DRIVING BUSINESS EXCELLENCE IN LOCAL FOOD BUSINESS THROUGH STRATEGY INNOVATION

Case: Baltic Sea Food Project

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Abstract

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Abstract

The local food businesses in Baltic Sea Region are facing various challenges. It was important to identify approaches to address these challenges. The BSF project is/was undertaken with an objective to improve operational effectiveness by analyzing and creating improved business solutions for these local food businesses.

In order to design business solutions, it was important to understand current scenario, influencing strategic factors in local food businesses. While, to increase long term sustainability, business efficiency and to achieve competitive advantage, a successful implementation of developed business solutions is inevitable. One of the main objectives of this thesis was to propose an approach for effective implementation of these business solutions and to provide strategy implementation framework to measure their performance.

This study process involved multiple surveys, focus group interviews. The qualitative & quantitative findings provided valuable insights for building business models & helped directly in developing business excellence framework.

Various approaches aimed at achieving business excellence investigated & identified. In conclusion, ‘Conceptualization of business models through BEMs’ is proposed by using EFQM, Four Actions Framework. This innovative approach is aimed at prioritization of strategies to yield better outcomes. Further, strategy measurement framework is developed using GE-McKinsey nine-box matrix to measure the performance.

This integrated approach with one or more strategy management tools with strategy innovation offers a greater flexibility & robustness. It assists in gaining competitive advantage irrespective of industry.

Keywords

Business, excellence, EFQM, Four Actions Framework, strategy innovation, business model, GE-McKinsey nine-box matrix

CONTENTS

ABBREVIATIONS

BSF: Baltic Sea Food Project

BSR: Baltic Sea Region

B2B: Business to Business

B2C: Business to Customer

OpEx: Operational Excellence

BEM: Business Excellence Model

TQM: Total Quality Management

EFQM: European Foundation for Quality Management

ICT: Information & Communications Technologies

NGO: Non-governmental organizations

PLF: Precision Livestock Farming

E2E: End-to-End

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1 INTRODUCTION

The demand for local food is continuously growing. Consumers are keen to know where their food comes from and how it was grown. They are not only showing interests in knowing the origin of their food, but also, they are willing to pay little more for local & organically produced foods for various reasons. Reasons like health benefits, promoting and strengthening local economies, protecting environment (Gabaccia 1998, Timmons 2006).

As a result, huge investment and business opportunities have grown in the local food business sector (Hesterman & Horan 2017). Various European retailers are creating more space for locally produced items to differentiate their product offerings. Based on responses and feedbacks received from consumers various initiatives like ‘Local Food-makers’, ‘Play small, win big’ are launched by many retailers (Coelho 2018). In UK, Morrisons have recruited more than 200 local food producers & suppliers just to cut the food miles and reduce the carbon emissions, and ultimately to reduce costs and enhance the consumer experience (Yorkshire Post 2018).

In particular, European consumers are developing much stronger affinity towards geocentric foods (Abotorabi & Matucci 2018). According to ITC trade map, total trade value of European fresh & locally grown fruits and vegetables is gradually increasing. In general, 29% of European consumers are preferring local brands as compared to 30% of international brands. In Spain, it is 40% while in Greece, it is 36% in comparison with the global brands. As per FiBL, the European organic market has grown by 12% from 2016, resulted in retail turnover of 31 billion euros. And it is still expected to grow further.

Irrespective of such a huge demand and opportunities for local food businesses, retailers are the only ones who have greater market shares. Somehow various other important players of this value chain are still ignored, or they are not receiving any substantial returns as expected. This complex value chain is comprising of various local food producers, suppliers, networks, distributors, local businesses etc. Hence, these geocentric purchases have many barriers like lack of product availability, lack of product variety, seasonal fluctuations in demand, untimely deliveries, higher prices, huge gap between demand and supply etc. (Hesterman & Horan 2017).

To explore the underneath opportunities and to overcome the existing as well as future barriers in local food business, it is important to achieve business excellence with quality management. This can only be achieved through integration of all the core activities with key partners of this value chain. A proper financing as well as strategic assistance is required to accelerate the growth and achieve the long-term success (Goedde, Horii & Sanghvi 2015).

This thesis is based on one of the main strategic initiatives of an ongoing Project Case conducted during 2018-2020. The development project aims at examining the current scenario of local food business, identifying various stakeholders involved in the value chain and understanding their potential roles. Based on observations and findings, testable and financially viable business models are developed. Developed business models will be tested as a pilot project and based on outcomes they are modified to overcome challenges in local food businesses.

Based on numerous surveys and interviews conducted, the thesis explores what are the challenges faced by various participants to operate in a local food business which is dominated by larger players and investors. This thesis analyzes and creates a framework for business excellence model (BEM) for developing effective cooperation between local food producers & regional food distributors and also for developing coordination to reach the regional consumers. Market orientation and awareness of market strategies have become more important not only for investors but also for the local food producers in order to succeed (Lund & Noell 2002). Hence, this document serves as a guideline for how to implement and measure the performance of delivered BEM framework. In addition to that, the findings also provide a strategic framework to implement business models to gain competitive advantage and to achieve operational effectiveness.

The following sections represents the research Project Case overview that has led to the research problem, further followed by the articulation of the research questions, objective and scope of this thesis. The document further flows into the overall document structure and a brief about various chapters included in the document.

1.1 Project Case Background

Local food producers in the Baltic Sea Region (BSR) are mostly small family businesses. It is time consuming and expensive for them to arrange sales, logistics and marketing initiatives all by themselves. Thus, the 10 partner countries in the BSR geography are trying to develop a viable business approach to help these local food producers. They are aiming to distribute locally produced fresh products to local business and to the end customers in most efficient and cost-effective way.

The project "Baltic Sea Food" involves 14 partner organizations from 10 Baltic Sea Region countries. The BSF project is partially financed by the INTERREG Baltic Sea Programme 2014-2020.

The BSF project was undertaken based on initial but fragmented reflections drawn about local food business sector in BSR. It was identified that local food producers and other stakeholders from all 10 countries in BSR are facing almost similar business problems and challenges. The business opportunities they are seeking are fairly similar. That is when it was decided to combine all 10 countries to address these business issues and to identify approaches that could help them understand these issues over a wider geography.

The BSF research project aims at developing business model(s) through coordination between local food producers, local distributors, local networks and consumers. These business model(s) and/or business distribution models are generated by researching and analyzing the data collected from 10 target countries in BSR. The project is mainly focused, but not limited to, towards identifying the B2B opportunities. It is important to leverage all possible opportunities available in BSR. It is not intended that a single business model will be developed and implemented in all 10 countries. But a development of more systematic approach would allow them to leverage all possible business opportunities and it will bring value to all the possible stakeholders involved.

Once these viable business model(s) are developed, they will be piloted and tested systematically. One of the approaches identified for piloting these business models is, by developing end to end electronic platform. It is aimed towards integrating all the possible activities in local food business for achieving sustainability and it can also serve as an information channel. The various approaches identified will be tested over a period and across BSR geography. Overall project duration is 3 years. Based on observations made and results achieved, the business model(s) will be modified or tailored as suited.

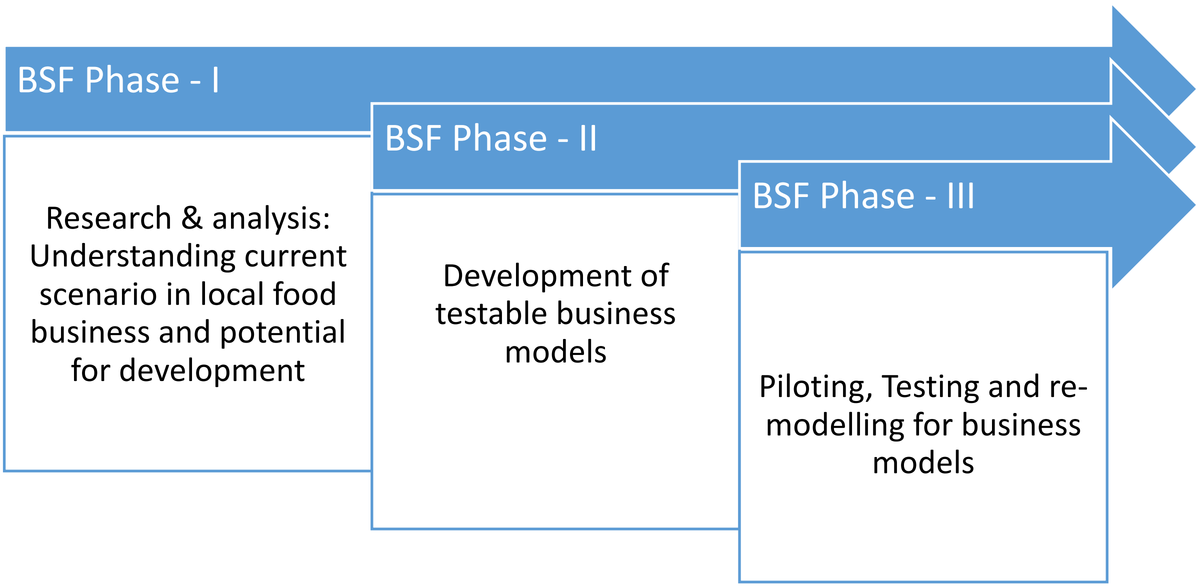

Image 1. BSF Project Case Overview

In general, BSF project was divided into three phases as represented in the above image. The phase-I was carried out in 2017-18 and was aimed at providing overview of the current situation in the local food business and the potential for development, which will then be used for developing testable business models. It is focused to identify how local food sales are handled, how local food is understood, what are the challenges and barriers involved, what are the expectations of various partners/stakeholders involved in the value chain etc. In phase-II of BSF project, business model(s) are developed based on research and analysis done in phase-I. The last phase is all about piloting, testing and remodeling of these business model(s) to develop most financially viable approach in local food businesses.

BSF project considers four stakeholders' perspectives while collecting and analyzing the data provided by 10 partner countries. These stakeholders are:

1. Farmers / Local food producers
2. Local food networks
3. Local food distributors and
4. Local food businesses - catering businesses / restaurants

The BSF phase-I survey was conducted from January to May 2018. The research data was collected to best analyze the current situation in the local food business. The information was collected from surveys & focus group interviews. This has helped in generating very useful information required for the project. The most critical points raised by this survey are communication challenges, consistent supply, proper marketing strategy, linking B2B & B2C issues etc. This joint survey was coordinated by Lahti University of Applied Sciences, Finland under research leader Dr. Brett Fifield, PhD and Project Manager Anna Saarela.

Being one of the fellow students, who assisted Dr. Brett Fifield during this BSF phase-I project. It was agreed with project managers and research leader, to use the BSF project report directly as a part of thesis and/or use data and data findings to develop further study works. A direct assistance is/was provided in the process of data collection, data analysis as well as final report generation.

This survey was aimed at collecting as much information as possible, analyzing this information to provide the best possible outcome or view about local food business through BSF. Several challenges as well as many learning opportunities encountered during this process.

1.2 Research Questions, Objectives & Scope

While processing data, it was identified that there are several other operational and business issues which needs to be addressed before identifying new business opportunities or developing business models. Such as, stakeholders' alignment, number of players in the food value chain, logistics & distribution process optimization etc. Hence, this study is carried out independently, to highlight such operational areas which needs to be addressed & to be improved to achieve overall business excellence. This study also aims at developing a definite approach to provide assistance to the BSF stakeholders, in implementing business models to achieve operational effectiveness. The various observations reported, approaches used, and recommendations made are discussed in detail through this thesis document. And only the most critical findings and the newly developed approach is then provided or recommended as a contribution to the BSF project.

Thus, this thesis is aimed at achieving business excellence in local food business by using strategy management tools in the BSR region. In simpler words it can be said that, identifying areas of improvement, strategic innovation and how they can be implemented to improve local food business performance. Strategic management tools can guide further in finding and analyzing results at operational as well as business levels.

Business excellence as described by the European Foundation for Quality Management (EFQM),

> *Outstanding practices in managing the organization and achieving results, all based on a set of eight fundamental concepts", these being, "results orientation; customer focus; leadership and constancy of purpose; management by processes and facts; people development and involvement; continuous learning, innovation and improvement; partnership development; and public responsibility. (BPIR.com)*

The underlying thought is that performance cannot be improved only by focusing on quality of products and services produced by the organization (Zdrilic & Dulcic 2016). It should be actually rooted in the business culture and management. This can only be achieved with proper designing and implementation of business practices across all the levels and across all the channels. It leads to a performance excellence, which is considered as a synonym for business excellence. It further leads to a continuously improved values across all the value chain from customers to local food producers. And then it will assist in achieving overall efficiency and capacity to leverage all the possible business opportunities in the business world.

Business excellence initiative guides organizations in aligning their strategies and goals to their objectives for superior performance. To achieve this, the research questions to be answered are:

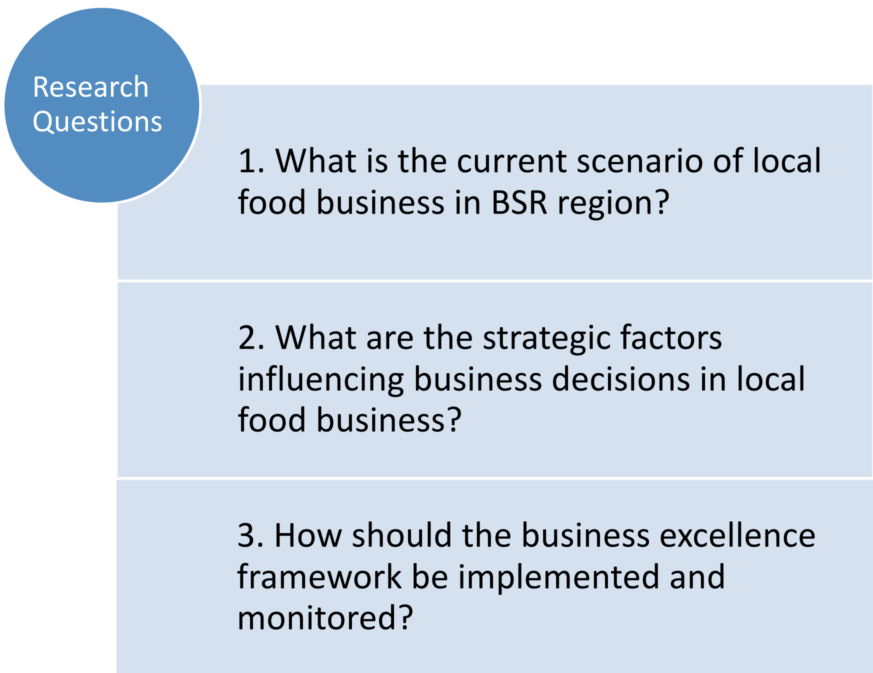

Image 2. Research Questions

The research objective is to map the current situation and existing challenges in local food business in BSR region. The BEM framework is aimed to provide innovative approach in conceptualizing business models through BEM and to provide strategic outline for achieving business efficiency with overall performance improvement. The performance can be further monitored and measured by using a strategy matrix or strategy measurement tools. The research objectives are presented below:

Image 3. Research Objectives

The scope of this thesis is not limited. The findings and deliverables can further be used in BSF project at next level. Once these business models are developed, they can simultaneously use this strategy framework and recommendations to strategically implement those developed business models. Streamlining operations is equally important in achieving business performance goals and objectives. This thesis model can also be used in other geographies for local food businesses as a pilot project, which then can be altered based on results and observations.

1.3 Document Structure

This thesis document is comprised of following main chapters:

Introduction, which this subchapter is a part of, consists of topic background, project case overview and research focus brief. This section also includes research questions & objectives along with thesis scope, which has guided the overall research process and literature review. This section further includes structure of the document.

Literature Review and Theoretical Framework are part of second chapter, where various BEMs & tools, their limitations, the difference between business excellence and operational excellence, how business efficiency can be increased through ICT adoption, various techniques of strategy formulations, difference between business models & strategy, and ultimately what are business strategy measurement tools are discussed.

Third section, Methodology, throws more light on research methodology undertaken, project case discussion and various data collection techniques used like surveys, focus group interviews.

In Empirical Study & Analysis section, data analysis is carried out to find out answers for various research questions. Data analysis is done based on qualitative as well as quantitative findings. Validity and reliability of data and findings is also discussed in this section.

Followed by, Discussion & Reflections section, objectives of the thesis are fulfilled, and recommendations will be proposed. This section is more of a reflections and discussions about research objectives. This section also highlights, how we have fulfilled the study objectives and reached to the conclusion. The study document also includes joint recommendations to improve the existing business scenario by considering local speciality as well as collective challenges faced by BSR geography.

