

# The concept of the business logic for the management of values-based food businesses and chains

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## Task 2 report, HealthyGrowth WP 5

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## 1 Introduction

Value chains of organic food products tend to converge either towards higher value niche products or towards conventionalisation when they start growing significantly. Our analyses focus on growth processes from small to medium-sized businesses, initiatives and value chains for organic food that manage to combine values and volumes. While expanding, organic businesses and initiatives face specific challenges that, if not managed well, can also lead to complete failure.

A carefully elaborated development strategy provides overall direction to the growing food chain. Strategic management, in turn, involves operationalizing the business objectives and developing plans designed to achieve these objectives, and then allocating resources to implement the plans.

Organic food cooperatives, associations or businesses have often started with a personal conviction and/or philosophy of the founder or the founders' group. This philosophy usually is the starting point of business strategy and strategic planning of the growing business or initiative. Numerous models and frameworks have been developed to assist the strategic decision-making and management in the context of complex business environments and competitive dynamics.

## 2 Methodological approach

### 2.1 Underlying hypothesis

If we want to learn more about the management adjustments needed in periods of growth or crisis, we need to scrutinize business strategies, the use of particular management instruments and look into their consistency with the overarching business logic. Following this logic, the approach applied in Task 2 is based on two hypotheses that determine and structure the comparative analysis of the 19 HealthyGrowth case studies:

- (1) The development of business strategies that suit the given business environment and resources is a necessary precondition for successful growth. Their implementation must be accompanied by a professionalisation of the management if particular values are to be maintained.
- (2) Those businesses or initiatives that managed growth successfully follow a clearly defined overarching logic that is operationalized through suitable strategies and instruments.

### 2.2 Main analytical questions

Based on these two hypotheses we define a number of questions for the comparative analysis:

- How are business logic and management contributing to effectiveness, economic performance and efficiency in mid-scale values-based food chains?
- What are the main strategies and management instruments used in order to realize goals?
- What can we (or other food businesses or initiatives) learn from the successfully grown organic food chains? What kind of adjustments is typically needed in periods of (rapid) growth or crisis?

In order to address the above-mentioned analytical questions, the case study reports include information on:

- the importance of different goals in the studied business/ initiative/chain from the perspective of the main decision-makers (question 4.2.1.3 and list of potential objectives);
- the main strategies pursued (question 4.2.1.4 and list of strategies, including differentiation strategy questions 2.3.1.2, 3, 4, and 9);
- the management instruments used (question 4.2.1.6, 7, 9 and 15, as well as the list of instruments);
- the kind of adjustments made in strategies and management instruments in periods of (rapid) growth or crisis (question 4.2.1.8, linked with task 6);

- the reflexive processes applied – stepping back and asking if overarching business logic, objectives, business strategies and instrument use are consistent?

### 2.3 Business goals, strategies and management areas

Figure 1 shows the connection between business objectives (goals), strategies and management areas.

Business objectives are the outcomes the key decision-makers and/or management team hope to achieve as they run (and grow) the business. Entrepreneurs need to be concerned with every aspect of the business. Clear business objectives are the basis for any strategic business planning.

Strategic management involves the formulation and implementation of a management plan. Central is the business strategy that takes resources as well as the internal and external business environments into account. The strategy starts with the definition of long-term goals, and defines particular courses of action as well as the allocation of resources necessary for carrying out these actions. Businesses might use a combination of different strategies to achieve their goals. The formulation of the strategy involves analysing the product, customer, values, location, competitors, available skills and resources, opportunities and risks, potential to grow etc..

A variety of approaches for strategy analyses are available in the literature. Figure 1 highlights three groups of strategies: growth strategies, competitiveness or market strategies and product or product line related strategies.

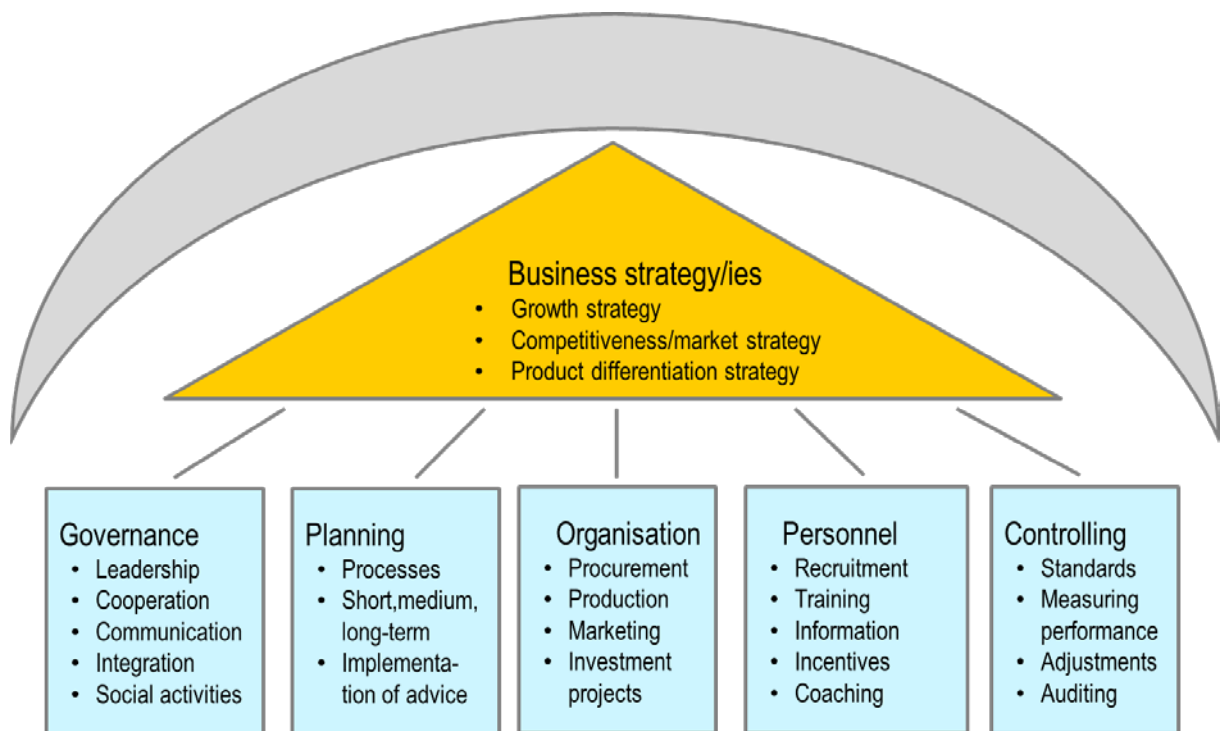


Figure 1: Overarching business logic with business strategies, management areas and instruments

Sources: own compilation

The strategy development plays a particular role for values-based food businesses and chains (Stevenson et al., 2008). For that reason, the analysis of the strategic management of the case study businesses and initiatives was a particular focus in the HealthyGrowth analyses.

