businesses and/or chains
- Comparative analysis – joint learning
- Business logic ... management instruments
 - Coherence/consistency and adjustment during growth
- 4 case studies in the analysis presented here

Four case studies are presented in our paper

Table 1: Some basic data on the cases presented

Case	Country	Number of farms involved	Number of employees	Turnover (€ p.a.)
<i>Eko Žematija</i> organic dairy	Lithuania	47	17	2 mill
<i>Ekodar</i> organic beef	Slovenia	76	n.a.	65,000
<i>Planika</i> dairy	Slovenia	120-130	52	8.7 mill
<i>Sunder</i> organic dry herbs	Turkey	11	20	.

Source: Own compilation based on case study reports

Main analytical questions

- The business logic connects goals (economic and other), strategy and the use of particular management instruments.
- Questions
 - What are the main strategies and instruments used?
 - Are strategies and instrument use, is the business logic consistent?
 - How are business logic and management contributing to effectiveness, economic performance and efficiency?
 - What adjustments (in management) are needed during periods of (rapid) growth?

Overarching business logic

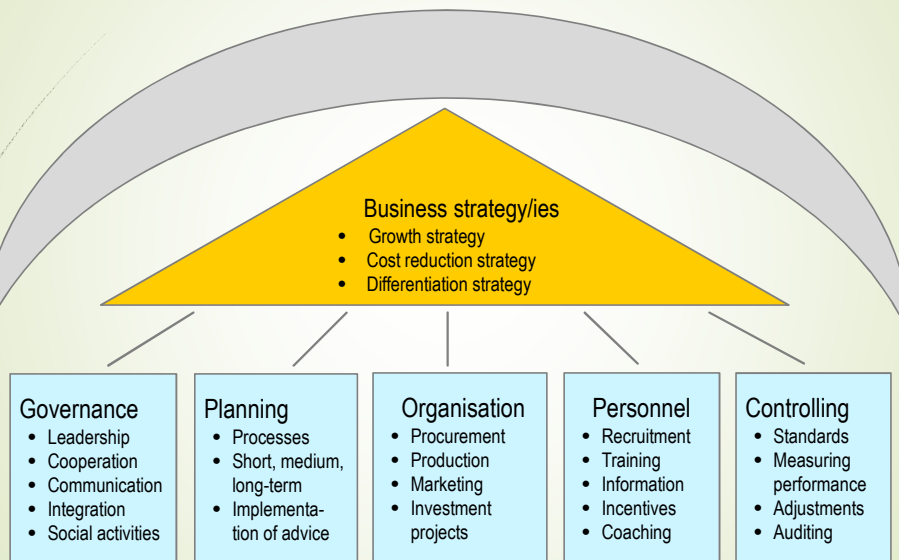


Table 2: Overview and generalized characterization of development phases

A Foundation	B Early development	C Growth phase I	D Growth phase II	E Consolidation	F Renewal or decline
Formation of founders group; start of economic activity; investments;	Running costs often not yet covered; early placement of products on the market;	Rapid growth; financial consolidation; enlargement of customer base; training of	Rapid growth; differentiation in markets often connected with more products and customers;	Strengthening of business; balancing and fine-tuning of all branches; increasing	Declining turnover or other signs of regression. Possible adjustments include outsourcing of branches, joint

..... contd.

Table 3: Typical challenges and the related strategy development

Phase	Typical challenges	Key issues in management strategies
Foundation	Often unforeseen challenges related to regulations and finance in particular. Need to be flexible and able to take quick decisions; risk taking; need to achieve early customer orientation	Choice of most appropriate legal form; determining form of leadership (e.g. single person vs. team); managing early risks

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Table 4: Different management areas and commonly used instruments


Management area	Management instruments (examples)
Planning	<ul style="list-style-type: none">• Financial and investment planning: financing concept, project management• Business planning: allocation of financial resources and of other inputs• Investment plans for new facilities and production plants: capacities, utilisation• Strategic planning: leader with consultant, internal strategy team• Planning of strategic partnerships at the level of the value chain• Product development and innovation strategy

..... contd.



4. Key findings

- A particular setup goes together with particular overarching goals
 - e.g. organic farmers whose main constraint/bottleneck is the lack of organic processors in a region: joint realization of processing as a common goal and driver of their cooperation
- Each case studied pursues a characteristic strategy / set of strategies
- Each strategy is implemented with typical instruments
- Strategies and instruments used matter for the success of the particular business/initiative/chain



Contd.

- Businesses/initiatives that managed growth successfully were driven by a clear overarching logic operationalised by suitable strategies and instruments.
- If we want to identify the adjustments needed in periods of growth/crisis, we need to understand the connections between business instruments, strategies and the overarching logic.
- Business strategies and instruments can (need to) change over time depending on the development phase of the business/initiative and the related challenges.




5. Conclusions


- A professionalization of management enables a successful growth process and seems to be of central importance for rapidly growing businesses and initiatives.
- Professionalization is particularly important when market differentiation through higher qualities is accompanying growth in volumes.
- In order to strengthen the bargaining power of producers, who are often the weak party in chains, a concentration of offer and therefore strengthening of producer organizations is often helpful.
- Adequate training and constant learning is of particular importance when small farmers or families from remote areas supply primary products of higher quality.

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A successful development of higher 'value' depended in all cases on the ability to maintain a high product and process quality and consumers' trust as well as the capacity to adapt and to realise significant changes if needed.

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- The management of higher 'value' businesses (and chains) needs to address the relationships – and interdependencies – among chain partners.
 - Strategies and instruments need to fit to the particular situation and needs – in our project: of growing medium-size family businesses, producer cooperatives or food initiatives in higher 'value' chains and markets.



Interested in further information and/or
project cooperation?



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www.coreorganic2.org – www.hnee.de/HealthyGrowth

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