Conclusions & Recommendations, as the last chapter, it summarizes the overall study findings and process in brief. Through evaluation, the proposed approach is analyzed further to highlight its effectiveness for BSF project as well as for businesses. The further study recommendations are proposed, and limitations of the study are briefed.

2 LITERATURE REVIEW & THEORETICAL FRAMEWORK

It is very easy to get confused with the terms process excellence vs. operational excellence vs business excellence. They are often used alternatively considering how closely similar and connected these terms are. The Business Excellence Institute represents the connection between these terms as follows.

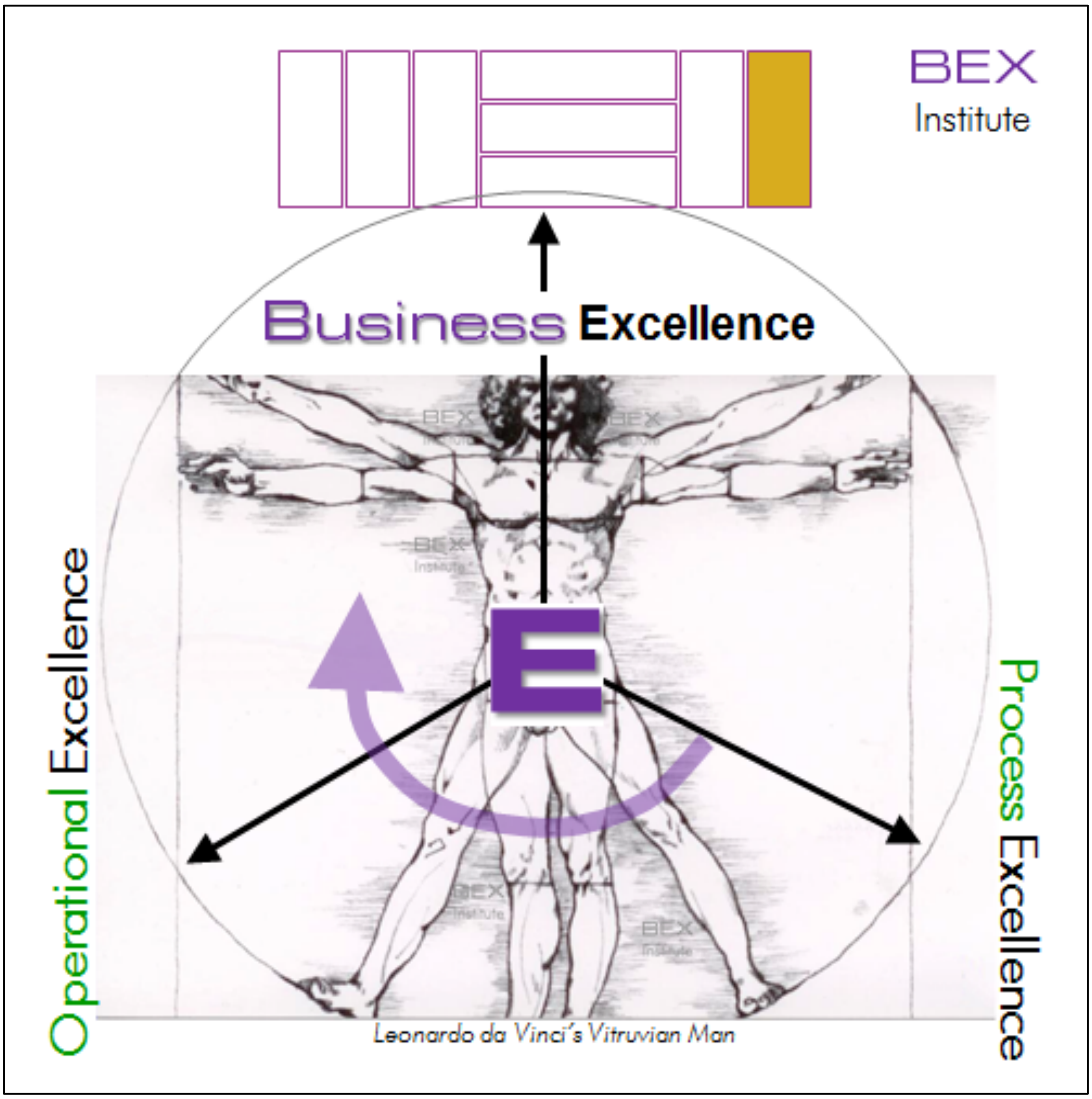

Image 4. Business Excellence Vs. Operational Excellence Vs. Process Excellence (Source: businessexcellence.org)

Even if these terms are interconnected, they have completely different purpose and focus when they are strategically implemented.

Process excellence is all about developing process effectiveness and efficiency. It is focused towards managing and developing processes for consistent deliveries. It is a domain of Six Sigma and Lean.

While operational excellence, focuses on end-to-end support from core as well as support processes of organization, organization culture, change management etc. Key components to develop a right OpEx mix are combination and interaction within people, technology, tools and other resources with processes. An OpEx is embracing a particular mindset based on organizational principles and tools, that ultimately leads to the sustainable improvement in all operations within an organization.

Business excellence or performance excellence ensures the value creation throughout all the stakeholders of organization. It revolves around, business strategy, investor, customer, partners, communication with all the stakeholders with improved processes as well as products or services.

Peters & Waterman 2011, has described the eight attributes or characteristics of excellence as under:

1. A bias for action: active decision making vs. actual experimentation
2. Close to the customer: Continuously learning and addressing the demand of people served by the business
3. Autonomy and entrepreneurship: Intrapreneurship (Vesper 1984, Sharma & Chrisman 1999)
4. Increasing productivity & efficiency through people
5. Hands-on, value-driven: values embedded in core of the business
6. Stick to the knitting: stay with the business that you know
7. Simple form, lean staff: simplest possible structures with less complexities
8. Centralized as well as decentralized enough properties and operations

2.1 Business Excellence Models

In this section, we will discuss further about BEMs and role of BEM in operational & strategic decision making. Business Excellence Models (BEMs) have become popular in last few decades. They were earlier used as Total Quality Management (TQM) tools.

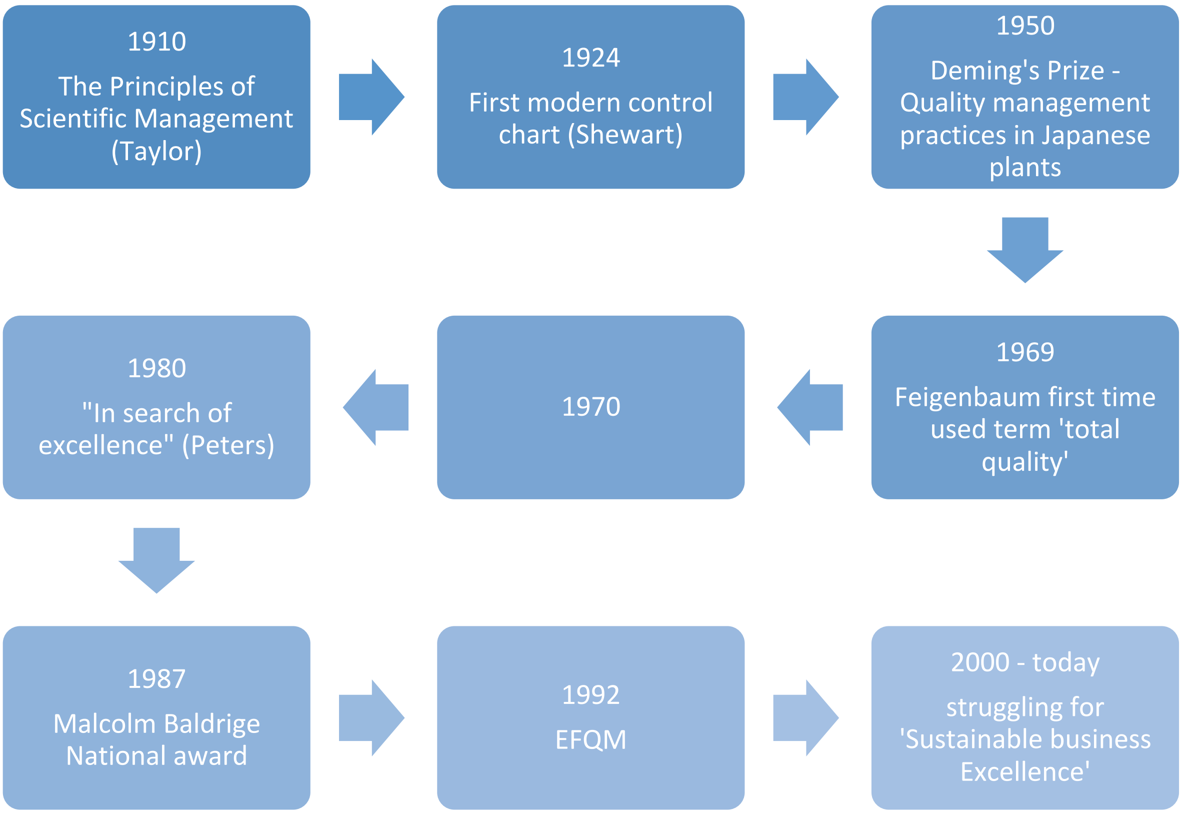

Image 5. A summary timeline of the major milestones in business excellence concept development (Source: Saleh, A. 2017)

TQM model is evolved over the years to form various BEMs. As the structure of businesses change, it is important to apply more mature TQM strategies (Dale 1994). It can be said that; BEMs are more useful frameworks to develop and to continuously improvise based on TQM principles (McAdam 1998). And also, they can be easily adapted based on the structure and complexity of the business. BEMs have gone through various phases before achieving today’s sustainable business excellence. It is an ongoing process.

BEMs help organizations to analyze their strengths and weaknesses, to identify areas of improvement and to decide future steps and goals. BEMs guide organizations in achieving higher levels of performance at each step. Through key decision making they can lead to more sustainable and measurable success. BEM ensures that business decisions are in line with organization’s objective and bring value to all the stakeholders.

Excellence in businesses is measured based on the BEMs, which are based on few criteria or sub-criteria of assessment. Organizations use different frameworks and model to achieve business excellence. Various excellence models and frameworks are studies and evaluated by researchers. In particular, Sharma & Kodali 2008, analyzed 36 excellence model, awards & frameworks. They found out that organizations generally follow one of the three approaches while aiming excellence although specific drivers behind each one is different. They are named as, “award-based”, “academic/researcher-based” and “consultant based” (Sharma & Kodali 2008) and are presented below.

Award-based model recognize well performing organization and offers motivation through recognition and also acts a gap analysis tool. Academic-based model are developed by various researchers to help them conduct their research. While consultant-based approaches are developed by consulting companies to offer expert consulting services. However, the most commonly used BEMs are (Sharma & Kodali 2008, Dawei 2011):

- The Malcolm Baldrige Criteria for Performance Excellence - since 1987
- European Foundation for Quality Management (EFQM) - since 1993

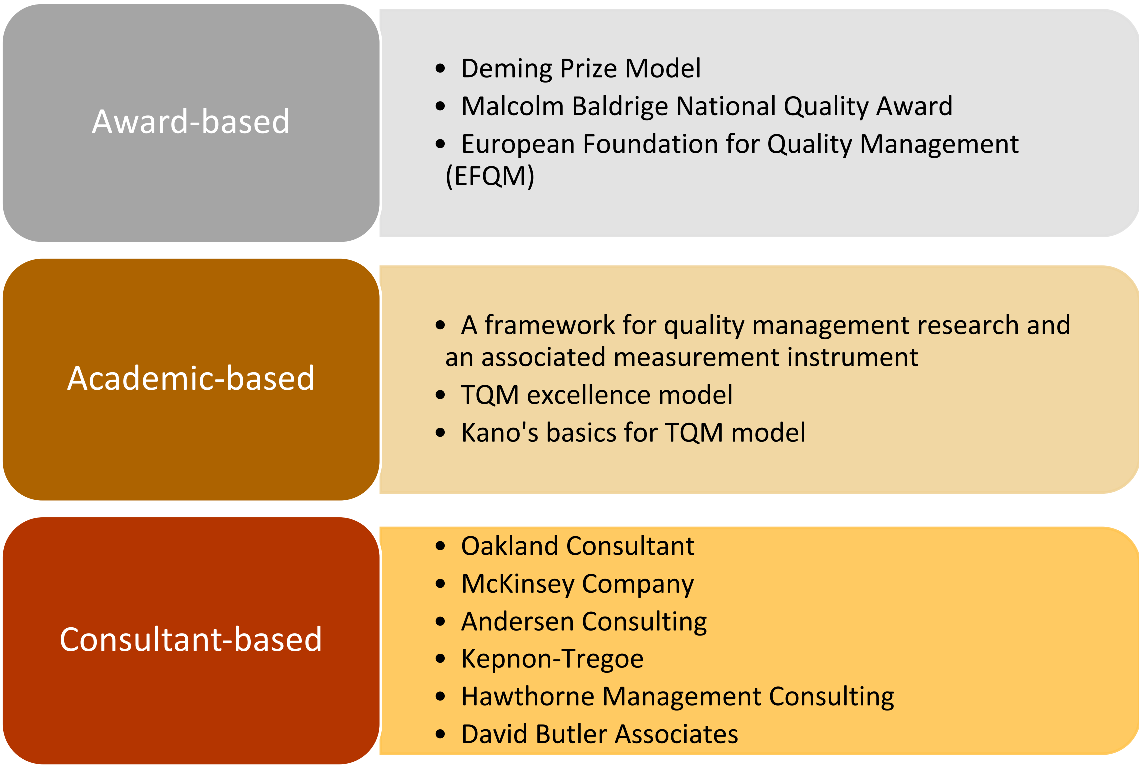

Image 6. Examples of Business Excellence Frameworks (Source: Adapted from a discussion in Sharma & Kodali 2008, Saleh, A. 2017)

European Foundation for Quality Management (EFQM)

EFQM excellence model is widely used in all types of businesses irrespective of size, industry or structure. EFQM framework is based on nine criteria as shown in the below figure. They are further divided into ‘Enablers’ and ‘Results’. ‘Enablers’ focus on business activities while ‘Results’ focus on business achievements and objectives. Both are interlinked in a way that ‘Results’ are generated through ‘Enablers’ and inputs from ‘Results’ can improve ‘Enablers’.

‘Results’ are separated into - people, customer, society, and business results, while ‘Enablers’ are divided into - leadership, people, strategy, partnerships and resources, and processes, products and services. The most important Enablers are processes and leadership.

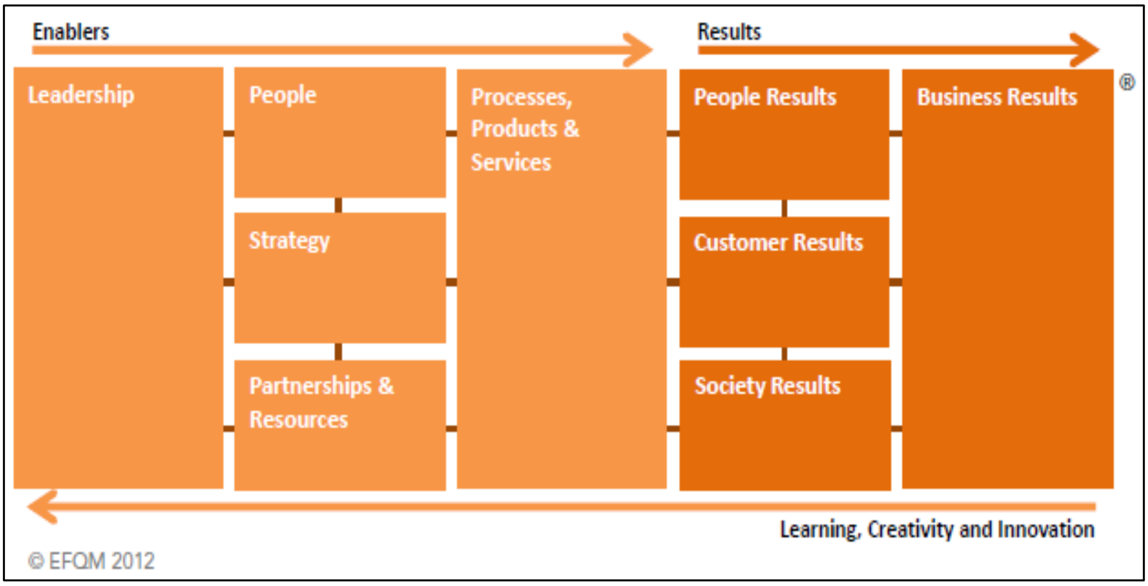

Image 7. EFQM excellence model structure (Source: EFQM.Org)

For continuous improvement of EFQM, RADAR logic is implemented. It is originally derived from PDCA cycle – Plan, Do, Check and Act.