Three examples for business strategies:

- A competitiveness strategy is the **cost leadership strategy** which involves being the lowest cost provider of quality products. This tends to involve achieving economies of scale by producing a high volume. This increases the productivity and the business realises a greater ability to offer the product for a competitive price.
- The **differentiation strategy** aims at gaining customers by attracting them with value-adding features such as enhancing the quality further or introducing/strengthening the regionality aspect. The management can also differentiate the business through added services such as customised product orders, home delivery or rush service options.
- A typical strategy for the organic food businesses/initiative as a whole is a **sustainability strategy** that are based on the simultaneous realisation of the three dimensions of the sustainability concept – economic, the protection of nature and the environment and social standards or positive impacts on the social, socio-economic and/or cultural situation in the (rural) area.

Many businesses/initiative highlight their **marketing strategy**. The term marketing strategies is commonly used. However, the understanding differs from an encompassing business and differentiation strategy to just describing the marketing-mix of instruments for one production line. Marketing-strategies or -concepts support the implementation of overarching goals because they combine production and supply planning with sales activities. A more detailed analysis of marketing strategy/ies of the core businesses helps to identify the overarching business strategy/ies and the more specific and practical instruments. For example, marketing instruments focus on the promotion of products or product lines such as advertisement, informative events, packing, convenience, branding/labelling, quality control measure, additional services such as delivery etc.), pricing concepts (fix prices, pool pricing, top-up payments etc.) and the selection of the point of sales (market stall, shop in town, on-farm, super-market shelf etc.). Many of these instruments are of main interest for task 4 and task 5. Task 2 will therefore not focus on marketing instruments particularly.

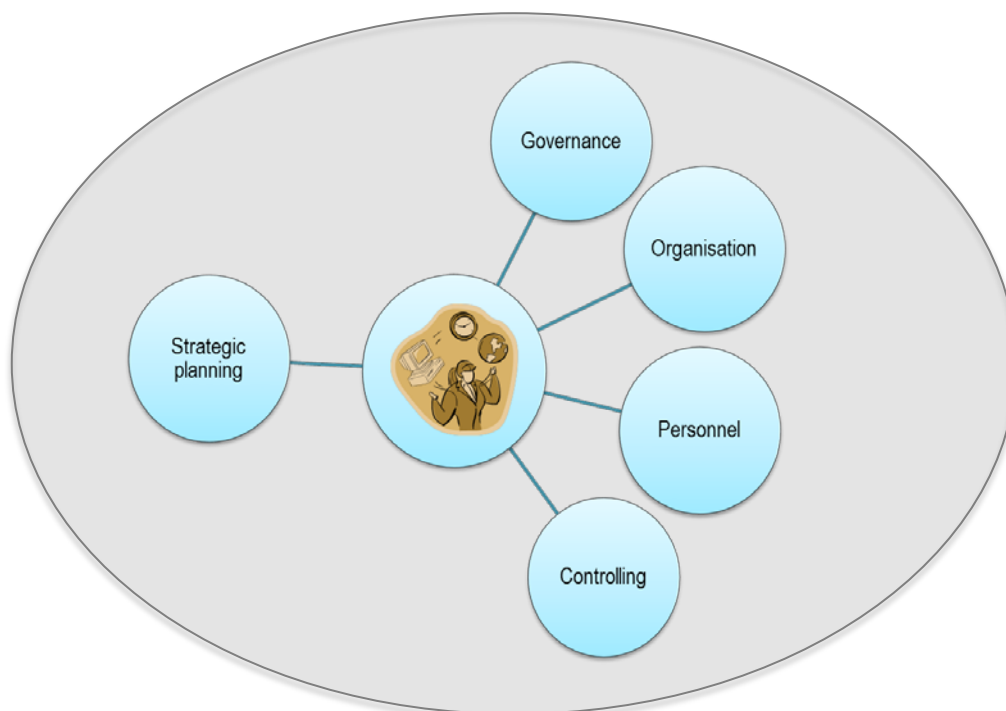


Figure 2: Interactive management system with five functional areas

Sources: own compilation

The first out of five management areas is strategic planning which plays a central role in a more systemic understanding of management. There are four core management areas or managerial functions: governance or leading/directing, organisation, personnel management/staffing, and controlling (Figure 2).

Key features of the more systemic understanding are the interrelationships between functional management areas, value chain partners, businesses and/or initiatives, and general socio-economic framework conditions.

All management areas have a range of instruments at their disposal. An instrument is a tool that aims to achieve a goal or a set of goals. It mainly focusses on the realisation of just one particular function or task. By contrast, a concept (e.g. Balanced Scorecard) applies a set of systematically coordinated instruments (e.g. investment appraisal, cost accounting, budgeting, marketing strategy for a product line etc.) to achieve a particular goal or a set of goals; it integrates and coordinates the use of several management instruments. Moreover, a concept applies to different steps in an organisational process (e.g. obtaining information, decision making, and communication). (Schaltegger 2002) The selection and use of particular concepts and instruments need to be in-line with overarching business goals and strategies. The analysis of strategies and instruments use can therefore help to identify the strengths and weaknesses of a particular business or initiative (or chain).

The following paragraphs describe briefly the five **management areas**, and list the most important management instruments.

