

Growth, business logic and trust in organic food chains: an analytical framework and some illustrative examples from Germany

Susanne v. Münchhausen, Eberswalde University

Karlheinz Knickel, Independent Analyst and Consultant, Frankfurt/M.

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Introduction: Critical challenges during periods of rapid growth

The added values of organic farming, and consumer trust, are key assets in organic food chains. Both are difficult to secure when volumes grow and distribution channels change, and when producers, processors, sales businesses and consumers are less closely connected.

Large chains tend to standardise qualities, often leading to a loss in 'added organic value'. Other related impacts are anonymisation and an increasing lack of transparency. In this poster we focus on the challenges organic food businesses and food initiatives face during periods of rapid growth.

Key questions addressed

Maintaining consumers' trust is essential for businesses and food initiatives. Business logic and management instruments therefore need to be adapted during periods of rapid growth. The related adaptations will affect the organisation of the businesses as well as the linkages between producers, processors, retailers and consumers. Key questions:

- How are business logic and strategies changing in times of rapid growth in turnover?
- What strategies, organisational adjustments and management instruments are used for managing added organic value and trust?

Or, in other words: How is growth successfully managed?

Analytical framework, approach and discussion

The related analyses need to go far beyond a simple analysis of marketing strategies. A critical entry point for the analysis is the development phase the businesses or initiatives are in. Table 1 provides an overview with key aspects. It shows how business logic and strategies are changing in times of growth. The conceptual framework is illustrated in this poster through two case studies in Germany, *Bohlsener Mühle Ltd.* and *Landwege Cooperative*.

	A Foundation	B Early development	C Growth phase I	D Growth phase II	E Maturing phase
Typical requirements	Starting-up: ability to take quick decisions and act fast; very good communication within the team	Persisting: willingness to cope; clear short-term objectives; significant engagement; work close to customers; publicise product	Ascertaining: improvement of processes; aim to achieve higher market share; high flexibility; beginning professionalisation	Professionalising: sharing of responsibilities; management instruments use consistent with strategy and business logic	Steadying: building on strengths; diversification to reduce risk; short-term responsiveness and capacity to buffer disturbances

	Case 1 - Growth phase II	Case 2 - Maturing phase
Business logic	- Regional sourcing and good cooperation	- Being a reliable processor and business partner in a high-quality organic values-based food chain
Management strategies	- Transparency of supply chain - Inclusive decision-making processes - Cooperative relations among chain partners	- High-quality products and processes - Reliable food chain partnership - Embeddedness of business in local area
Instrument use	- Two-person management team - Clearly defined hierarchies and responsibilities	- Owner-driven business - Flat hierarchy - Clear leads for the different business fields
a) Management		
b) Marketing	- Professional marketing strategy for the cooperative's products - Explicit reference to local/regional sourcing	- Use of a variety of marketing channels and of diverse marketing strategies - Targeting of processors, shop-owners etc. - Differentiation for downstream chain partners (bakeries, wholesalers, retail, etc.)
c) Communication	- Open and efficient communication - Well-developed communication structures - Target group orientation	- Clear communication of organic values - Fostering reliable partnerships and trust building - Open and inclusive communication; priority for personal contacts and engagement

Conclusions: Need to adapt business logic, strategies and use of management instruments

The analytical framework and two illustrative cases indicate that business logic, strategies and instrument use need to be critically examined and, almost always, adapted during the growth process. Before they grew out of the niche market, both cases were driven, and managed, by young enthusiastic organic activists. Even now after more than 20 years of engagement in the food market, organic values and commitment still play a major role in business strategies and management. And yet, the professionalisation of business strategies and use of management instruments was a necessary condition for successfully managing the rapid growth in volume, turnover and employees. The steady professionalisation of management structures and processes was in both cases a crucial precondition for the maintenance of organic values. Coherence in business logic, management strategy and instrument use is critically important when volumes expand significantly.

Key success factors in both cases are:

- A clear vision regarding the future development of the business/initiative
- A clear definition of responsibilities and ensuring reliability for business partners such as supplying farmers, banks, wholesaler etc.
- Efficient internal decision making processes based on good communication
- Continuous efforts in improving management and training of staff

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