RADAR is an abbreviation of its four elements:

- Results – Determine the results aimed
- Approach – Plan & develop a set of approaches
- Deploy – A systematic deployment of those approaches
- Assess and Refine – Assess the performance & refine the approaches as required

Davis, J. 2004, recommended EFQM Excellence Model in a "back to front" fashion using RADAR logic. First starting with 'Results' then moving round the RADAR cycle towards the 'Enablers', without mentioning the EFQM Excellence Model or its criteria.

All in all, it can be seen that applying the RADAR logic is a rigorous process that has the potential to achieve desired results providing efforts are continuous and relentless, measurements are timely and appropriate, and learning opportunities are not overlooked. Furthermore, applying the RADAR logic to the nine criteria of the EFQM Excellence Model is a demanding exercise that requires a sensible implementation approach best achieved by starting simple. (Source: Jackson 2001)

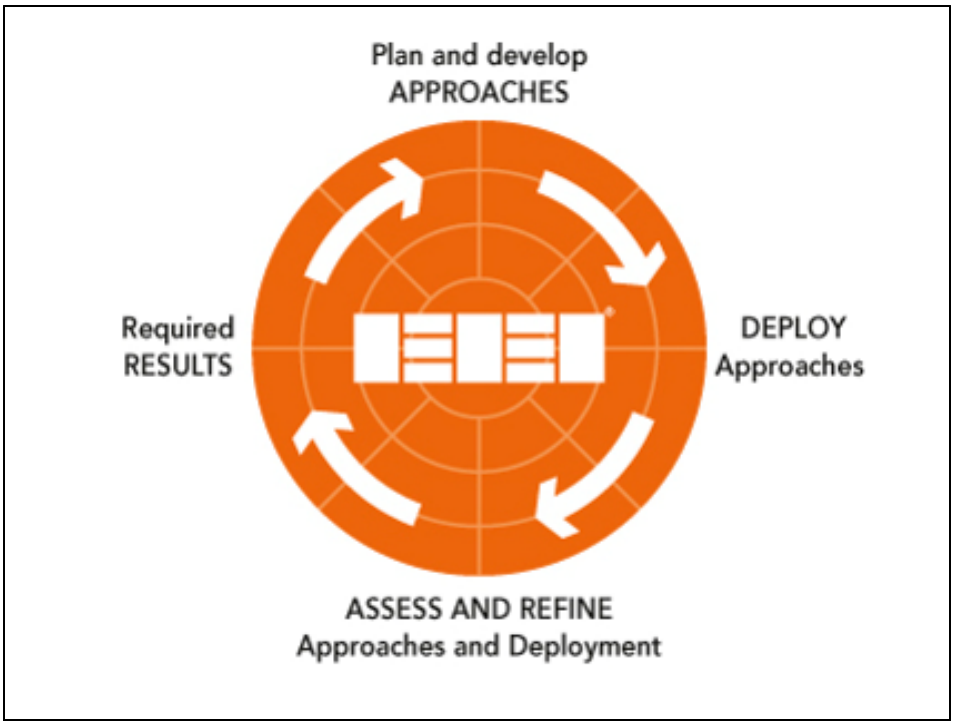

Image 8. RADAR Logic (source: EFQM.org)

Malcolm Baldrige Criteria for Performance Excellence

Baldrige criteria helps organizations to answer very simple questions – is your business doing as well as it could? How can you measure that? What & how the business can be improved?

Image below represents the Baldrige Criteria for performance excellence. This can be done by simply dividing the model into seven criteria.

Image 9. Baldrige framework for performance excellence (Source: Baldrige Excellence Builder 2017-18)

The six interconnected criteria are divided into 'Process' category while remaining into 'Results' category. They are:

- Leadership
- Strategy
- Customers
- Measurement, analysis, and knowledge management

- Workforce
- Operations
- Results

The processes represent what businesses do and the Results represent what they achieve. Good processes lead to good results. As mentioned earlier, businesses use Baldrige criteria to know and assess which processes need to be improved for better results. Baldrige has a foundation for core values and concepts, which further builds the basis for action, feedback and ongoing success.

EFQM Vs. Baldrige framework

The EFQM framework is most commonly applied by European companies, while Baldrige model is applied in other geographical areas (Japan, US etc.).

Table 1. Representation of percentage emphasis of EFQM & Baldrige framework (Source: Vokurka 2000)

EFQM	Baldrige framework
1. Leadership (10%) 2. Policy and Strategy (8%) 3. People management (9%) 4. Partnerships and Resources (9%) 5. Processes management (14%) 6. Customer Results (20%) 7. People Results (9%) 8. Society Results (6%) 9. Key Performance Results (15%)	1. Leadership (10%) 2. Information and analysis (5%) 3. Strategic planning (10%) 4. Human resource focus (17%) 5. Process management (17%) 6. Business results and company performance (24%) 7. Customer focus and satisfaction (17%)

There are only few differences in the EFQM & Baldrige framework. They are as follows:

- How the criteria are named
- Division of criteria based on influence and outcomes
- Division of criteria into sub-categories
- Percentage weightage assigned to each criterion for evaluation

2.2 Business Excellence through ICT adoption

Rapid development in Information & Communication Technologies (ICT) has changed business processes and the ways they communicate. The adoption of ICT helps in gaining competitive advantage as well as it helps in economic development not just for companies, organizations but also for countries (Vehovar & Lesjak 2007, Higon 2011). According to Tarute, A. & Gatautis, R. 2013, several studies have been published so far for assessing ICT adoption & it's impact of business performance. The studies are majorly divided into two types, ones those are related to productivity and other related to impact on environment like reducing greenhouse effect, increase in energy efficiency etc.

It is widely studied & accepted by many researchers that ICT adoption has a direct impact on improving business performance and its strategies (Bardhan 2006) also the infrastructure and digital ICT platforms are the key enablers of business competencies and business excellence (Sambamurthy 2003, Anand 2013). ICT plays a critical role in enhancing internal as well as external communication. They bring value to all the stakeholders in the business chain from employees to customers and from products to services. Organizations often try to leverage ICT investments, and this allows organizations to reduce costs, improve quality, optimize resources etc. Thus, ICT adoption causes direct and indirect impact on financial and strategic performance.

The role of ICT in strengthening and promoting local food business is equally important. Governments, private business, NGOs and most importantly young customers are increasingly accessing and using ICT tools for getting any quick information. In particular, ICT tools are driving significant changes in consumer demand as well as logistics & supply chain organizations (Bunte 2009). ICT is not just limited to yielding results for customer or businesses. It can bring greater results for food producers as well. ICT & robotics is playing important role in improving overall agricultural businesses. Various new concepts are arising combining ICT & local food business like e-commerce, precision livestock farming (PLF), e-agriculture etc.

> *PLF is 'cross-disciplinary' approach is that 'animal-focused' scientists, engineers, companies as well as farmers' organizations have interacted and combined their strengths and views. (Source: ICT-Agri, Denmark)*

It has been demonstrated that investments in ICT & tools ultimately leads to greater productivity, customer satisfaction and overall business performance to achieve excellence irrespective of the sector or industry.

2.3 Strategy Formulations & BEMs

Strategic management & research is always aimed at creating and achieving sustainable performance continuously. A properly planned and implemented strategy plays critical role in successful businesses. Strategy formulation process enables an organization to balance between resources available with opportunities & risks in the market. Various researchers have studied the connection between strategy formulation and performance (Bartkus & Glassman 2007). These studies have emerged into two different but opposite research lines. One studies strategy formulation as a formal process where planning, formation & analysis as its basis features. The other studies strategy formulations as more about responding to emergent issues such as involvement, shared vision & mission, cooperation etc. As a result, new researchers see strategy formulation as an integrative approach which can be adopted as a process but also offers flexibility and participation from all the levels. This will facilitate organizational performance excellence (Andersen 2004).

Strategic capability is the ability of an organization to develop an integrative strategy formation process which generates, as a result, a greater organizational flexibility that leads to a greater organizational performance level. (Source: Balbastre-Benvent 2011)

There is open discussion about the strategic capabilities of BEMs. Some argues that BEMs are only valid for strategy implementation (Ahmed 2003, Ghobadian 1996) while other recognize BEMs as a facilitator of integrative strategy formation process (Balbastre 2006). Correct application of BEMs requires good control. Despite, BEM framework & models, they are criticized due to various limitations.

One of the greatest limitations discussed is the criteria on which these frameworks are built, assessed and evaluated. They are merely categorized under criteria and sub-criteria based on opinions or judgements (Porter & Tanner 2004). The qualitative assessment approach makes it difficult to measure results or to shift the criterias between different sub-categories. Especially, if the criteria are shifted from one criterion to another, then the self-assessment between two consecutive models becomes difficult or meaningless. Another limitation of BEMs are these criteria are subjective concepts, hence it is difficult to understand them (Dahlgaard & Dahlgaard 2013) also they do not provide any guide for implementation of BEM (Bolboli & Reiche 2013). BEMs implementation requires huge commitment and good control to be successful. It is challenging to have a good control over performance due to continuously and rapid changes in the environment, resistance to change from various stakeholders etc. That is why it becomes really difficult for businesses to achieve real business excellence over a long run. It is important to keep BEMs generic enough so that they can be modified for all types of business. Their flexible and dynamic approach can easily accommodate future risks as well as opportunities (Dawei 2011).

In particular, EFQM Excellence model has been compared & analyzed with various strategic tools like balanced scorecard. There have been various similarities as well as differences with other strategic tools. However, EFQM also has various limitations.

- One of the greatest limitations of EFQM is, the framework does not provide any idea or any suggestions on what strategies to be adopted first (Gardiner 2003). This only provides the information about what areas will be assessed for overall business excellence.
- EFQM does not provide any particular plan or action items to leaders or enablers to help them achieve the desired results. It is just a path.
- EFQM does not emphasize anything about target performance. Businesses have own freedom to choose their targets.
- For effective EFQM, Self-Assessment process needs to be implemented rigorously.

There is no single right way to perform Self-Assessment… The primary factors that determine the right approach for your organization are its current culture and the desired outcomes from the Self-Assessment. (By: EFQM, Assessing for excellence: A practical guide 1999. Source: Andersen 2000)

By considering all the above arguments, it is important to find an integrated approach for achieving business excellence. We can use BEMs mainly as a diagnostic or gap analysis tool. And also, we need to look for alternative strategic management tools for finding strategy, business planning and quantitative measurement of results. Few of the various strategic formulation tools currently being applied or implemented along with BEMs are Balanced scorecard, GE-McKinsey nine-box matrix etc. for obtaining an effective strategic management system.

2.4 Business Strategy Measurement Tools

According Peter F. Drucker, strategic planning is,

> *It is the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions; and measuring the results of these decisions against the expectations through organized, systematic feedback. (Source: Peter Drucker 1986)*

It becomes less obvious that many organizations follow two models together for strategic planning and measurement to achieve business excellence. Unique differences of each of these two models and their common performance improvement objectives make the overall strategic planning more successful for businesses. They offer flexibility as well as chances to learn new business approaches which may or may not have discussed or studied or applied previously (Lamotte & Carter 2000).

Many two model strategic approaches studies previously are EFQM excellence model with balanced scorecard, EFQM excellence model with GE-McKinsey nine-box matrix etc.

Due to the multidimensional nature of businesses, management thinkers developed a GE-McKinsey nine-box matrix framework. This offers a very systematic approach in prioritizing the business areas where to invest its cash. Instead of just relying on business unit's projections and future prospects, organizations can analyze a business unit by two factors to determine its future: unit's attractiveness of in relevant industry and unit's competitive strength within that industry. The criteria for assessing these two factors have grown and acquired more sophisticated approach over the years. BCG growth share matrix has been criticized for evaluating strategic businesses only based on two factors. For strategic analysis of businesses with several factors, instead of only two factors, General Electric have developed this multi-factor framework matrix will McKinsey & Co.

GE-McKinsey nine-box matrix is more flexible and considers all the factors related to market attractiveness and business positions in terms of its strengths and weaknesses. They are further divided into low, medium and high cells. Each of the nine cells guides in decision making process related to market and investments. These cells provide various combinations of business strength and market attractiveness to safeguard the position against external risks.

Following image represents the strategy framework for the GE-McKinsey matrix. Based on the matrix,

- Business areas which score high & strong, medium & strong, high & average on framework, should get more investments and focus to grow further.
- Business areas which score low & strong, medium & average, high & weak on framework, should be analyzed properly to decide whether some selective investments to maintain or increased earnings would be helpful.
- In case of medium & weak, low & average, low & weak position on the framework, business areas should be harvested, and no more investments can be undertaken.

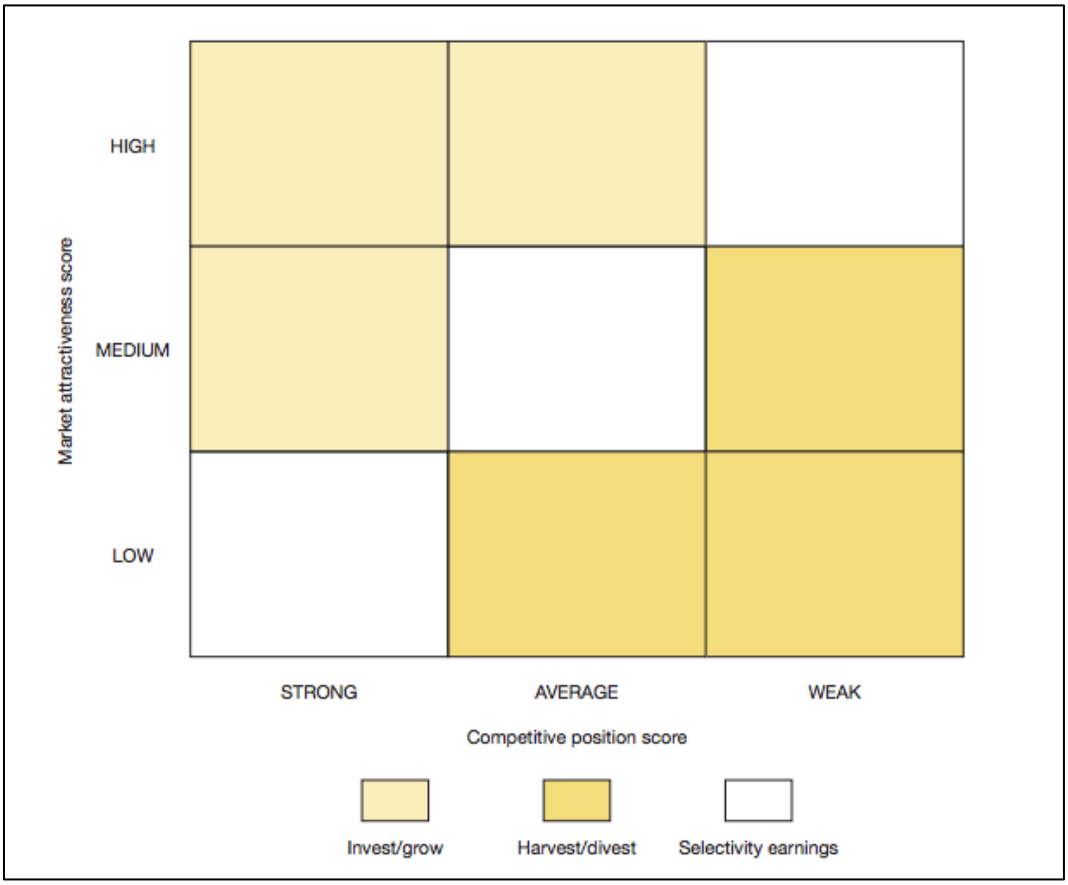

Image 10. Strategy framework for the GE-McKinsey matrix

Steps involved in forming GE-McKinsey nine-box matrix are:

- List entire range of factors to be evaluated related to business areas
- Identify and enlist those factors responsible for creating market attractiveness
- Evaluate market competitive position of each factor
- Rate and position factors in the business strength and market attractiveness framework
- Determine the category for each factor to strategic guidelines

Table 2. Strategy guidelines using GE-McKinsey matrix (Source: Mokaya 2012)

		Market Attractiveness		
		HIGH	MEDIUM	LOW
Business Strength	HIGH	Invest & Grow Maximize investments (Leader)	Selective Growth Identify and invest in growth area (Try harder)	Selective Growth Maintain cash position
	MEDIUM	Selective Growth Identify weakness and build strengths	Invest selectively with care Specialize	Harvest / divest Minimize investments (Phased withdrawal)
	LOW	Selectivity Improve or quit Specialize	Harvest / divest Specialize / consider exit (Phased withdrawal)	Harvest / divest Consider exit (withdrawal)

Though, GE-McKinsey framework is mostly used for brand marketing and product management, its application is certainly not limited only to these business areas. GE-McKinsey framework extract information about strength and weaknesses of business areas and guide them strategic planning to improve their performance. Further, it provides information related to market potential, risks associated and assists in managing innovation portfolio. Shifting of business factors in between cells, can guide business leaders and managers to know whether their strategies are working as they have planned or expected. Based on that they can undertake corrective measures. GE McKinsey matrix is recommended for businesses with multiple business areas or business units. And it can be easily applied in through all the levels of value chain and partners.