- **Planning** is the process of structuring and organizing the activities required to achieve a desired goal. The main purpose is to plan time, cost and resources adequately to estimate the work needed and to effectively manage risk during project execution. Planning involves the creation and regular checking, and, if needed, updating of a plan. The planning will tend to reflect the particular values, convictions and visions that are expressed in the particular business strategies. Planning also includes the forecasting of possible developments and the preparation of potential responses. In practice it often makes sense to distinguish short-term, medium-term and long-term planning (overlap task 6). The long-term perspective is based on 'expected results' or 'potential economic success' using the classical key economic figures such as returns, turnover, sales, and margins but instead of the review for the forecast and the related planning process. Planning often includes not only members of the management team but as well external experts such as board members, consultants for tax or investment issues, and partners for financing (banks, private investors). Planning processes are based on a variety of instruments (meetings/workshops, project planning guidelines, flow charts, Gantt chart, mind mapping etc.). A market analysis, often provided by an external agency, is an important starting point for planning processes related to food product development, marketing channels, alternative food marketing concepts etc.
- **Governance** relates to the way a particular business or initiative (or chain) is navigated. Internal communication, for example between the manager(s) and the subordinates, is an expression of the governance model in place. Directing is a core aspect of governance. It combines providing leadership, practicing authority and making decisions (for others). Each director or directing team has a specific management style which is again characterised by values, traditions or characteristic behaviours. This management area is strongly influenced by experiences and training but as well by the personality of the managing director (overlap task 1).
- **Organisation** is the management area that focuses on
  - organisational structures of the business or initiative (or chain), allocations and time schedules; (partly overlap task 1). Common instruments: development or re-organisation of the business' organigram; documentation of internal processes (and responsibilities) shown e.g. in business specific auditing schemes.

- resource management such as supply, purchase of input factors and definition of production processes; resourcing encompasses the deployment and management of human resources, financial resources, technological resources (building of new facilities), and natural resources (purchase of e.g. access rights to parcels or allowance for ground water use);
  - sales/distribution of the products (choice of marketing channels, vertical integration/cooperation); instruments are e.g. application of IT solutions, sales department with sales representatives, advertisement campaign;
  - decision-making and communication that can be based on e.g. process descriptions (see planning), internal newsletter, round tables; (overlap task 4)
  - organization of interfaces all along the value chain and coordination (overlap task 1) (see supply chain instruments below).
- **Personnel management**, staffing or human resource management is an essential function of each organization. The management area is based on a variety of instruments that help to manage employees of a business or members of an initiative in order to achieve the goals. The legal framework impacts significantly on the personal management which is one reason for differences between countries. Human resource departments are typically responsible for a number of activities, including employee recruitment, training and development, performance appraisal. The related instruments are e.g. work plans, pay negotiations, works council, work hour regulation, home office days etc.). Personal management concept might focus on performance evaluation and rewarding systems. Participation of staff, enhancing individual responsibilities, improvement of internal communication such as openness/transparency are personnel management concepts that characterise businesses, initiatives and stakeholder networks. The development of a communication and recruitment concept vis-à-vis the applicants might be another bundle of selected instruments in the human resource management area.
  - **Controlling** is an important management function because it helps to identify problems and to take measures to solve specific problems thereby continuously improving operations. Controlling is to help to efficiently achieve the strategic goals of the business, initiative or value chain. Control includes a foreseeing dimension because it considers potential risks taking experiences from the past into account (overlap task 6). Controlling is to support the meeting of standards (quality testing, certification, internal process auditing etc.) and the measuring actual performance (accountancy). If needed, it needs to initiate corrective action.

In practice, all management areas need to be implemented well through an effective use of the most appropriate management instruments in order to be successful as a business or initiative. Management and the use of instruments need to be in line with the overarching business strategy. Only then can the business/chain/initiative be successful in terms of the realisation of set goals.

**Supply chain instruments:** The management areas are parts of one core business/initiative which means that one actor can decide on the implementation of instruments. In contrast, the instruments connecting partner businesses/initiatives along the food chain vertically depend on the agreement of a minimum of two chain partner businesses. Such instruments governing the supply chain are: contracting, formal and informal communication rules between chain partners, foundation of or contribution to non-profit business associations/foundations, pricing arrangements (fix price forward contracting), shared transport and storage systems, offering training schemes for chain partner businesses/initiatives or product quality testing in the laboratory and certification or auditing, or even financing schemes for specific partner businesses. If needed, a neutral mediation of bi-or tri-lateral coordination processes can help to realise e.g. a shortening of the chain.

## 2.4 Business logic concept

The business logic concept has been developed as a theoretical and an analytical framework as one of the multiple perspectives of the HealthyGrowth project (CORE organic, 2014). Central to the business logic concept is that business goals, strategies, management and the set of management instruments used are, ideally, fully coherent. The business logic concept helps to find out if all management areas of the studied food business, i.e. strategic planning, governance, organisation of supply, production and logistics, control and personal management are coherent or in-line, and if they support the overarching 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. Dynamic processes and their (potential) effects are a particular focus of the approach's application. 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 when financial problems are occurring. As discussed in related publications of the project team, the concept's application is possible at any stage of business development.

For the operational management of businesses or values-based chains, the examination of the coherence between strategic management on the one side and daily routines of procurement, production and sales on the other side, helps to recognise if and where modifications are urgently needed (Knickel et al., 2016).

## 3 Application of the business logic concept

### 3.1 General results of the case study analysis

Table 2 in the Annex presents the analysis based on the business logic concept. It shows an overview of business goals and strategies and asks how well they match management instruments. Overall, 19 case study (CS) reports from 10 countries were available but the depth of task 2 related information differs significantly between case study results. For that reason, the number of cases changes between task 2 analyses.