2.5 Business Model & Strategic Innovation

Business model concept has gained a wide attention in academic as well as in the business environment since its inception. Many researchers (Mahadevan 2000, Amit & Zott 2001, Osterwalder & Pigneur 2010) have attempted to define business model in various ways. Despite these increase in interests in business models, there is no generally accepted definition for business model concept. Additionally, many business executives are confused about how the business model concept should exactly be used for achieving results (Shafer 2005).

Practitioners like business executives, leaders often get confused with the business model and strategy. Business model represents how various pieces of businesses like customers, partners, activities, value proposition, resources etc. work together to generate money for businesses. While strategy guides businesses to undertake same tasks or activities with a winning approach. It is important to clarify the distinction between business model & strategy (Shafer 2005).

According to Mintzberg 1994, the strategy can be viewed with four different ways and they are – A pattern, a plan, a position or a perspective. But strategy is mostly viewed as a set of various choices made over a period of time. While business models offer a view or a reflection of these choices with respect to larger contexts like customers, partners, value network etc.

According to Osterwalder & Pigneur 2002, in the hierarchy of business logic triangle, the strategy is considered at a planning level and business processes at an implementation level. Business model is in the middle as they are the architectural implementation of strategy and provides foundation for implementation of business processes.

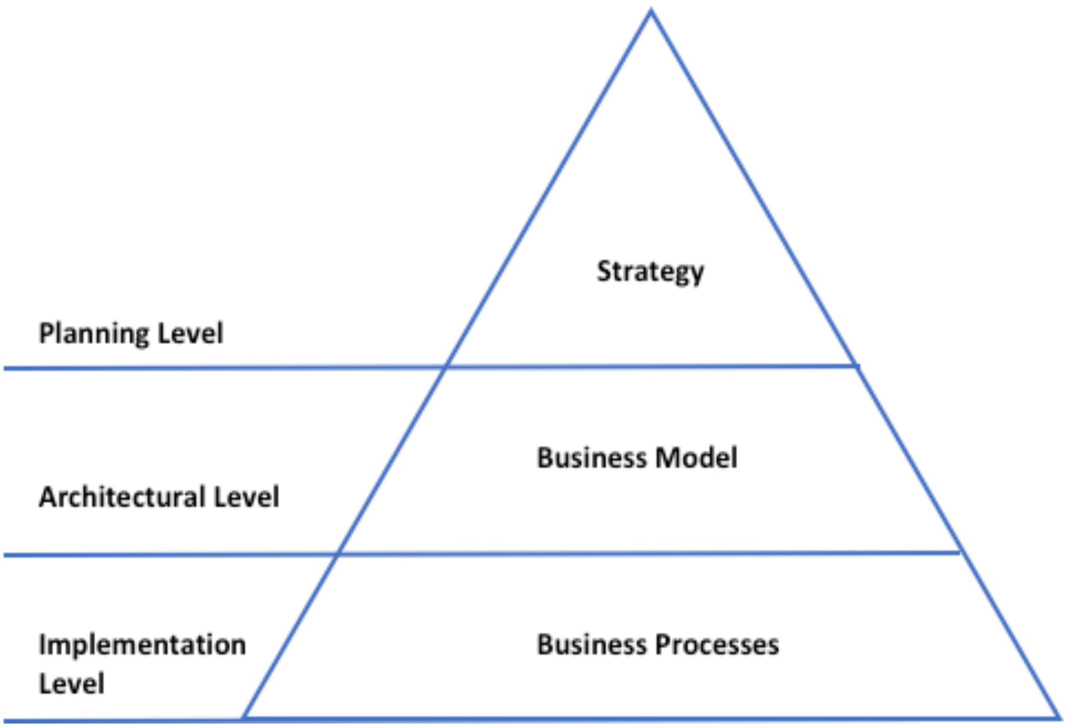

Image 11. The Business Logic Triangle (Source: Osterwalder & Pigneur 2002)

Business models reflect the underlying core logic of businesses while strategies create and capture value within a value network. Hence, another big difference between business models and strategy is, the focal point of business models is creating value for target customers. While strategy is more about capturing value and achieving operational sustainability.

Operational effectiveness & sustainability is important but not sufficient (Porter 1996). To achieve business excellence, enterprises need both operational effectiveness as well as strategy. Business excellence means performing different business activities from rivals' or performing similar business activities differently. Hence, strategies play important role in third level of Business logic triangle hierarchy i.e. business processes. That is where the BEM and various strategic tools like balanced scorecard, GE-McKinsey nine-box matrix are applicable.

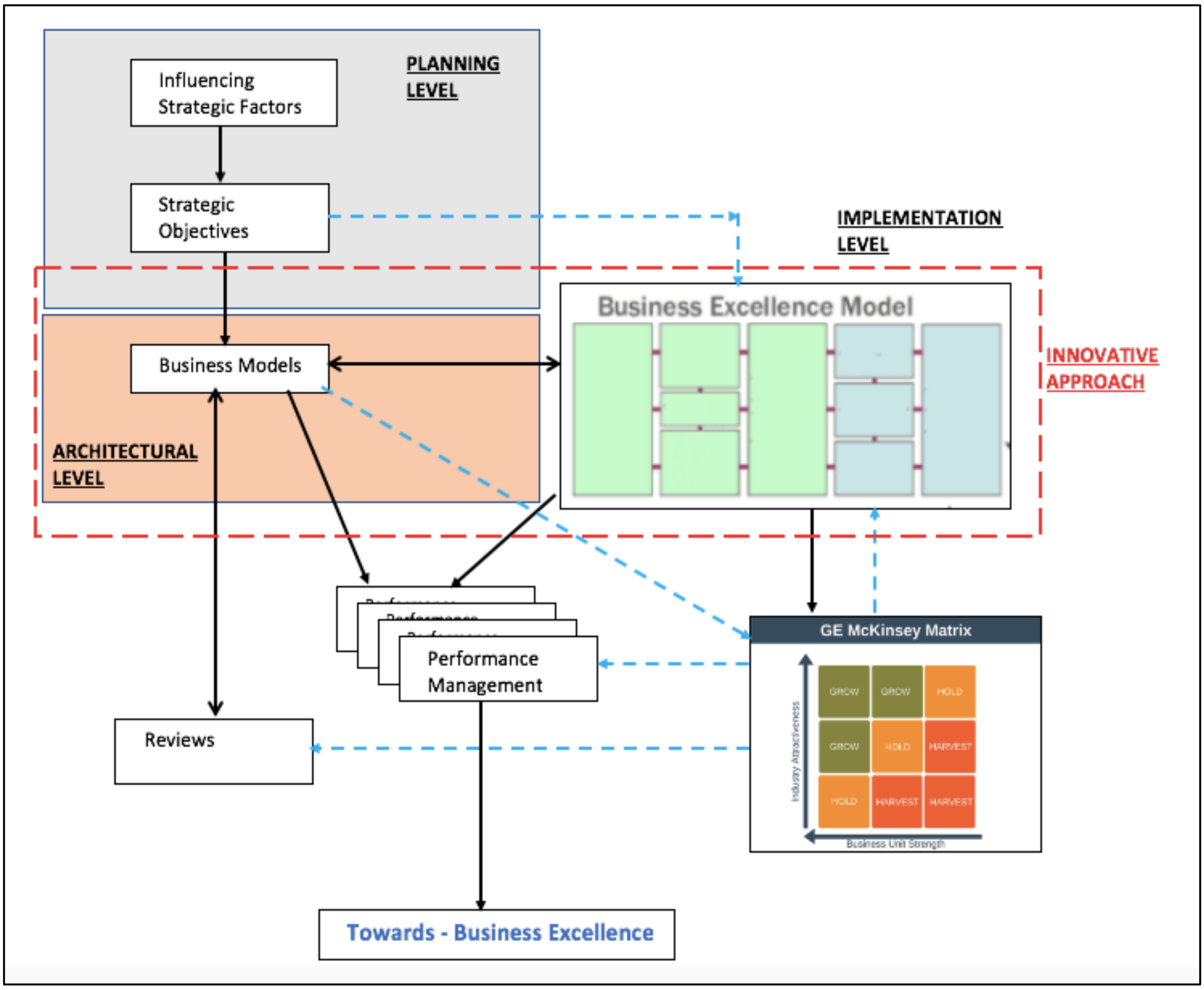

Image 12. Business study logic developed for BSF project

It is important to know that, strategies come in planning as well as in implementation phase of business logic. And based on the targeted deliverables or objectives the strategic tools can be applied or chosen. Above image reflects, how various excellence models and strategy tools discussed in this section, are applied in the business logic triangle throughout this study.

The innovative approach, marked in red in the above image, evaluates the effectiveness of business models developed. Once business model is developed it difficult to choose which areas to focus on priority and which ones to be kept at a secondary level. The process through which it is important to identify if tactical strategies (higher level) or coherent actions (implementation plan) are in need.

There are six questions which need to be answered always: who, what, when, where, how and what next. It may sound like an additional work but conceptualizing a business model is critical for its success.

Strategic planning & implementation offers a chance to answer all those underlying questions generated through business models. One can choose any strategic tool or tools based on its objectives and the values the strategic tool(s) offer.

One of the objectives of developing business models in BSF, is to achieve operational effectiveness and ultimately to achieve business excellence. Hence, conceptualizing business models using BEM is proposed through this thesis. Unfortunately, this path has never been tested or studied before. By following non-traditional paths, they offer flexibility as well as chances to learn new business approaches which may or may not have discussed or studied or applied previously (Lamotte & Carter 2000) and offers a path towards strategic innovation – "the strategy of breaking rules" (Markides C. 1997).

> *Strategic Innovation is a future-focused business development framework that identifies breakthrough growth opportunities, accelerates business decisions and creates near-term, measurable impact within the context of a longer-term vision for sustainable competitive advantage. Combining non-traditional, creative approaches to business innovation with traditional consulting models, the Strategic Innovation framework inspires cross-functional teams composed of an organization's leading change agents, guiding them to identify new revenue streams, to create breakthrough growth strategies, to define innovative new products, services and business models, to stimulate new business relationships and to rethink current business practices. (Source: Strategic Innovation Group 2002)*

2.6 Local Food Business – An Overview

Local food is an integral part of any culture. Foods that come from different cultures establish a distinct identity of those cultures. Food is not just about getting required nutrition; it is also about connecting and bonding with the local culture especially when you are travelling or living abroad.

> *Food thus entwines intimately with much that makes a culture unique, binding taste and satiety to group loyalties. Eating habits both symbolize and mark the boundaries of cultures. (Gabaccia & Gabaccia 1998).*

Over past few decades, the local food business scenario has become challenging and uncertain. A large number of investors, retailers have entered the industry foreseeing the business opportunities. They have applied various creative and dynamic approaches through the development of a successful value-oriented strategy to leverage all the business opportunities. But still many partners in the value chain of local businesses are neglected over a period.

In studies, there is not a generally accepted definition of “local food”. Though “local” has a connotation of being geographic – distance between food producers and consumers. Consumers demand for foods those are locally or regionally produced and marketed. But still it is a very vague concept. It can also be defined based on the number of miles food travels from the location of its origin or it can be defined based on how the products are sold to the consumers e.g. farmer-to-consumer arrangements.

> *The New Oxford American Dictionary (NOAD) defines a “locavore,” which was NOAD’s 2007 word of the year, as a local resident who tries to eat only food grown or produced within a 100-mile radius. This 100-mile radius measure is not, however, a standard for local markets. (Source: USDA 2010)*

Local food markets typically involve small scale producers / farmers, heterogeneous and inconsistent products with shorter supply chains. Generally, farmers or farmer’s networks perform various activities like marketing, storage, packaging, distribution as well as transportation. These activities are scattered over geography and they are generally performed over a smaller scale. Thus, these local food businesses face various barriers for food-market entry or expansions, managing current business areas. Many of such barriers include capacity constraints, lack of distribution channels, limited research, education, time constraints, lack of funds, reaching consumers effectively etc.

3 METHODOLOGY

The purpose of research methodology is to extend and to ensure the existing knowledge base about challenges faced, business prospects, risks factors, understanding requirements in local food businesses in BSR to apply strategic frameworks to achieve business excellence. The theoretical concepts and researches published in this area, are discussed in previous section. This chapter presents an overview of how the research approach was designed and carried out. This also briefs about the research case. Additionally, this section highlights the principles of the research methods undertaken along with interlinking between the research context and the methods used. Deeper insights of how data was collected in order to accomplish the research objectives, are provided in this section too.

Choosing a particular research method is clearly dependent on the purpose of the research and its objective.

According to Oxford English dictionary, research is

> *"The systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions."*

Some people consider research is about moving from known to unknown. But research is, an original contribution towards the existing knowledge base through a properly defined research objective and a systematic approach for finding solution (Kothari 2004). While, according to Babbie 2007, the research purposes can be mainly divided into three types: explanatory, description and exploratory.

Many authors have defined exploratory research method as an approach towards primary discovery and building a theory around it. This type of research is generally undertaken when the problems are in preliminary stage and needs more data collection to understand it more deeply. Considering the nature of BSF project and flexibility offered by exploratory research type, the choice of purpose for an exploratory research seemed more accurate. This research consists of both discovery as well as generation of new framework or redesigning of existing framework for improving and achieving business excellence in local food business. With this approach, it is easier to ask all types of research questions like what, why, how etc.

3.1 Research Approach

The research approach used for this thesis work was quantitative as well as qualitative research method. Qualitative research methods generally include action research, case study, discourse while quantitative research methods generally include surveys, statistical analysis, laboratory experiments (Nyame-Asiamah 2009). Qualitative research approach with supplementary interviews were conducted to deepen the understanding of the topic. With the help of this study, the significant factors influencing local food business are identified. This study helps in continuous learning and development of the practices and operations of local food business in BSR to achieve the business excellence.

The combined qualitative and quantitative approach have increased the reliability of the overall study. Quantitative research methods help in finding most relevant data with respect to the study objectives. While qualitative research describes reality and portrays perspectives affected by human beliefs, values or attitudes. This helps in developing deeper understanding of the topic and gives comprehensive facts.

Following table illustrates the qualitative and quantitative methods used in this thesis to achieve the study objectives.

Table 3. The Research Approach

	Qualitative Method	Quantitative Method
Objective	• To understand current scenario of local food business • To uncover future prospects • To know future challenges or existing barriers • To discover the competencies required • To know thoughts and opinions behind topic	• To map the current situation and existing barriers • To design a model / framework to achieve business excellence • To develop a strategy for effective implementation of business excellence framework
Data Collection	Literature Focus group interviews • Local food distributors • Local food networks • Local food businesses / Chefs • Consumers / End users • Farmers / Local food producers	Electronic surveys • Local food distributors • Local food networks
Data Analysis	• Thematic approach • Country Reports	• Electronic survey
Outcome	• Supporting recommendations and conclusion • Business excellence framework	• Recommendations & conclusion • Strategy measurement tool

3.2 Research Design

The research design of this thesis is developed based on the action research model. Main aim for action research is actively studying the changes in the problem situation through research and active monitoring of results. Many organizations undertake action research to improve their strategies, products and services by acquiring the knowledge of the environments and markets. Therefore, the thesis research design was chosen to understand various stakeholders and partners associated in local food business, to improve customer service, to bring more value for local food producers etc. by bringing conscious and continuous change in a partly controlled and monitored environment.

Following image represents the research design of this study. As mentioned previously, this thesis is designed based on the action research model. As per model, preliminary analysis was conducted to identify the business problem area and to identify the research purpose, to frame the research objectives. Information for the actual state analysis was initiated using preliminary surveys. These surveys were analyzed to identify missing information or areas. To gather data from missing areas and to find out more qualitative information, focus group interviews were conducted.