The analysis of the business logic highlights the following general observations for the CS:

- For all CS at least one business strategy can be identified and each report mentions specific instruments that are in place for the realisation of set goals.
- In some CS, management seems to be unaware of its own strategy (EKO Žemaitija, Planika, Ekolādan, Gram Castle). In these cases, the managers might just mention explicitly a "motto" or a philosophy but the strategy is indirectly included and not (yet) visible. Even management instruments are often applied intuitively and therefore do not appear in a business programme or a list of management tools.
- Each business/initiative is "tested" for having or not-having the overarching business logic. This "test" is based on the check of constancy of business goals, strategies and management instruments. The analyses indicate that all CS have a business logic that is implemented through a management strategy and a variety of instruments.
- However in some CS, the business logic seems to be focused on main processing or marketing channels while maybe, some low-cost processors cannot be included under the overarching idea as in the case of Upplandsbondens (UB); or while one of several marketing channel might not share the same values e.g. 'no-name' bulk marketing (Bohlsener Mühle). For primary producers or producer cooperatives it is more difficult to foster the implementation of an overarching logic for the whole chain because downstream chain enterprises often run their own strategies which might not include or continue the primary producers' strategy (EKO Žemaitija, Roros Meat)

- All CS have particular strengths related to **growth strategies** and values-based marketing. This strength is reflected in the fact that the core businesses and initiatives of values-based food chains were selected for their successful management of the growth processes (see task 6 analysis).
- Almost each CS highlights strong or weak management areas which are more and less well established. The case study reports highlight the following **well-developed management areas**:
  - Governance/leadership – Bohlsener Mühle, Sunder, Landwege
  - Planning – Landwege, Bohlsener Mühle, Polar Shitake, Gram Slot
  - Organisation – Biocoop, Landwege, Sunder, UB
  - Personal management – Landwege, Biocoop, Gram Slot, UB
  - Controlling re quality and organic – Bohlsener Mühle, Polar shitake, BioVomBerg, Sunder
- On the other side, managers tend to know the specific areas with “management deficits” (which is why they often appear in citations in CS reports). Although they plan adjustments but in fact, they are of reduced priority and so, tend to be postponed. Examples for businesses with potential weaknesses in particular management areas:
  - Governance/leadership – Uplandsbondens
  - Planning – Ekoladan
  - Organisation – Bohlsener Mühle, EKO Žemaitija, Ekoládan
  - Controlling – Gram Slot, EKO Žemaitija

### 3.2 Cluster based analyses

The in-depth comparative analysis will be based on different clusters. Each cluster highlights particular properties of values-based food chains and/or key competences in the management of the involved businesses and initiatives.

- Cluster “marketing channels”
- Cluster “growth period or development phases”
- Cluster “governance” or “ownership”
- Cluster “regional management”

The clusters are presented in tables. The tables help to evaluate the case studies by comparing horizontally as well as vertically. The horizontal comparison highlights key properties of each case study. For example, this helps to identify different business logics (table 1).

The consistency between overarching business strategy, the particular development phase the business or initiative is in, and the actual use of management instruments for each case study and cluster can be checked through a vertical analysis of a particular case study column. The interpretation of the tables helps to for example identify the strengths and weaknesses related to a clear definition and implementation of the functional management areas in a particular CS and cluster.

Table 2 in the Annex groups the food businesses, initiatives and chains aiming to highlight the different marketing and supply channels. These groups are



- I) Farmers and initiatives involved in primary production and farm product marketing; they supply downstream processors and sales businesses;
- II) Intermediary medium-sized businesses or initiatives with a high degree of specialisation in processing, packaging, wholesale or retail, purchasing from primary producers;
- III) Short food chains (partly as multi-branch organisations) with a close integration of primary producers, intermediary processors and end-consumers under an umbrella organisation (cooperative/association).

Group I includes Gram Slot, UB and Polar Shitake as well as Biovallée. The analysis shows the following:

- Polar Shitake and Gram Slot are family businesses specialised in organic food niche markets – Polar Shitake with a knowledge-intensive production and packing and Gram Slot with a tourism/community centre idea in combination with organic farming. Both would not fall into the category of medium-size enterprises.
- UB is an animal farmers' cooperative. The objective of the cooperative is clear focusing on the best price on the market for their members and on the regional brand. The objectives of downstream business partners differ (slaughter houses, meat processors, and sales businesses). These enterprises are independent from UB, might run non-organic processing, have specific short-or long term market development plants etc. For that reason, it is particularly difficult for a primary producer cooperative such as UB to realise an overarching business logic that includes all downstream partners and channels.

Group II includes Roros dairy, Roros meat, Planika, Bohlsener Mühle and Sunder as well as two CS that are box services - Kolonihagen and Ekolådan (EL).

Group III includes Bio vom Berg, Achleitner, Landwege, Eko Zemaitija, BioCoop, Ekodar owning cooperative, FoodCoop, Kiuruvesi and Mühlviertel.

### 3.2.1 Role of the position in the supply chain

Table 2 presents an overview of the analysis of

The cluster "marketing channels" highlights the impact of the "position" of a business or initiative in the food chain.

- Primary producers are busy with farming activities while at the same time driving the organic values-based food chain "from the bottom". This dual engagement is a particular challenge sometimes leaving little time for more demanding or more time-consuming management questions/decisions. These case studies tend to be characterised by more 'basic' strategies such as 'ensuring organic quality standards' or 'time-/cost efficient process organisation'.
- Businesses and cooperatives purchasing from farmers tend to be medium-sized enterprises that have experienced a significant growth process. The enterprises developed from small processing facilities (mill, dairy or slaughter house) to mid-sized food enterprises with marketing activities reaching beyond regional boundaries. The increasing 'distance' from primary producers is particularly challenging and requires specifically targeted management instruments. The management areas 'Organisation', 'Personal' and 'Controlling' require particular engagement. The instruments fostering external communication are mentioned by interviewees representing businesses/initiative that faced these challenges successfully. Sales businesses tend to be supplied by farmers, cooperatives or wholesalers and sometimes have specialised in food deliveries to the end consumer.
- Integrated food chains need to combine the different interest of farmers, processors and points of sale and consumers. Communication of values related to farming is easier than in the first and second group. On the other hand, matching controversial objectives or visions (farmers vs. processors or consumers) can be challenging. Internal communication and cooperation are therefore critically important for the

success of integrated systems/chains. The establishment of well-working decision-making structures requires time and diplomacy (mainly in the early development phase of initiatives).

- The further analysis will focus on chain partner-specific strategies and the related instruments e.g. for primary producers or medium-size processors. Key questions relate to farm product procurement, quality control, communication and marketing instruments.

There are particular insights in respect of intermediary businesses (Group II):

- The businesses in this group tend to have a higher degree of specialisation and tend to apply a clearly recognizable set of management strategies and instruments.
- Specific instruments need to be in place when maintaining and communicating particular qualities of products like regionality, animal welfare, environmentally friendly etc. to sales businesses and consumers downstream chain partners.
- As significantly – and successfully – grown medium-sized businesses they have already solved typical problems not only related to the communication of quality attributes but as well to internal organisation, financing, product development and marketing.
- And yet, this group also represents a large number of businesses that still struggle with specific problems while growing out of the niche market and positioning themselves as professional food enterprises in a competitive market for organic food products.

This group will be of core interest for the development advice for growing businesses/initiatives. Moreover, it will help to learn more about the use of integrating instruments that enable the different chain partners to cooperate (overlap task 1).

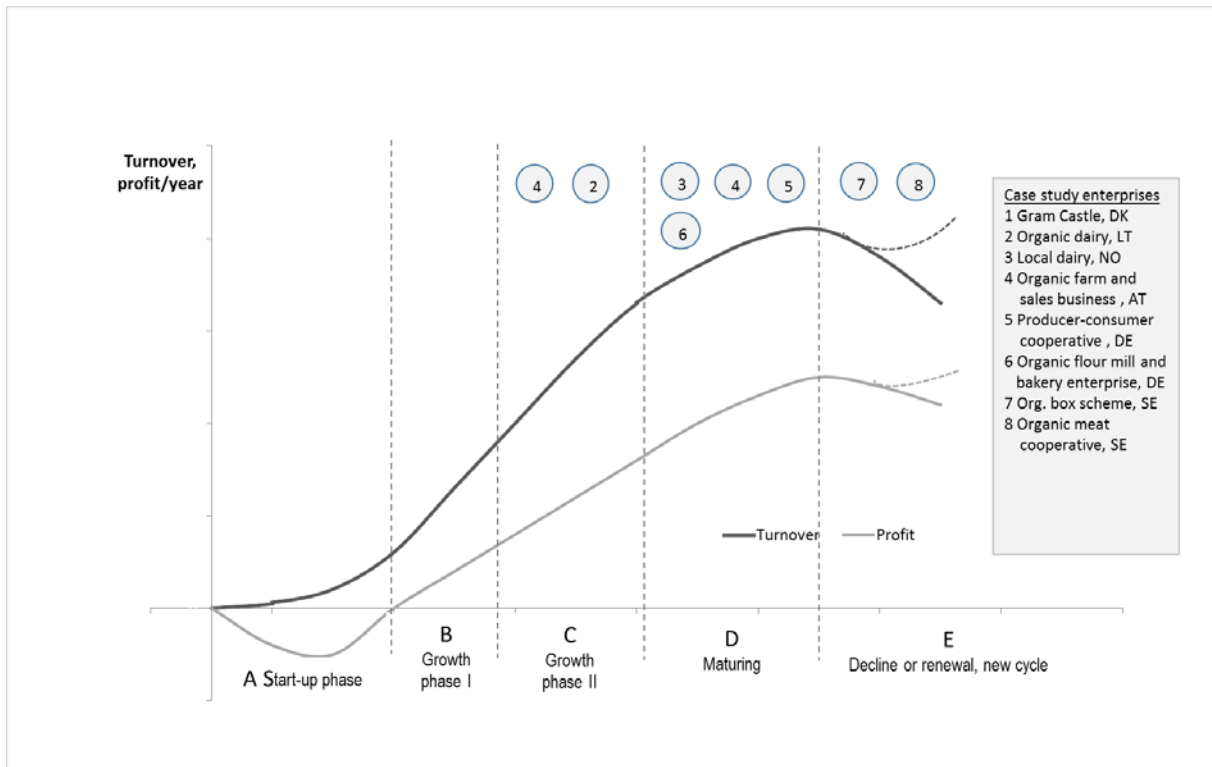
### 3.2.2 Taking into account development phases

Table 2 represents a clustering by development phase of the core business or initiative. Group I consists of cases that are in an early phase of a (rapid) growth process. Group II businesses/initiatives have passed this development phase and are now in a phase of less rapid growth supported by growth, diversification and/or differentiation strategies in place. Group III businesses are in a maturing or renewal phase (and which have in the past managed successfully a variety of challenges and/or threats).

Growing organic food enterprises and initiatives face several challenges. The study aims to analyse management strategies and instruments. Eight case studies in six European countries were analysed based on quantitative and qualitative methods. Results show that the entrepreneurs used various strategies aiming to meet the set of business goals. Depending on the development phase of the enterprise or initiative, instruments such as quality control, process improvement, training of staff or a trustworthy communication was core focus. Specific strategies and instruments ensured healthy growth processes of values-based businesses.

The particular challenges that a business or initiative has to face depend strongly on the development phase. It is therefore not helpful to compare strategies and management instrument use across development phases. What is however possible and important is that “young businesses/initiatives” can learn from the experiences of “more mature businesses/initiative”. The analysis presented in this paper is to support this learning.

Different phases are related with particular strategies e.g. differentiation strategies mainly occur in phase C and D while financial stabilization is of importance in young enterprises. Innovation and resilience is important for well-established enterprises that face changing markets or new production and processing technologies. Moreover, the analysis of case studies shows that all types of development emerge in the case studies: significant growth in turnover and employees, phases of stagnation and consolidation or even of shrinking.



**Figure 3: Economic development of growing CS enterprises**

Source: own compilation following Rüggeberg (2003) and Zacharias (2001)

The analysis shows that

- a coherent business logic is a precondition for a sustainable long-term development of businesses and chains.
- clearly defined management strategies and the related professional support are crucial;
- ensured product and raw material quality, local origin, protection of natural resources, fairness and traditional crafts represent the basis for differentiation strategies and competitiveness;
- often adjustments of management strategies have to be implemented in times of changes;
- strategic analyses can support management decisions and processes, in particular during rapid growth.