Each country represented their collective data analysis from surveys and interviews through country reports. The country reports, qualitative and quantitative data were analyzed collectively. Various methods and processes from literature material were studied and applied along with this data analysis. Finally, action planning and recommendations are presented through answering research questions and designing framework. The research highlights were also presented to the BSF project team in the form of report. The main objective of this action research is to achieve business excellence in local food business through strategy measurement tool by developing an approach for conceptualization of business models through BEMs.

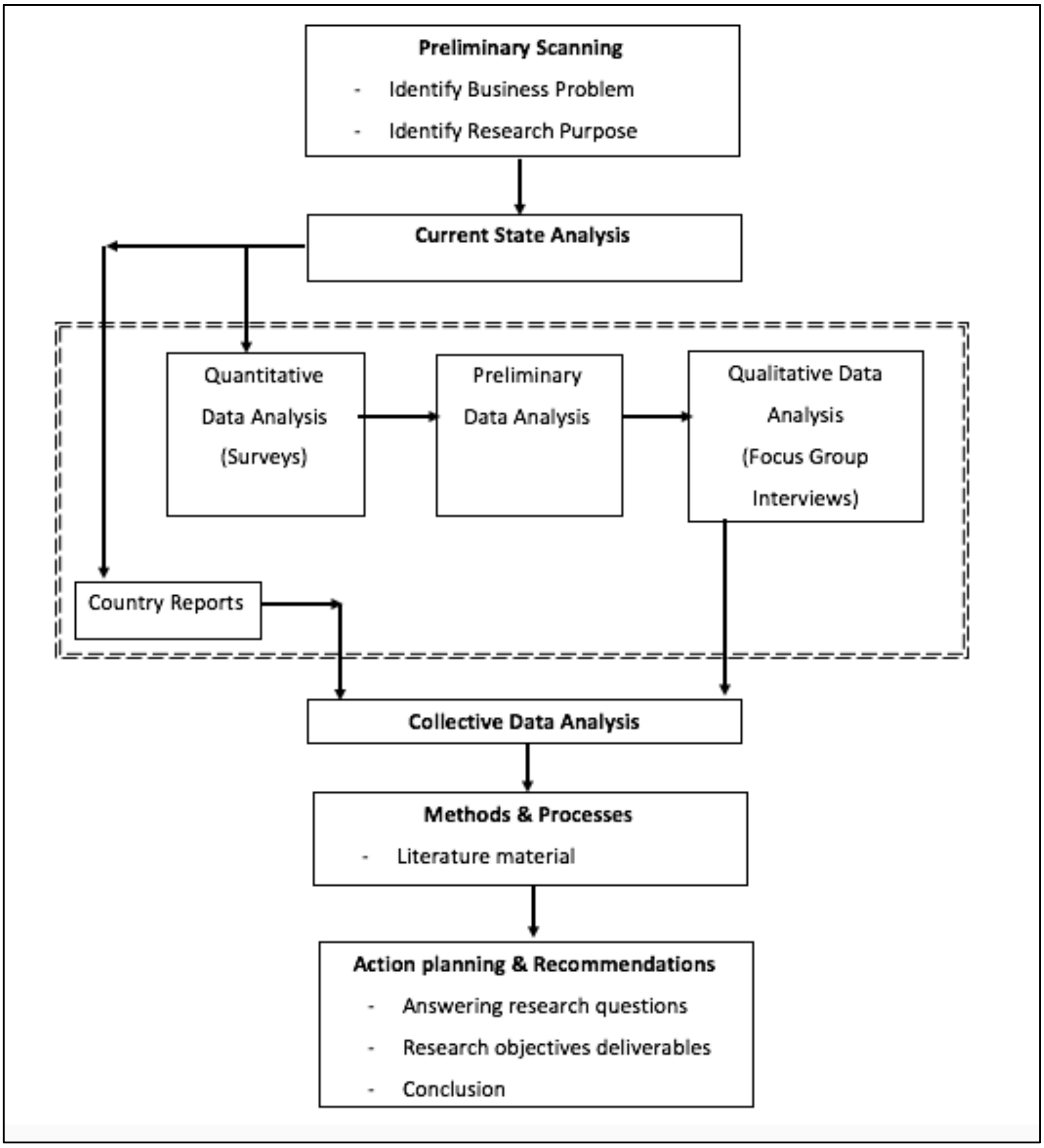

Image 13. Research Design Model

3.3 A Project Case Discussion

The BSF project was undertaken because of initial but fragmented insights collected about the local food business scenarios in the BSR. They indicated that there are similar problems as well as similar business opportunities faced by the local food producers, distributors and networks in all 10 countries in Baltic Sea Region. Hence, it was decided to combine all the 10 countries under one BSF project to handle business challenges, to identify approaches to address these challenges or to overcome barriers. It would be easier to understand these issues over a wider and similar network rather than understanding it over a smaller region or a country.

As per BSF project plan, each participating country and/or regional partners were individually responsible for collecting information, translating it from local language and generating a report for a project team. The research was undertaken with basic assumption that each country has its unique cultural constraints and understandings about how their local food market works and why. Hence, initial decentralized approach was undertaken at a regional level, and then carried out at BSR geography with combined inputs from all 10 countries. Centralized guidance would also be offered but the implementation of such guidelines and recommendations should be clear, flexible and adjustable enough to modify according to local requirements. This approach has its both a positive and a negative impact on the depth of data collected & analyzed.

Objective of the BSF research project is to research, to analyze and to create improved business solutions for local food producers in coordination with regional food distributors and networks, and customers. The process involved multiple surveys, focus group interviews to identify current scenario and the prospective opportunities for further development of local food businesses and its value partners. These new business models will be tested in 10 target countries in the Baltic Sea Region over the period of three years as pilot projects. The goal also includes the creation of an electronic platform to coordinate and to gather the information for effectively reaching customers and achieving sustainable business.

The phase – I of BSF project was finished by gathering various perspectives of the important stakeholders. And a report was also published with the initial findings of this phase - I of the BSF project. The aim of the first report was to provide an overview of how each of these 10 countries in BSR currently engage in local food businesses. In the next phase of the BSF project, the business models will be developed and piloted based on the information collected through the phase-I of the project.

While processing data, it was identified that there are several other operational and business issues which needs to be addressed before identifying new business opportunities. Such as, stakeholders' alignment, number of players in the food value chain, logistics & distribution process optimization etc. Hence, this thesis is carried out independently to highlight such operational areas which needs to be improved to achieve overall business excellence. The various observations were reported, approaches used, and recommendations made are discussed in detail through this thesis document. And the most critical findings are then provided as a contribution for the BSF project. Also, an attempt to provide an innovative approach for the successful implementation of developed business models is made through this study.

Being one of the fellow students, who assisted Dr. Brett Fifield during this BSF phase-I project, it was agreed with project managers and research leader, to use the BSF project report directly as a part of thesis and/or use data and data findings to develop further study works. A direct assistance is/was provided in the process of data collection, data analysis as well as final report generation.

3.4 Data Collection

In order to assist in the designing a framework for achieving business excellence strategies, it is important to determine how the current stakeholders & partners are coordinating in the local food business for marketing, sales, distribution etc. activities. How the overall process works and what challenges they face to yield most useful results. Electronic surveys and interviews / focus group interviews were considered as the main tool for data collection. Data collection through electronic surveys was very interesting experience. While individual country reports were considered as a secondary tool for the data analysis.

3.4.1 Electronic Surveys

In brief, research process involved data collection through surveys. To assess the aim of the study and to collect most relevant data for this thesis, it was important to use electronic surveys as a primary tool for data collection. The survey was developed under the supervisor and BSF project manager's guidance. Surveys consisted of 47 questions for local food distributors and 50 questions for local food networks. The questions were modified or restructured considering the nature of the focus groups. It also included some demographic questions like size of the businesses, geography they are operating into etc. The survey was mostly included of multiple-choice questions. These survey questions were reviewed and tested along with partners, to avoid any ambiguity or confusion or biases in data collection.

The electronic surveys were submitted to the local partners for comments and then translated into local languages. Through local partners they were distributed among regional networks and contacts for data collection. These surveys were then submitted back electronically to the centralized database. This ensured that the collected data was both comparable and complete with information. These electronic surveys were targeted towards the local food networks and local food distributors. The surveys were adjusted to cover the assumed differences in how networks or distributors carry their businesses or business processes they follow.

Two preliminary surveys were sent to the partners for comments and review. The commented surveys were then compiled into a master survey which is then returned to partners for translations into all local languages. Thus, all the 10 countries had to undertake similar surveys. With this approach, it was easier to collect same type of data from all the countries. This process ensured data integrity as well as ensured that all the responses were correctly captured and corresponded to the appropriate questions for each country and easier for further comparisons.

The survey data was analyzed with respect to the local partners. The areas and questions were highlighted for which more information is needed. These areas were then divided into specific themes to prioritise partners interests and also to develop more understanding around it. In this analysis six specific areas were determined as focal themes and the more in-depth questions are formed for interviews / focal groups. Also, local business / chefs and local food producers / farmers were also contacted for focus group interviews to get more information from other stakeholders as well.

Total of 109 local food distributors and 80 local food networks undertook the surveys, which was carried out in the duration of 09.01.2018 to 28.03.2018 of BSF project.

Appendix – I: Electronic Surveys Questionnaire, represents the survey questions prepared for local food networks as well as local food distributors.

3.4.2 Focus Group Interviews

Almost immediately after the survey results were received, the primary data analysis was done, and key focal areas were identified. Discussion questions were formulated around these areas and also more stakeholder perspectives – local producers, farmers, restaurants and end consumers - were included at this phase.

Focus group interview is one of the ways to collect the qualitative data. With the help of open-ended questions and focus group discussion, it is easier to seek deeper understanding of the topic. With the help of semi-structured interviews, it is easier to manage the conversation flow or to modify the flow as and when required based on interviewee's choice and comfort. But the data analysis can be little difficult, and they are not generally conducted systematically.

The interviews / focus group interviews were aimed at developing an open dialogue about a current situation in the local food business. This targeted towards extending detailed findings about the electronic surveys and themes identified. This phase was more focused on getting answers to the questions of how or why. To develop deeper understanding about what needs to consider and what needs to be improved, how they are managing current processes and why particular approach is being followed etc. A detailed thematic interview questions were formulated for the focus group interviews. Interview questions were also developed under the guidance of supervisor and BSF project manager.

Interviews included open ended questions. These questions offered maximum opportunity to the interviewer and to the interviewees both to talk openly and gather more information about the subject, specifically the information which was missed through electronic surveys. This technique offered a more extensive information on the subject. Along with interview questions, a cover letter was also provided to the partners. The cover letter provided guidance to the interviewer on how to conduct the interview as well as the purpose of the focus group interviews. Interviews were also recorded, transcribed as well as translated into the audio format, so that they could be available for data analysis effectively. It also assured minimum data loss. Transcribed and translated interviews helped in getting the comprehensive views of the participants.

Appendix – II: Focus group interview questions, represents the focus group questions prepared for local food networks, distributors as well as local food businesses.

Electronic surveys and interview/focus group findings were then combined into a country report, which was used for further study. Findings and data analysis were done for 10 individual country reports and then recommendations and strategy implementation framework have been prepared as a part of this thesis.

3.4.3 Preliminary Review

According to local food producers, in the last 5-7 years, there has been a significant increase in the use of electronic devices & solutions by consumers for local food sales. This includes social media platforms like Facebook or other e-platforms. These local food producers are generally family owned micro-businesses. It is difficult for them to create and to maintain such digital solutions on their own. They can make use of social media platforms like Facebook very easily, but this does not offer any consistent business opportunity or business relationship to them.

In many of the cases the electronic platforms are mostly used as an information sharing tool to reach consumers. E.g. Through some established e-platform consumers can see what local products are available and at what price. But they face difficulty in reaching the local producer directly or they cannot place the order directly.

Specially, in case of business customers it is also observed that there are different challenges like consistent supply, variation in ordering volume size, demand vs supply, timings of logistics, inconsistency in quality of produce etc.

This study considers four stakeholders' perspectives while collecting and analyzing the data provided by 10 partner countries. These stakeholders are:

- Farmers / Local food producers
- Local food networks
- Local food distributors and
- Local food businesses - catering businesses / restaurants

In conclusion of preliminary review, it is important to deeply study each of the aspect, stakeholder's perspective in local food business. Then only it is easier to highlight the improvement areas and redesign a framework to achieve business excellence. The strategy path should be formed by prioritizing these framework areas and guidelines are to be provided on how it can be monitored and measured to achieve business excellence.

4 EMPIRICAL STUDY & ANALYSIS

This empirical study and analysis chapter reveals the empirical results and provides data in answering research questions. The main purpose of conducting this study, is to achieve business excellence in local food business of BSR geography, with the help of strategic measurement tools. To achieve this, it is important to know the current scenario as well as the strategic factors influencing business decisions in local food sector. Prior seeking direct answers to the research questions, analysis of qualitative as well as quantitative data is discussed in this chapter. Then the cross analysis will be performed, and recommendations are represented through the findings. Electronic surveys were conducted for collective quantitative data and focus group interviews were conducted to collect qualitative data.

In particular, the purpose of this chapter is to gather information about how well various stakeholders or value partners perceive the challenges and growth prospects, business operations, risks etc. in the local food businesses. This acts as a conclusive empirical framework to observe whether the existing scenarios in local food businesses are coherent with the assumptions or preliminary analysis between what local business intend to achieve, how and what is the actual scenario of local food businesses in BSR.

4.1 Thematic Approach

After a brief overview of thesis methodology, the development the focal areas of this research it is discussed here. Thematic approach emphasizes and makes easier in pinpointing and patterns within the data collected. Thematic approach is used to make sense of the seemingly unrelated & huge amount of data collected through various partners and stakeholders of local food business.

According to Braun 2012, thematic analysis is,

> *Thematic analysis is a method for systematically identifying, organizing, and offering insight into, patterns of meaning (themes) across a dataset. Through*

> *focusing on meaning across a dataset, Thematic analysis allows the researcher to see and make sense of collective or shared meanings and experiences.*

Considering the flexibility of thematic analysis, thematic approach is used in this thesis. One of the important reasons, why thematic approach offers flexibility is, it can be conducted in number of different ways. With thematic approach researcher can easily relate, limit or delimit areas what can and cannot be said are in relation to the data. How data can and should be interpreted is absolutely a researcher's choice (Braun 2012).

The issues, concerns and expectations raised by the partners are grouped into similar groups. Based on their priority and interests they are further categorized into special themes. Following table represents the division of partner's concerns or questions based on common interest areas.

Table 4. Segregation of partner's concerns or questions into common interest areas

General	• Who are the stakeholders and what are their interests? • How do they understand, the business is organized? • How would they like to see the business organized?
Channels being used	• e-Platforms • Marketing • Communications • Logistics

	• Financial
Distribution related	• Planning • Transport • Routes • Storage • Frequency
Communication between groups	• Buyers • Suppliers • Delivery services • End users / customers • Producers
Feedback	• Complaints • Payment issues
Goods	• Product range • Production quantities • Quality criteria • Pricing • Sales volumes • Supply security • Retaining local identity • Demand vs supply
Challenges	• Present & future • Achieving sustainability • Environment related • Competitors and competition • Technology adoption

These special themes are further streamlined and narrowed down to only six focal themes which represent the critical areas of local food businesses. It is important to understand them deeply before developing a strategy framework for achieving business excellence.