Although the use of the life cycle model related to business development is limited, it illustrates that particular challenges are more common in new ventures, while others mainly occur in quickly growing or well-established enterprises. A test application of a life cycle model for values-based food enterprises shows that the approach is helpful for the analysis of changes in business strategies over time (Münchhausen et al., 2015). However, the allocation of individual growth phenomena since SME foundation to a model's particular development stages is a challenge due to a lack of objectivity. Consistency and repeatability of the model's application is not evident when different players define the life cycle (McMahon, 1998).

### 3.2.3 Impact of ownership structures

The focus of our research project is on mid-scale businesses, initiatives and value chains. One of the core characteristics of this mid-scale economy is the owner- and leadership structure of the enterprises belonging to this group. Medium-size businesses are typically not owned by large corporations (in Germany a SME has an upper limit of 25% for the financial involvement of a corporation).

Table 1: Case studies grouped by owner-ship structures (territorial cases excluded)

Business/initiative	Owner-ship structure	Management area of governance/leadership
<b>Gram Slot</b>	Owner-manager entrepreneur (couple, <50%) & limited partner: corporation Rema1000 (>50%)	Value of Svend's policy party Venstre: entrepreneurship, self-reliance and responsibility
<b>Achleitner</b>	Owner-manager entrepreneur & Co	Family members are responsible of leading the different branches of the family business
<b>Kolonihagen box scheme</b>	Management team of Ltd	Umbrella organisation with different branches and leaders
<b>Polar Shitake</b>	Owner-manager	Family leadership
<b>Sunder</b>	Owner-manager couple	Family leadership
<b>Bohlsener Mühle</b>	Owner-manager entrepreneur & Co	CEO as leader with 12 heads of departments; consultation with limited partners (Kommanditisten)
<b>Landwege</b>	Cooperative (e.G. – legally registered)	Manager team (2CEOs) with Board (decision preparation), members assembly/ies (voting for decisions)
<b>Eko Zemaitija</b>	Cooperative (registered)	CEO with particular knowledge in marketing
<b>Ekoládan</b>	Foundation	Small leadership team
<b>Upplandsbondens</b>	Farmer cooperative	CEO of the cooperative is not a trained manager
<b>Roros Dairy</b>	Farmer cooperative	Employed CEO for the processing business
<b>Roros Meat</b>	Farmer cooperative and slaughter house Ltd	Employed CEO for the processing business
<b>Planika</b>	Farmer cooperative with dairy Ltd	Employed CEO for the processing business
<b>Ekodar cooperative</b>	Farmer cooperative	Leader of the cooperative is not a trained manager
<b>Bio vom Berg</b>	Cooperative (eGen – legally registered)	Employed CEO and leadership team
<b>BioCoop</b>	Incorporate company (shareholders: shops, farmers associations, wholesale platforms)	Management team in central office (Paris) with local management teams in provinces
<b>FoodCoop</b>	Community initiative	Volunteer based governance structures

CORE organic (2014) with all case study reports of the HealthyGrowth project

All approaches of leading an owner-managed SME, a farmers' cooperative or a food initiative have particular strength and weaknesses. Consequently, their trajectories differ in the kind of challenges related to leadership and governance structures the case study businesses and initiatives were facing.

Potential strength of medium-size businesses/initiatives (Fueglistaller 2008):

- value systems or visions due to individual engagement of key persons (often as a combination of professional and private interests and convictions)
- value communication enhanced by the managers' personalities
- building and maintaining trust and integrity (responsibility and ethical values of the manager(s))
- long-term planning horizon due to personal involvement (bank credit, responsibility etc.). In contrast, shareholder companies and other large-scale corporations typically have a strong short- and medium-term profit orientation.

Often SMEs are owner-managed, or at-least the owner or group of owners is involved as board member. The ownership structure tends to impact upon the management style because of social responsibility and liability.

Owner-managers tend to have a major influence on the strategic orientation of the business and the development of all management areas.

Owner-managed businesses tend to be characterised by

- a “personality-based” representation of their own business (integrity/image of the owner),
- the director's identification with the business ,
- quick decision-making processes (the owner is the manager who decides),
- higher financial investments (due to ownership of assets and access to bank loans),
- a stronger influence of traditions and of the enterprise's history on current planning and decision-making.

Many of the mentioned strengths and challenges of SME in the literature were found in the values-based food businesses of the HealthyGrowth project too.

Food cooperatives or initiatives differ from owner-managed businesses above all in the distribution of decision-making powers. In cooperatives or food initiatives decisions tend to be made by a group, and they are usually based on participative processes. Cooperatives and initiatives tend to find it harder to define and address problems, which are why they require excellent communication and more sophisticated decision-making processes. The related examples of HealthyGrowth case studies show excellent examples that were able to overcome these challenges because they managed to establish good communication and decision-making (e.g. Landwege cooperative).

## 4 Conclusion

In WP5-Task 2 of the HealthyGrowth project, the business management of the case study SME and food initiatives represented the focus. The aim was to develop and test the concept of the business logic for the analysis of values-based food businesses and chains. As a result, the case study analyses show that the application of the business logic concept is helpful because it helps to identify potential inconsistencies in goals and business strategies that can occur during times of growth or change. Moreover, the concept helps to highlight strengths and weaknesses inside the different management areas.