The six thematic areas are:

- Communication
- Orders
- Logistics
- Pricing
- Future challenges
- Demographics

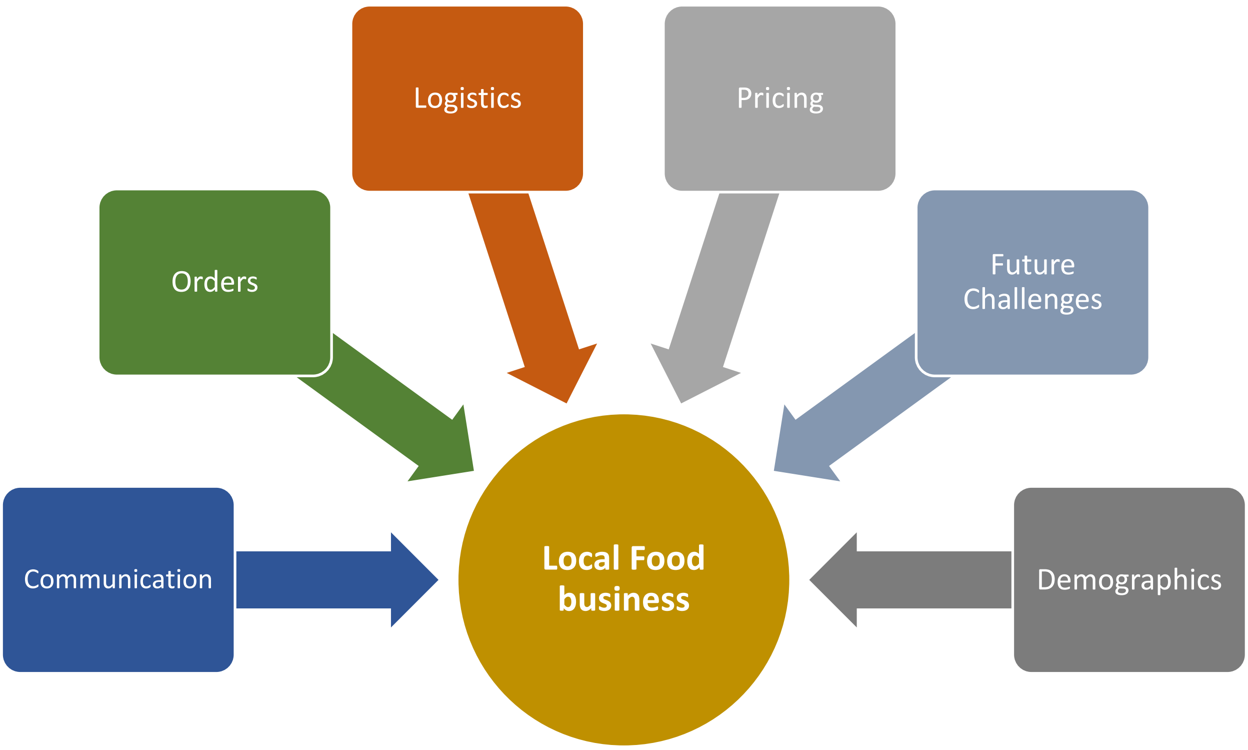

Image 14. Key themes identified for surveys & focus groups interviews

Data analysis and empirical findings are represented in the same order in further sections.

Communication

Communication explores marketing and communication channels, digital solutions currently used in the local food businesses.

Ordering

Ordering focuses on how local food networks & distributors receive and process orders, how food safety is handled throughout the ordering process.

Logistics

Logistics is all about how orders are delivered to customers, what are the challenges in the delivery chain, how to make distribution channel more efficient etc.

Pricing

In pricing, how payments are handled, are local food products rightly priced, local food vs competition etc. is discussed.

Future Challenges

This theme helps in prioritizing and anticipating future challenges, investment opportunities in local food business.

Demographic

Demographic factors clarify size of the business, financial situation, geographical presence, nature of business operations about stakeholders or partners.

4.2 Survey Data Analysis

Prior discussing the survey data findings, it is important to represent how the survey questions from local food distributors and local food networks were divided into thematic categories. Then out of these categorized questions, around 3-4 most important questions were selected, and then they were studied deeper through focus group interviews and country reports. Further in this section, theme-wise survey findings are discussed. Following table represents categorization and prioritization of survey questions into themes.

Table 5. Theme-wise categorization and prioritization of survey questions

Themes	**Local Food Distributors (Survey question numbers)**		**Local Food Networks (Survey question numbers)**	
	Categorized	Prioritized	Categorized	Prioritized
Communication	11-12 26-27 30-31 35 42-43	30-31 35	13-14 29-30 33-34 38 45-46	33 34 38
Ordering	8 13-14 25 28-29 32 34 37	28-29 34	9 15-16 28 31-32 35 37 40 47	31 32 37
Logistics	4	9	5	11

	9-10 15-22 37-39	17 22	11-12 17-18 20-25 31-32 40-42	20 25
Pricing	23-24 40-41 44	24 44 41	26-27 44-47	27 44 47
Future Challenges	33 40-41 45-47	45 46 47	19 36 43-44 48-50	48 49 50
Demographics	1-7 36 48	3 6 8	1-10 39 51	5 7 9

4.2.1 Communication

Communication with customers (internal as well as external) is the key for achieving business excellence in any business area. It is critical in the local food business where constant communication with customers is required. ‘Communication’ theme tells about what marketing or communication channels or methods are used by the local distributors or networks, how to they perceive the popularity of locally produced foods, do they use modern channels to reach their customers, do they listen to their customers and if so, then how.

84% of local food networks participate in regional marketing events or fairs while only 47% of local food distributors participate in such events or fairs for marketing.

In general marketing events or fairs used by networks are food markets (67%), food fairs (78%) and thematic food events (51%) while distributors use website (74%), food markets (53%) and fairs (68%). By participating in fairs and events, local food distributors and networks have observed that they have benefited more by establishing personal contact. That has helped them to understand customer's requirements and to maintain a reputation with respect to the product quality and the service quality. Local food networks (45%) and distributors (51%) both collect feedbacks from their customers on timely manner and utilize them in developing and improving services. Establishing a personal contact and reputation with customers can play a very important factor in achieving business excellence.

It is observed that both networks and distributors use some kind of ICT solution or e-platforms. Distributors mainly use it for making orders (75%), information exchange for availability of products (53%); while networks use it mainly for information exchange (62%) & orders placement (56%). Very little percentage of networks and distributors handle payments through IT solutions. Leveraging the technology solutions is one of the key strategies these days to achieve business growth. This helps businesses to drive innovation and to gain competitive advantage.

Choice of communication channels play an important role in marketing promotions and sales. Communication channels preferred by networks are social media (68%), website (59%) and word of mouth (56%). While distributors prefer communication & promotions through word of mouth (77%), website (78%), social media (60%) and newspaper (42%). Traditional approaches like radio / television, direct client visits are still in use by both networks and distributors. 78% of distributors and 59% of networks use promotional website for reaching their customers and marketing their products, however, despite the use of digital and modern communication tools both distributors (68%) & networks (76%) think that consumers do not get enough information about local food products.

4.2.2 Orders

Operational excellence can only be achieved through robust operations strategy. Robust operational strategy can easily integrate people, processes and systems and offers adequate flexibility to enable sales opportunities.

Sales orders can be handled in various ways. ‘Orders’ theme here tells about to whom distributors and networks sell their products, what type of products (raw as well as processed) are available, how or whether the products are traced back to producers, how do they handle orders and how they would like to handle orders in future, supply demand balance, quality standards followed etc.

It is interesting to know that local food networks (81%) and distributors (87%) both sell their products to the end customers and 39% of networks sell local products to distributors. This increases the time required for the product to reach to the end customer. Also increases the cost of the end products purchased by customers. Despite the end customer’s willingness to pay higher price for locally produced food, these local food producers do not earn significant share of it.

Distributor’s main product range includes, meat (56%), vegetables/herbs (47%), berries/fruits (43%), eggs (45%) along with milk (38%) and fish (28%) products. While networks main product range includes, meat (76%), vegetables/herbs (80%), berries/fruits (71%), eggs (58%) along with milk (47%) and fish (47%). For these raw products, it is important to have own cold storage spaces. Only 70% distributors and 43% networks have their own cold storage places, though networks have more percentage of raw and perishable product range as compared to the distributors.

In case of processed local food items, distributors product range include vegetable products like jams, juices (72%), meat products like sausages (61%) and milk products like cheese (57%). Networks product range include beverages (70%), vegetable products like jams, juices (84%) and meat products like sausages (76%).

In case of networks, orders are received and handled by phone (67%), by direct selling (53%), by email (54%). In future, they would like handle orders by email

(56%), by phone (46%) and by direct selling (42%). They would like to reduce order handling by phone or by direct communication. Currently (30%) networks are handling orders by web-shop, in future they would like to increase the percentage of handling orders by web-shop (56%).

Distributors orders are mostly handled by phone (76%), by email (77%) and by direct selling (74%). In future distributors would like to handle orders by emails (74%), by phone (55%) and by direct selling (60%). Only fewer percentage of distributors would like to use some mobile app (16%) for handling and receiving orders. It is clearly reflected that direct contacts while placing orders enhances better quality, more reliability, ensured availability as well as timely deliveries.

4.2.3 Logistics

Logistics offers control over flow and storage of goods and majorly responsible for satisfying the consumer demands in timely manner. Logistics theme here describes the local product in-out flow, time consumed by products to reach from one point to another, existing delivery chain and challenges associated with it etc.

Local food networks and distributors both buy products from various local food producers. Most of the networks (56%) and distributors (67%) have up to 10 customers. That clearly represents that the channel of networks and distributors is limited and operational in the smaller sub regions. Most of the networks and distributors sell their products to business customers as well as consumers.

These networks and distributors generally operate on cooperation basis. The cooperation can be in food processing, collective marketing, sharing equipment for packaging, sharing transportation vehicles etc. But mostly the cooperation takes place in information sharing through websites or social media activities. Irrespective of this cooperation, networks (87%) and distributors (59%) both agreed that it would be effective and useful to have a centralized distribution and logistics management. Most of the networks (82%) & distributors (87%) think that currently their products reach consumers fast enough, however, they - networks (59%) & distributors (57%) - are not satisfied with the existing delivery and supply chain. The most important reason why they are not satisfied with the existing supply chain management is the ‘high costs involved in the logistics’ – (networks 41%, distributors 60%). Other reasons include insufficient infrastructure (networks 37%, distributors 40%), scarcity of human resource (networks 41%, distributors 37%), lack of efficient IT solutions (networks 41%, distributors 18%).

4.2.4 Pricing

Pricing is the major parameter that significantly affects business operations and their achievements. Pricing strategies decide whether to decrease the costs, enter new markets or adjust the prices based on its competitors. Pricing is one of the most vital and highly demanded aspects in strategic management.

> *Pricing strategy is the policy a firm adopts to determine what it will charge for its products and services. Strategic approaches fall broadly into the three categories of cost-based pricing, competition-based common factor among pricing strategies is that, in the end, the total revenue generated from the price set multiplied by the units sold has to cover the costs of operation and to allow a sufficient profit margin, which secures an acceptable return on investment. (Source: Sammut-Bonnici & Channon 2010)*

Through pricing theme, it is analyzed stakeholders’ perceptions towards competition, profit margins, whether local food products priced right etc. And also discussed, how do networks and distributors handle their payments or any reclamations etc.

Distributors and networks handle reclamations mostly over call (distributors 74%, networks 47%) or by letter or email (distributors 66%, networks 47%). While they handle payments mostly through invoicing (distributors 86%, networks 61%), and by cash (distributors 84%, networks 65%).

One of the contributing factors identified towards pricing is, 67% networks and 56% distributors think that their local products are rightly priced. However, out of those 67% networks, 33% think that there is very little or no competition in local food while 38% think that there is very strong competition. Also, out of those 56% distributors, 38% think that there is very little or no competition in local food while 47% think that there is very strong competition. These results are completely based on how the competition or competitors are perceived in the local food business. But according to both networks and distributors, competition comes mostly from retail chains, farm shops and wholesalers.

4.2.5 Future Challenges

Future challenges theme throws light on how these stakeholders see local food businesses in future, what are their expansion or investment plans, what risks, barriers and opportunities they are anticipating etc.

Distributors and networks are mostly interested in centralized delivery systems – delivering products from farmer's location to one selling point based on order. One of the biggest challenges they would like to address here is to reduce the cost of delivery and logistics.

Most of the networks (92%) and distributors (79%) are planning to expand their business in next 2-3 years. In case of infrastructure investments distributors are interested in investing in increasing storage capacity (32%). While networks are interested mostly in investing some kind of ICT solutions (42%). Few other expansion options were investing in transport vehicles, trainings etc.

According to local food networks as well as distributors, the biggest challenges in producing local food are, higher cost of production, handling financials, seeking clients, skilled and trained human resource for work etc. The biggest challenges in distributing local food are, storage and transportation issues, expensive logistics, insufficient supply security or demand vs supply imbalance, limited information availability about producers and farmers etc. Perception about challenges and barriers are fairly similar across all stakeholders and they would like to address it on top priority.

4.2.6 Demographics

Demographics data is collected and analyzed through electronic surveys. They designed in a way to understand structures of stakeholders or companies, geographies they are operational into, age of the organization, number of people employed, number of clients, annual turnover etc.

Most of the distributors (43%) operate as private organization while most of the networks (86%) operate as a formal organization like non-governmental organization or farmers' cooperative etc. Most of the networks (38%) are newly formed organization –under 3 years age. While most of the distributors (42%) are much old organizations –over 10 years age. Irrespective of the age most of the network's (41%) and distributor's (18%) annual turnover is under 25000 EUR. Only 7% networks and 20% distributors have annual turnover 1 000 000 EUR and more.

This data represents the financial and human resources available with these various stakeholders and partners for future investments or resource utilization. Based on these findings it is easier to design strategies for achieving business excellence around available resources and focusing on gradually increasing or diversifying investment opportunities based on achieved milestones.

4.3 Interviews Findings

The interview findings are to provide with consistent and reliable empirical data findings with quantitative data findings. This represents how various stakeholders understand local food businesses, their existing processes, how and what are the anticipated opportunities or risks etc. This section is important to reinforce the findings with survey data. The interviews were designed by considering various stakeholders like producers, chefs or local businesses, local food networks as well as distributors. Various open ended and predetermined questions helped to create free environment for discussion, so that every stakeholder involved feels free to share his/her view. These questions offered maximum opportunity to the interviewer and to the interviewees both to talk openly and gather more information about the subject, specifically the information which was missed through electronic surveys.

For focus group interviews issues were collected from all the countries as well as from all the stakeholders; local food producers, networks, distributors as well as local businesses.

4.3.1 Communication

For all the stakeholders and countries involved in the focus group interviews, preferred communication channels were social media like Facebook, web shops and websites. For local food producer social media is the most easily accessible, easy to use, cheapest channel available to reach to their customers.

> *“Facebook is the best and easiest way to show our products and daily work to the end consumers!” (Local food producers, Sweden country report)*

The major finding through the focus group interviews was, almost all stakeholders from all countries emphasized on establishing the personal contact with customers. Many producers and customers especially business customers are willing to establish a private contact with each other. Customers can rely more when they get to know product quality, product volume, service quality information for the producer itself. That reduces uncertainties or untimely deliveries. With increase in reliability, it is easier to penetrate markets with increased as well as repeat sales volume. That plays a significant role in achieving business excellence. In case of producers, this helps them to understand customer’s requirements, production based on pre-orders, benefits from bulk orders and also help them produce higher quality products.

> *It ensures trust and credibility and give them a unique way of discussing product development, quality etc. When there is close contact, we build up*

good business relationships, which are good for all partners. (Local food producers, Denmark country report)

Germany country report suggested for meet-ups between producers and buyers to raise the awareness of products and also to know the face behind the product. This can be done at the same time while leveraging and implementing ICT strategies or solutions in the path of excellence. This strategy will help not just in saving time but also in building relationship and credibility. Their existing MECK-SCHWEIZER platform has a feature that allows local food producers to upload information about their business philosophy. This helps buyers in judging the likely quality of the products based on the philosophy and uploaded information.

Almost all stakeholders from all countries are interested in using e-platform or some kind of ICT solutions. But one of the main aspects of choosing or building or leveraging any technical strategy or ICT platform is, that it should be easy enough. So that producers do not require to invest a lot of time in uploading information to reach to their customers or learning the solution. Technology solution must also suit the needs of different stakeholders. For example, Germany suggested the need for a platform with automatic inventory counting, so that producers don’t need to spend time in updating stock levels. They can focus on the production, mainly its quantity and quality aspects.

Despite the big volumes of products, we need to put efforts on personal contacts according to our clients - the restaurant chefs – as they need a quick ordering system and respondent system person to person for saving valuable time in their stressful environment. (Local food distributors, Sweden country report)

In general, distributors and networks are more interested in using electronic or technology platform for order and payment handling, for contacting buyers as well as sellers. Currently, distributors in Estonia, Poland and Sweden use phone calls along with e-platforms while in Latvia, Germany, Denmark refrain using phone communication whereas Danish distributors opt for a phone call when there is time crunch.

Through focus group interviews, it is understood that establishing a personal contact with customers and showcasing the origin of produce to the customer are crucial factors. Customers are willing to pay more for local foods when they get to know the quality and freshness it bears, regional as well as cultural importance etc. This also includes tracing local products back to the producers and with how the products are cultivated e.g. local or organic. The brand visibility is utmost important.

4.3.2 Orders

Even through focus group discussions, it is identified that email and phone are the most preferred methods for receiving and handling orders. This is mainly due to establishing a direct contact with the customer and producer for maximizing quality, timely delivery, ensuring availability etc.

> *If the products are delivered by a distributor, it is their responsibility to ensure the origins and quality of the products. This means that the products actually come from the farm which was agreed beforehand. This is because some of the products that are sold to restaurants do not have labelled packaging. (Local businesses / chef, Estonia country report)*

Countries like Poland, Lithuania are currently using some technology solutions for making orders and payments and providing product availability information to their customers. But the use of such solutions is very limited and are not designed by considering requirements of all the stakeholders. To achieve business excellence, leveraging ICT technology has become an integral part of any businesses. But in local food business, such solution or platform should provide in depth description about product available - to understand how it is being produced exactly, to judge the quality of that product and to what quantity the product is available.

In case of ordering, the size of the order does not always match the product volume available. Sometimes it is more or sometimes it is less. Producers always have concern when they receive orders only for limited quantity and then they keep wondering what will happen with the remaining products till the next order comes up. This is also difficult scenario for buyers. If they are looking for bulk order and that product is not available with only one producer, then they need to search from other producers for rest of the quantity. They always keep wondering if they place orders with multiple producers, will the quality of the products match? In that case, if buyers are offered a chance to see products of same quality together irrespective of the producers and if they can produce one order from different producers, then it will be easier for customers as well as producers. That will save lot a time in searching and evaluating options available. This clustering of orders can offer flexibility in ordering process.

> *One solution that would revolutionize this kind of business when it comes to chefs at restaurants was if they could speak in the phone and their orders would be transcribed automatically into an order! An adapted "SIRI" version for placing orders was suggested by the focus group interview and perhaps that would be something to take into consideration. (Local business, Sweden country report)*

4.3.3 Logistics

In focus group interviews, similar findings came up which were discussed in survey analysis. Most of the stakeholders are not satisfied with the existing supply chain and logistics and they also felt the cost of delivery is too high as compared to the sales volume or order volume. To reduce this cost, they try to share their resources as much as they can but somehow it is still not so effective.

We try to cooperate as much as possible for lowering the costs. Contacts through mail for allocating transport space between companies if we are going longer distances outside the region and have place over in the transport. (Source: local food network, Sweden country report)

They not just share resources among themselves, but also, they share resources even with the competitors.

We are two dairies with almost same kind of product line, but our competitor/colleague have now invested in a big transportation car and we use this option for transporting our milk products together to grocery stores in the area. (Source: Local food producer, Sweden country report)

While in Estonia, Lithuania and Russia they have organized and pre-decided one central gathering point for local products. Local food producers deliver their foods to that centralized location or consumers can also pick up their deliveries from a particular location.

Another interesting problem raised by German distributors, was distributing different types of goods in the same delivery vehicle. E.g. carrying cheese, fish and vegetables in the same vehicle offers challenges as they all have different storage requirements. The delivery volume varies continuously, and it is challenging to provide delivery services with premium quality in optimum costs. Finland country report also highlighted that postal services are not reliable due to breakage of items, deliveries to the wrong addresses etc.

Providing information about origin of the product was equally important aspect raised by all the stakeholders, along with the higher costs of delivery. All stakeholders emphasized collectively that; it is important to trace the product back to the producer as well as to provide right information about the origin of the product to the consumers. It is important not just in ordering but also in delivering the product. Thus, the logistical challenges are labelling, packaging and sourcing of the products. German distributors also mentioned that, many producers lack the knowledge about product labelling regulations, packaging standards etc. and they require trainings. Proper packaging helps in maintaining the quality of the product as well as it is easier to trace the producer back in case of re-order or return of the goods.

4.3.4 Pricing

Surveys indicate that the pricing of the local food products is right. But survey data was collected only from distributors and networks. In case of interviews, all other stakeholders came up with same thought. Farmers or local food producers as well as local businesses reiterated that local food products are priced correctly. But the pricing becomes the main issue when it is not yielding expected results nor covering the costs incurred.

> *"Price/quality ratio of local produce is competitive compared to produce coming from abroad." (Source: Local food business, Finland country report)*

Each country has their own understanding based on how the prices have been decided. Distributors have put forth that, many producers decide their own prices and then distributors add their percentage on top of that. That is why it is very much possible, same type of fruits or vegetables may have varied prices as they come from different producers. These price markups are generally agreed with the producers in advance.

> *The prices are set by the producers and farmers and they are aware of how much the distributor adds to the price. The distributor adds a fixed*

percentage to the products, which covers the distributors costs. (Source: Local food distributor, Estonia country report)

Almost all the stakeholders across all countries think that, their products are rightly priced, and they are highly in demand not just because those are local food products. But mostly because how they are selling it and how customers are interpreting what the local product is. Branding of local products is fetching the more value.

Our customers are buying the products from us as we are selling the producer and the concept behind the products. The storytelling is very important for our customers! (Source: Local food distributors, Sweden country report)

4.3.5 Future Challenges

Country-wise findings for future challenges are covered in this section.

Norway: Higher cost of production and distribution is the biggest challenge reflected in findings. Few other challenges were getting clients, due to changes in operational environment etc.

Lithuania: Biggest demands come from big cities where customers are young with working families or people and generally do not have much time but would like to eat fresh and healthy. Challenges identified are missing cooperation between producers and consumers, logistical issues, lack of financial resources, education to the consumers etc.

Denmark: There are not enough producers who can ensure stable and continual product delivery. Thus, there is an imbalance between demand and supply for local products. Some producers also mentioned about the legal requirements for safety, packaging and labelling. This can be a barrier in selling local food products specially if they are in small quantity.

Russia: Their current ICT system is under-utilized. Lack of financial as well as human resources, seasonal dependency for local food products sales, high reliance on direct sales, higher production and transportation costs are main challenges identified.

Germany: How to handle demand for smaller orders if the producers are not ready to cater with complicated food networks and training required to match the existing food regulations and standards are the few highlighted challenges identified.

Latvia: The lack of skilled employees is the main challenge for Latvia.

Estonia: One of the biggest challenges in Estonia is how to ensure consistent supply of products. Many Estonian products have strong competition from Latvian local food items as they are cheaper. Hence, finding clients is an important challenge for Estonian local food.

Finland: Lack of skilled labor with commitment towards local food are hard to identify. Cost of logistics and production are higher. Local legislations change quickly and often requires rapid adaptation. The education and trainings are highly required in these cases.

Poland: Developing and updating skilled employees alongside minimizing production costs were challenges identified in Poland. They also indicated the lack of consistency in supply from one year to the next as farmers change their products.

Sweden: All stakeholders agreed coherently that there is a need for investments and expansion of their business operations.

4.4 Research Questions & Answers

According to BSF project phase – I report, there are four types of sales relationships that exist in BSR local food businesses: Direct sales, Event based sales, Intermediary sales and distributor cooperations.

1. Direct sales take place between local food producers and local businesses or end consumers directly. But the operational areas are much smaller and into specific localities. Information sharing, order handling mostly happens through direct phone calls. No end to end and independent logistics or distribution systems exist in direct selling.
2. Event based sales is mostly through food festivals, food fairs etc. This offers an open platform to meet local food producers as well as end consumers or local businesses directly. It is easier to understand the origin of products, product quality, volume and ensures timely delivery and supply. Transactions take place mostly through direct communication and there is no need of independent logistics or distribution system in this case. Success of such events mostly depends on marketing.
3. Various local food producers and farmers from a particular area, joins to form distributions cooperatives which help these farmers to connect and develop relationship with customers. These distributor cooperatives also take care of packaging and distribution of goods on behalf of farmers or producers.
4. Intermediary sales mostly taken care by local food networks who collect orders from customers, source local products from producers or farmers and arrange the delivery, logistics, packaging for the customers. These networks connect to wide variety of customers.

Though, these different sales relationships are reflected through findings, there is not a clear or definite distinction exists in reality about how they should carry out their operations. It has been found out that many of the local food networks and distributors are doing similar tasks and there is no proper distinction between their roles. Several such cross-observations are made and discussed while answering the research questions and answers below. These are collective findings from all the 10 countries, derived from focusing on most common issues and potential approaches.

4.4.1 What is current scenario of local food business in BSR?

The most critical aspect, understanding the existing scenario of local food business in BSR is discussed below. It also helps in understanding if there is any need for change in current business operations. If so, then how and what are the most important factors that need to be changed.

Networks vs Distributors:

As mentioned earlier in this section, through cross-analysis of data it is found out that, there is no fine distinction between the tasks performed by the local food distributors and networks. Many of the tasks are performed both by distributors as well as networks e.g. marketing, handling orders, feedback collection & analysis, arranging distribution and deliver of products etc. They are both investing in infrastructure equally e.g. cold storage spaces or transportation vehicles etc. Thus, the networks and distributors both face issues like financial and human resource crunch.

How networks' and distributors' roles overlap and are aligned in local food business in BSR, are represented in the table below.

Table 6. Alignment of networks' and distributors' roles & responsibilities in local food business

	Distributors	Networks
Marketing events / activities	46% participate in or organize marketing events or activities	84% participate in or organize marketing events or activities

	(No participation - 54%) Food markets, food fairs, thematic food events are favorable for those who take part in marketing activities.	Food markets, food fairs, thematic food events are favorable for those who take part in marketing activities.
Feedback collection & analysis	51%	45%
Target customers	87% distributors sell products to private persons. No distributor sells back products to networks.	81% networks sell products to end consumers. 39% networks further sell it to distributors.
Product sourcing	67% distributors buy products from up to 10 customers.	43% networks buy products from up to 10 customers.
Member partners	-	97% of members of networks are Farmers.
Handling orders through various channels	Yes	Yes
Selling raw as well processed products	Yes They both are investing separately or sometimes sharing equipments for processing food products like jams, beverages, cheese etc.	

Handling product returns	19% distributors take care of returning of products.	13% networks take care of returning of products.
Sufficient product information to the customers	76% distributors think their consumers do not get enough information about local food products.	80% networks think their consumers do not get enough information about local food products.
Product delivery chain	59% distributors are satisfied with the existing delivery chain.	57% networks are not satisfied with the existing delivery chain. The major reason behind dissatisfaction is lack of financial resources.
Own storage space investments	91% distributors have regular goods storage space. Out of that 70% distributors think that they have sufficient storage space.	Only 45% networks have regular goods storage space. Out of that 60.5% networks think that they do not have sufficient storage space.
ICT solutions	58% distributors do not use any E-Platform or IT solution. Out of those who use (42%), 75% use it for making orders, 53% for information sharing, 47% for payment handling.	52.5% networks do not use any E-Platform or IT solution. Out of those who use (48%), 56% use it for making orders, 62% for information sharing, 35% for payment handling.
Future investments plans	32% distributors would like to invest in cold storage in future.	24% networks would like to invest in cold storage in future.

	24% distributors would like to invest in some kind of ICT solution.	42% networks would like to invest in some kind of ICT solution.

It is highly advisable to streamline these roles and their responsibilities to avoid reworks, repeat investments etc. and to make the most out of available financial as well as human resources.

Demographics:

With the help of demographics findings, it is easier to design strategies around existing resources and focusing on gradually increasing or diversifying investment opportunities based on achieved milestones. It provides information about financial and human resources available with these stakeholders and partners. It also indicates the age of these partnerships or businesses as well as investment capabilities.

Table 7: Demographics findings

	Distributors	Networks
Age	42% distributors are over 10 years old and 20% are under 3 years old. Distributor organizations are comparatively older than network organizations.	23% networks are over 10 years old and 38% are under 3 years old.

Annual turnover	20% distributors have annual turnover of 1 000 000 euros or more. 18% distributors have annual turnover under 25 000 euros 16.3% distributors have annual turnover 50 000 – 1 000 000 euros.	Only 7% networks have annual turnover of 1 000 000 euros or more. 41% networks have annual turnover under 25 000 euros (33% networks have not disclosed the annual turnover information)
Business plan	69% distributors do not have any written business plan	63% networks do not have any written business plan

Pricing & Competitors:

Most of the stakeholders agree that local food products are rightly priced. And most of the competition comes from retail food chains. But considering the popularity, quality and health benefits offered, there is no cut throat competition in local food business in BSR.

Marketing & communication channels:

In BSR region, most stakeholders prefer using social media and traditional approaches for marketing and information sharing. But there is also a strong agreement between stakeholders of all countries that customers do not receive enough information about the local products e.g. origin of the product, quality of the products, availability of the products. A well-defined marketing strategy with storytelling approach is in need to create a well-defined brand not just for local products but also for producers.

Customers:

The bigger percentage of local food demand comes from big cities, where people have busier schedules and have less time. But they are also interested in eating healthy and quality food. It is difficult for them to reach local food producers over phone to collect all the product related information. Many times, they cannot get enough information if there is any availability of particular product in required volume. The communication channel or platform is required from where customers can get proper information, place the order, do payments etc. This same platform can assist in order handling, payment handling, distribution and delivery management tasks for producers, local networks and distributors within less time. Consumer awareness and potential support for governments can help in achieving sustainability in local food business.

Distribution & Logistics:

Stakeholders across all countries in BSR are not satisfied with the existing distribution & logistics chain for various reasons. E.g. higher costs, lack of resources, no centralized distribution system. But if we look at Table 6. Alignment of networks' and distributors' roles & responsibilities in local food business, most of these challenges are occurred due to repeat investments by distributors as well networks, inappropriate use of available resources like financial or human resources. By streamlining these aspects, it easier to overcome many distributions as well logistics barriers to a certain extent.

There are some recommendations from few stakeholders like arranging a centralized distribution system – collecting products from local producers and transporting them to one pre agreed selling point. In a way, the customers can also get a chance to see all other products produced by other producers and if needed, they can try to seek more information about the same in person. These distribution hubs can eliminate or help reducing most of above discussed challenges by combining resources. It would allow better collaboration between stakeholders enabling more efficient use of resources. In case of low demand areas, stakeholders can coordinate in person to coordinate supply and deliveries in efficient way for that particular area or region.

Demand vs supply balance:

Inconsistent supply, insufficient options for product selection, low demand vs. less order volume, seasonal availability are the various challenges faced by both producers as well as customers. To overcome this, organized farming in particular region can be an option. In case of large volumes, producers can produce products with pre-ordering, that ensures volume consistency as well as product sales. Lack of product information partly plays a role in creating this imbalance.

Technological advancements:

Many local businesses are already using some ICT solutions for conducting their business operations or some part of business operations. But somehow, they are not yielding expected results nor helping stakeholders in conducting their daily tasks. This is clearly because, current ICT solutions are developed by considering one or two stakeholders in mind. To leverage the existing ICT solutions, they should be modified by considering requirements from all the stakeholders. They should be easy enough to learn and efficient enough in saving time. A need for E2E e-platform is arisen from the findings.

Limitations – Environmental & Government factors:

Changes in the environmental aspects due to global warming, seasonal changes can impose several challenges for local food producers to produce the products in desired quantity or quality.

Government regulations are constantly changing and there is a need for quicker adaptations to make the most out of it. Clear instructions should be developed so that producers can comply with relative ease. Local food business also has scarcity of skilled and updated human resource. This impose various limitations in acquiring knowledge, updating information etc.

Education & Trainings:

Due to the lack of skilled and updated human resource, a proper and timely training is required for all the stakeholders. That will help in motivating these stakeholders with updated information, boost innovations and utilize existing resources in efficient way. E.g. understanding labels such as ‘Organic’ vs ‘local’ to describe local products and when to use them. Producers can seek guidelines from trainings related to updated government regulations, labelling guidelines and packaging standards etc.

It is also highlighted in study that the customer needs more education to understand what local products are, what is the importance of local and organic food, from where they can get locally produced products easily etc. These educational or awareness programs are also needed after proper customer segmentations.

4.4.2 What are the strategic factors influencing business decisions in local food business?

There are various strategic factors that influence business decision making. Many of them are generally based on past experiences, cognitive biases, socioeconomic factors, individual perceptions etc. Based on quantitative as well as qualitative data analysis, the above listed strategic factors influencing business decisions in local food business were identified.