The way business logic, strategies and instruments change in periods of (rapid) growth is a highly relevant success factor at business, chain and sector levels. Business logic and strategies are expressed in the connections between producers, processors, sales businesses and consumers, and in the way they are managed. Therefore, the related analyses need to go far beyond simply an analysis of marketing and communication strategies. The analyses illustrate how business logic and strategies are implemented through a particular set of management and/or marketing instruments and how they drive the internal organisation of the chains, as well as individual businesses. Business logic and management concepts differ from chain to chain; they affect decision-making and shape the evolution of organic food value chains. The analyses highlight that business logic, strategies and instruments are critically important for an improved understanding of the development of the organic sector. (Münchhausen et al., 2014)

In this report, the results of the analysis based on the business logic concept were exemplarily clustered into three groups. The first cluster focuses on the role of the chain position. The analysis highlights similarities of challenges within each group and emphasises the need to reflect on a business logic of the food chain that connects goals, strategies and management instruments of the related actors. The clustering of business for their development stage is difficult for methodological reasons. However, the comparison shows that start-ups and SME in an early stage face different challenges than established enterprises. This is of particular importance for values-based food businesses because their management strategies and instruments require continuous professionalisation ensuring competitiveness on the market and long-term resilience. The ownership structure of the cases,

discussed in the third example, relates closely with the challenges in the management area of leadership and governance. Results show that efficient communication and decision-making is crucial for the maintenance of the business logic. This might serve as one of manifold results but it indicates that the analytical perspectives (Task 1-6) of the HealthyGrowth project are closely interconnected and require a balanced consideration.

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## 6 ANNEX

Table 2: Characteristics of cases grouped by marketing channels

Group I) Primary producers/cooperatives supplying intermediary	Goals and strategies: Is the business logic in place?	Management instruments of the five management areas			
		Governance, Planning	Organisation	Staffing	Controlling
Gram Slot	<p>Yes: Re-establishing castle as local community centre and living castle; Goals: overall (castle, business) and branch specific (leisure, events) Strategy: not written, in owners' mind; establishment of private label and development of both business branches - organic farming and rural leisure/cultural activities; competitiveness (differentiation) Values: respect for the nature and the cultural/historical characteristics of Gram slot; affordable and accessible organic food in DK</p>	<p>Leadership style: Owner-managed with influence of Rema Planning: short + long-term planning by owners (+)</p>	<p>Input factors (supply), farm production, linking farm and tourism branch +/-</p>	<p>Delegation of responsibility (+)</p>	<p>Organic bodies, accountancy, not yet professional c. measures (-)</p>
Upplandsbondens	<p>Yes: negotiate the best possible price for their members and develop their own brand on the regional market</p>	<p>Planning: Regular negotiation of "fair" price; fairness is important, trust is crucial and very important (part of business plan); Chain partner meetings, regional events</p>	<p>Top-up price transmitted to local producers, strong preference for local partners, supply to meet needs of chain partner, joint marketing UB-A&amp;T, no contracts</p>	<p>Fairness, clear responsibilities, no staff (but working board), annual team building events, open communication within the organisation (+)</p>	
Polar shitake	<p>Yes: "Finnishness" – means reliability</p>	<p>Owner-managed, well-established business, very experienced, long-term planning</p>	<p>Organic resourcing, cooperation with research</p>	<p>Local employees, own training</p>	

Planika	Profitability, ensuring farmers' existence, strengthening rural economy, realising the "organic idea", product differentiation	Planning: High product/service quality, , growth, transparency; very good planning before taking over the dairy	trust-based long-term business relations, new suppliers, local/ regional production base, collaboration/ network along chain	employee retention	Usage of Planika logo; quality control instruments
Biovallée?	Yes, on programme level; but not on local level (administration + CA have dispute).	Unclear – end of funding, different ideas			Organic standards, Programme control schemes
Group II) Medium-sized intermediaries	Goals and strategies: Is the business logic in place?	Management instruments of the five management areas			
		Governance, Planning	Organisation	Staffing	Controlling
Ekolådan	Yes: Quality and "deep" organic values	On cooperative level	Clear responsibilities, fairness	Open communication	Organic standards, high quality
Kolonihagen	Yes: "Organic, fair, animal welfare, quality"	Joint marketing, flat hierarchies, clear responsibilities (+)	Contracts with suppliers; Negotiation of fair prices, contracts +/-?	Transparency, trust, open discussions: chain partner meetings, internal communication	
Roros Dairy	Yes: "Differentiation from mainstream organic"	Strategy process involving board and employees	Participation, responsibilities	Communication, trust	
Roros Meat	Yes; "Røros as food region based on local, traditional food"		Participation, cooperation, Contracts		
Sunder	Yes: Maintaining and developing a well-established organic family business; high level of sustainability and social/ecological responsibility	As a communication process between the entrepreneur couple, based on experiences, financial advice and ongoing search for new information	Clear responsibilities of family members and a few other key persons in the business;	Open communication, highly important: quality assurance systems (own and external lab; nat./international certifying bodies	Own and external lab (chemical analysis!); high certification standards due to exports



Group III)	Goals and strategies: Is the business logic in place?	Management instruments of the five management areas			
Integrated chain		Governance, Planning	Organisation	Staffing	Controlling
Achleitner	Yes: "Consciousness of roots and origin"; strongest focus is on environmental sustainability conventions like soil fertility, green manure, composting, crop rotation etc.	Weekly meetings on management level, transparency, monthly meetings... bi-weekly meetings depending on particular needs in respect to partners/products	Local chain partners, regular meetings, qualification measures		Reliable payment, fair pricing, quality assurance
Bio vom Berg	Yes: SUSTAINING and MAINTAINING small scale mountain farming combined with "regional production + processing + marketing"	Regular price negotiation, contracts of supply volumes	Organising the diversity of products and niche markets "finding the niches", clear responsibilities, team building events	Transparency – clear declaration of origin (e.g. name of cheese maker), open communication	Organic standards, internal 'visits' (e.g. related to feedback loops from business customer)
Landwege	Yes: "Organic from the neighbourhood"; Strategy: "competitiveness" and "product chain related"; narrow interpretation of Region	Leading team, clear core responsibilities, solid short, medium and long-term planning	Long-time of structural development; own meat chain organisation; procurement important	Transparency, communication	Organic standards, professional financial support/advice
Eko Zemaitija	Yes, very basic logic due need to establish processes: "Ensuring quality processing + marketing" (Goal: Becoming the leading organic dairy chain in Žemaitija region with ambitions to become nationally known)	Professionalization of management, creating dynamic organization, clear responsibilities	Modernisation of technology	Communication along value chain, networking, knowledge transfer, open communication	Quality controls; high product quality essential (dairy!), transparency
Kiuruvesi (with Järfisu)	Yes: "Public local procurement – fostering regional economy"	Flat hierarchies, clear responsibilities	Varied menu; stakeholder cooperation - local chain partners, supply up to their needs, knowledge	Know-how, education,	Negotiation of fair prices; transparency

BioCoop	Yes: Combining competitiveness and fairness	Regular meetings, Clear responsibilities	Management instruments all ranked with little importance	Open communication	
Ekodar Coop	Yes: "acquire consumers' trust with fairness and quality food products"	Professionalization of management,	High product quality & customer service, transparency,	Communication, transparency	Control via QR Code
Food Communities	Yes: "Supplying affordable, seasonal organic food" (no official aim to professionalise the local association due to volunteer organisation)	Governance, planning is not done professionally, honorary engagement by members (-)	Clear responsibilities internally,	Honorary engagement, organisation via Facebook	
Mühlviertel	Yes: "Regional development"; Joint marketing, involvement of key organic actors, cross sectorial collaboration; public-private-cooperation, long-term strategy development and implementation raising public awareness etc.)	Support of partners in marketing; clear responsibilities, informative attitude; Local chain partners, chain partner meetings, knowledge transfer	Product differentiation on the regional level	Transparency, quality assurance systems, communication	Organic standards + self-set requirements for members who join (i.e. for tourism & gastronomy) but hard to control as no own control body

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Table 3: HealthyGrowth case studies grouped by development phase of core business

Business/initiative	Growth		Strategy (ies)	
	Development phase	Phase related challenges	Overall and branch	Competitiveness/ differentiation
Group I - early phase of a (rapid) growth process				
Gram Slot	Founded in 2010; young org. farm business, rapid growth of leisure/social offers (tourism, community point)	Finances for investment – strategic cooperation with Rema retailer;	Stability and sustainability in farm branch -Expansion strategy for tourism branch	Yes, different to standard organic; fostering the image of Gram Castle (mini land), marriage offers
Eko Zemaitija	Young cooperative, quick development, limited financial investment opportunities	Production processes are still developing, adjustments to high EU hygiene standards	Establishing production and marketing of dairy products (still very basic strategic decisions)	Less important yet
Kolonihagen		Changes in management, new GM 2012; more efficient supply due to cooperation with wholesaler		
Ekodar	Relatively young label, after 2008	Growth of distribution channels and staff		
Planika		Conversion to organic dairy; taking this challenge.		
Kiuruvesi with Järfisu			Linking local production and consumption/public procurement; regional development strategy	Pre-processed products, specifically designed recipes; High product quality & customer service
Mühlviertel	Young association functioning as an umbrella initiative but including well-established organic movement/businesses	establishing cooperations between tourism /gastronomy sectors and organic producers/processors	Concept to be realised	, strong regional ID to be established; Product differentiation, making the benefit for members measurable, how to grasp the economic benefit,

FoodCoop	Early development stage, little financial investment needed	Group dynamics, organisation, responsibilities, decision making in development		Not relevant
Group II – more quality than volume growth, product & market differentiation (not-yet fully mature)	Growth period	Growth period related challenges	Growth and/or general business	Competitiveness/ differentiation
Landwege	Since 1999, now end of rapid growth (not yet mature)	Establishment of management structures in the first decade	Consolidation after investment phase; High importance for extra-services,	Narrow interpretation of Regionality
Bohlsener Mühle	Rapid growth phase (not yet mature)	Expansion strategy – foundation of farmers’ cooperative; uneven development of different management areas		
Upplandsbondens	Plateau/slowed down growth UB has reached maximum possible number of regional member farms, but continue to grow in volume and turnover by handling animals from farmers outside the region	A process where they work to develop trust and cooperation structures with the one available regional partner there is at the moment.	Expand the number of slaughterhouses available to members to choose from + work with own brand as to make cooperative more robust (less dependent on national wholesaler)	Important, continually compares prices with large scale processors for negotiations. Would like to differentiate products (cured meats, packed meat)
Roros Dairy	Since 2007	New GM and chair of board		
Roros Meat		Still in process of deciding strategies, new GM, developing new profile	Participation, cooperation	
Bio vom Berg	Near end of rapid growth (not yet mature) – never experienced a rapid growth; was rather a steady growth on an ‘organic’ reconcilable pace → I’d say they are already a ‘grown up’	new GM? (if GM stands for general manager, then the answer is no! they do not have a new GM!), developing new profile (not really! – they do not develop a new profile; it is rather adjusting it to the adapted new production, processing	Still in process of deciding strategies (not really, the new strategy was discussed and agreed upon),	Strong regional identity, + maintenance of small scale mountain farming

	business and almost mature; however I'd still leave them in Group II	strategy; they did not abandon their basic principles and core business logic!!)		
Group III businesses are in a maturing or renewal phase				
Achleitner	Family farm, rapid growth phase between 2005-2008, consolidation afterwards; yes matureness in the sense they have more or less reached their peak of development; currently no further expansion of branches – maybe, the business is somehow between group II and III	Ensuring regional supply, new management; maintaining/ensuring a high quality level; trying to keep even the smallest farmers as suppliers	Maybe, mainly qualitative development (market and product differentiation, new suppliers?) <i>we should discuss this</i>	Important, competition analysis?? <i>we should discuss this</i>
Ekolādan	Renewal phase to begin 2013 after decline 2009-2012.	Changing operational responsibility in management (layoffs, increased efficiency)	Long-term business relationships	Differentiation less important; EL aims to increase the product range to be ordered in boxes but at the same time: they have decided to keep the number and type of the boxes low; stability; focus on what they are good at.
Polar Shitake	Well-established enterprise	Constant need of technical improvements	No further growth intended	International competitiveness
Sunder	Well-established enterprise, experiences management	Risk reduction (detecting pollution, laboratory controls, improving production/controlling)	Fostering existing markets, exploring new market opportunities	International competitiveness
Biovallée	Declining due to end of funding, unclear future	Dispute between important drivers		

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