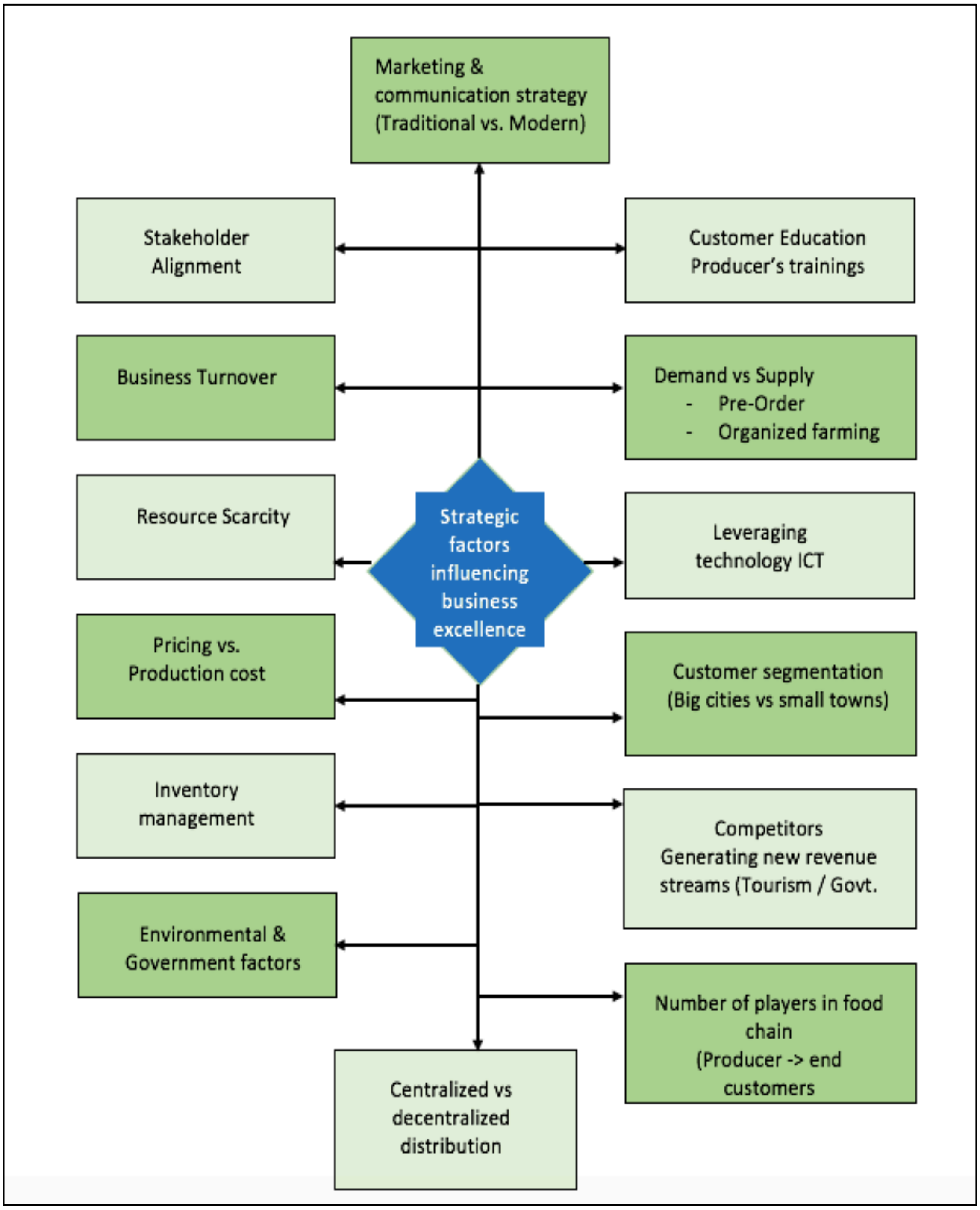

Image 15. Strategic factors influencing business decisions in local food business in BSR

4.4.3 How should the Business excellence framework be implemented and monitored?

In previous sections, current scenario in local food businesses was analyzed as well as various strategic factors that influence business transitions were identified.

Prior developing and implementing BEM for local food business, it is important to develop a basic operational business framework for local food business in BSR geography. It can be developed by considering all stakeholders, important business transactions as well as all possible business approaches. Following image represents the basic operational business framework with direct & indirect approaches developed for local food businesses.

The local food businesses can adapt two different approaches as their basic business operations to generate revenue. These two are - 'Direct' and 'Indirect'- approaches are presented in image below.

Direct approach connects local food producers and farmers directly to the end consumers. It uses various mediums like ICT solutions, social media, community support, direct contacts, local markets or fairs etc.

While an indirect approach establishes a link between B2B and B2C customers. Where farmers can sale their products to food processors, local businesses or chefs, local networks or distributors, schools or institutions, tourism events etc., and ultimately can reach to the end consumers.

But to implement this business framework with operational efficiency & optimum resource utilization, local food businesses need to make several strategic changes. Achieving business excellence, it an iterative process, through multiple strategic profiling and timely business decisions.

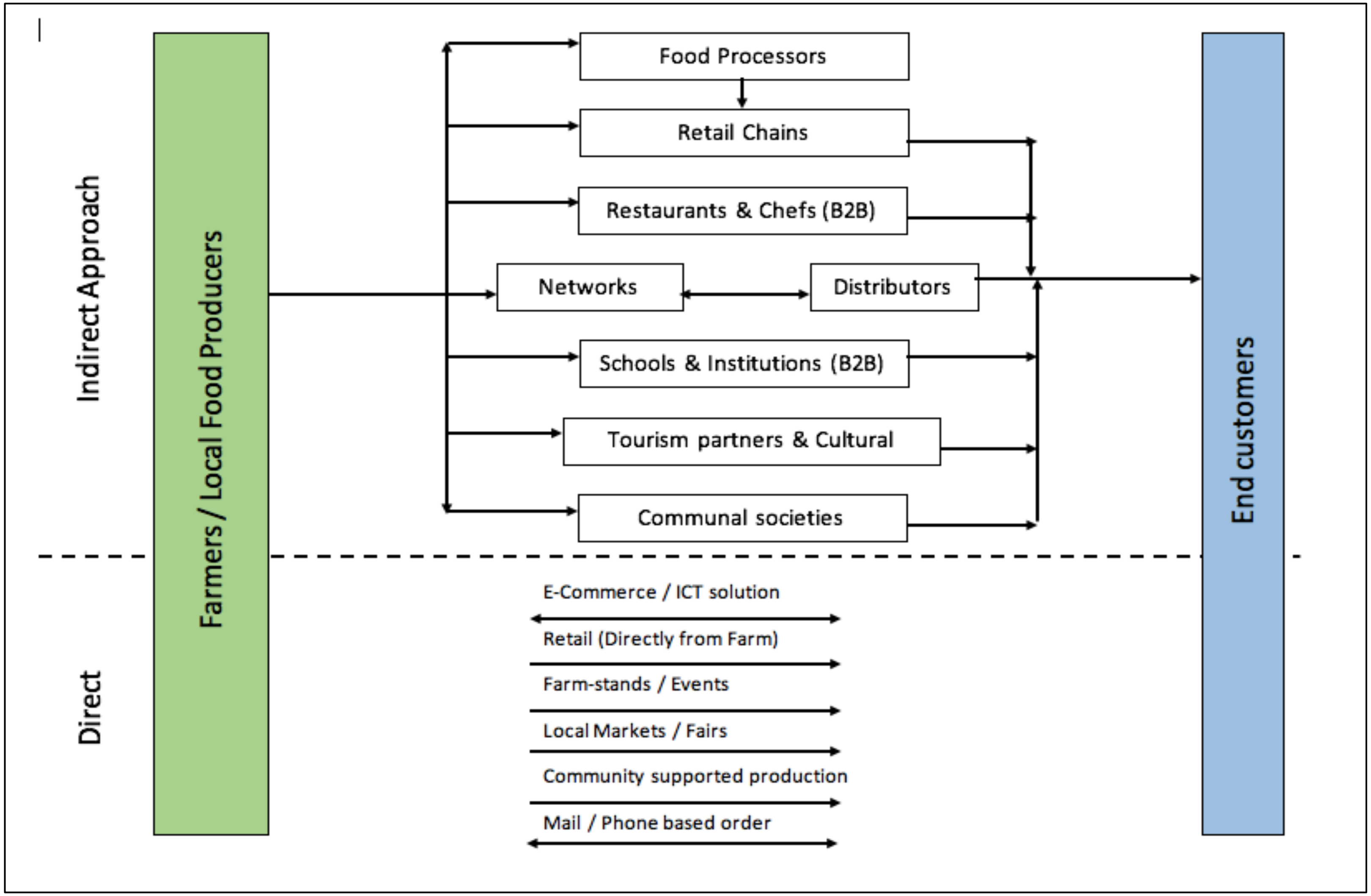

Image 16. Representation of basic operational business framework for local food business – indirect & direct approach

Four Actions Framework:

One of the simplest tools used of strategic profiling is the Four Actions Framework. Strategic profiling allows businesses to understand the right fit of their operations or business activities with the outside market as well as with the internal business environment. It is more of a gap analysis tool in order to understand areas of improvement.

According to Kim & Mauborgne 2014, The Four Actions Framework is used by businesses to reconstruct a strategic profile. It helps them in pursuing differentiation as well as reducing the unnecessary costs. The four actions considered here are:

Create: Create or add those strategies for generating value for businesses operations.

Reduce: Reduce those operations or strategies which are in use but not offering any significant value. Gradually you can focus on eliminating them.

Eliminate: Eliminate redundant tasks or non-value-added strategies. These tasks are generally taken for granted over a period.

Raise: Raise or protect existing functionalities by anticipating future needs and can offer more value in the future.

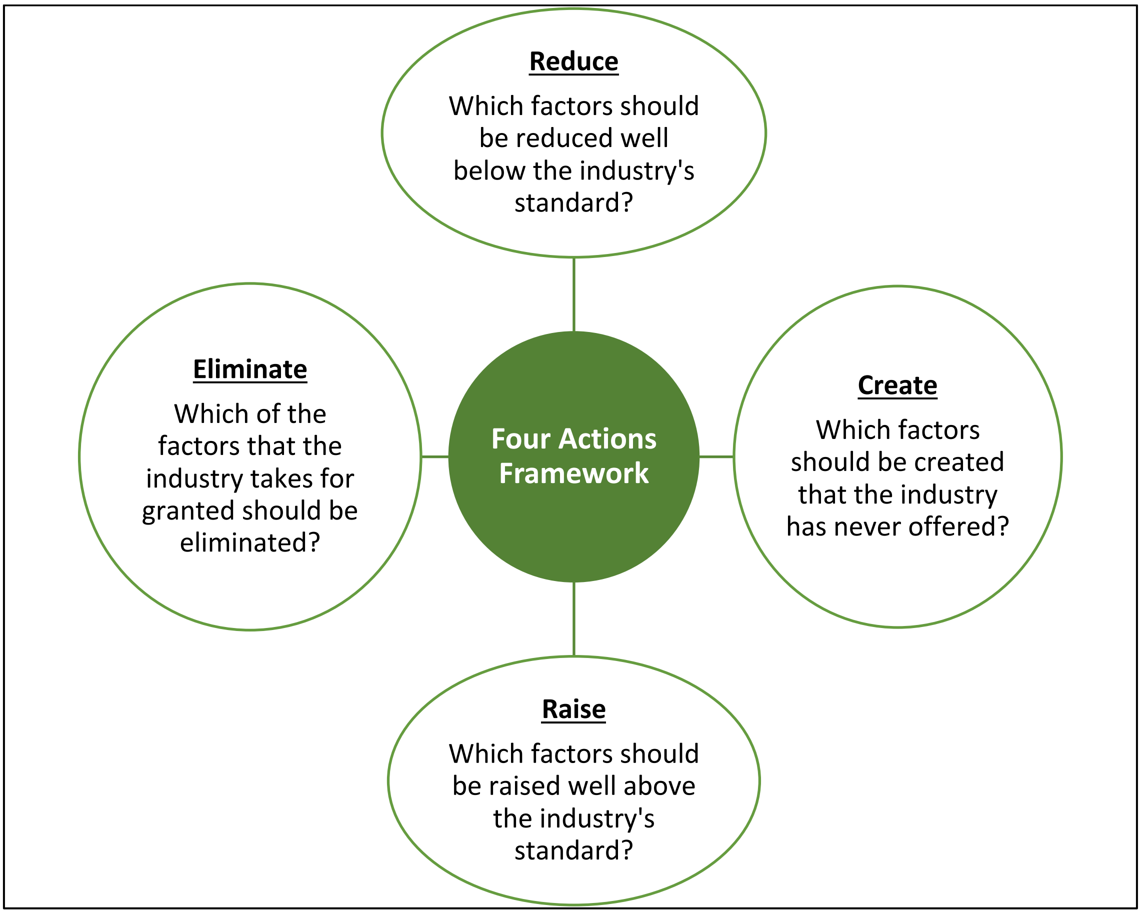

Image 17. Four Actions Framework by Kim & Mauborgne 2014 (Source: blueoceanstrategy.com)

In general, this action framework showcases all the existing understanding and insights about business operations. It provides valuable factors for redesigning and restructuring of existing strategies.

Based on the current scenario of local food business in BSR (Research question 1), strategic factors influencing business decisions (Research question 2) and Image 16, following Four Action Framework was prepared.

All strategies and business activities are then categorized into Eliminate, Raise, Reduce or Create. New strategies are recommended through ‘Create’ as well as existing secondary or less important activities are highlighted in ‘Eliminate’. Some level of activities or strategies will be increased or reduced through ‘Raise’ and

'Reduce' respectively, based on outcomes and by analyzing business market scenario.

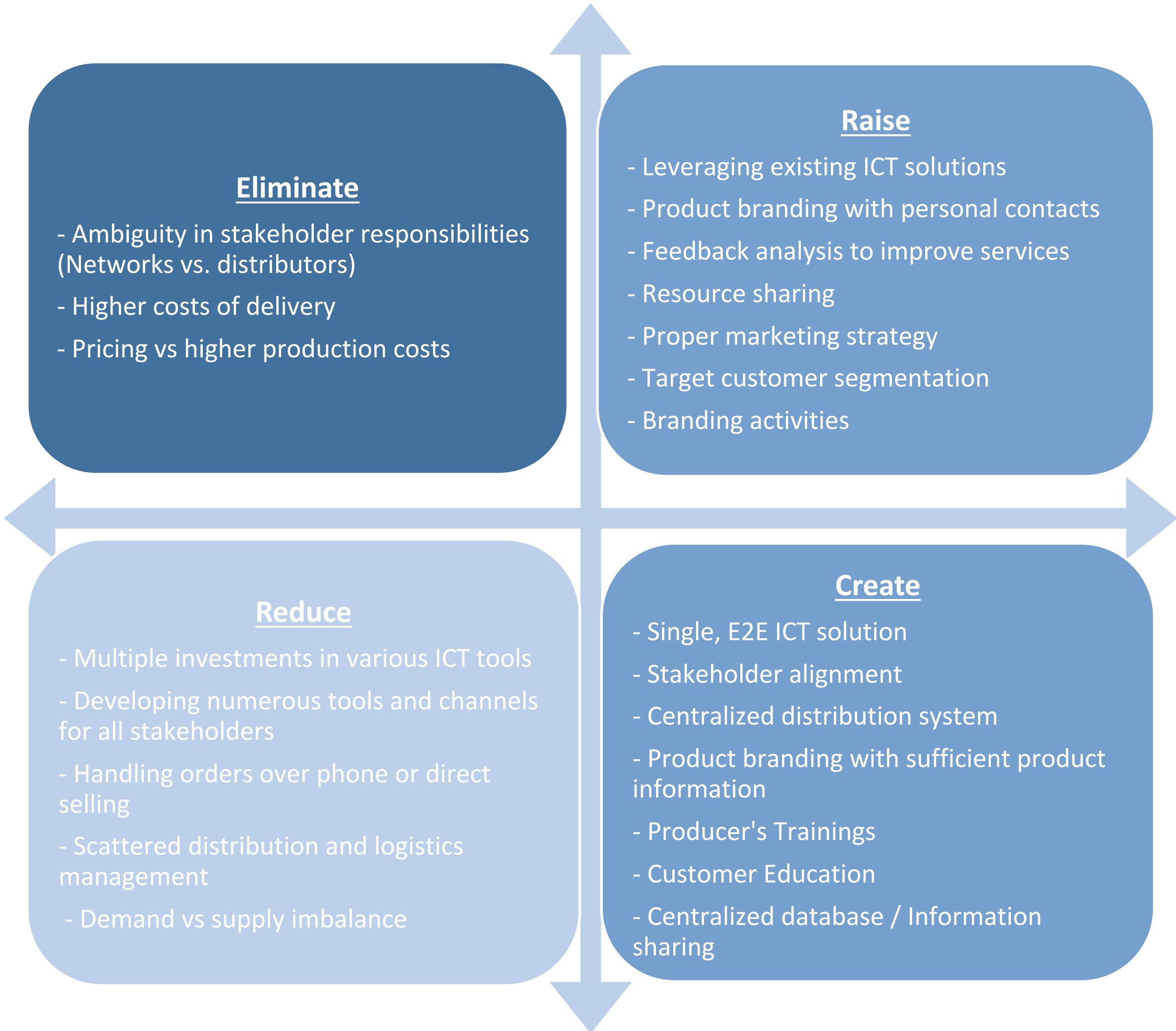

Image 18. The Four Actions Framework for local food businesses in BSR

4.5 Validity and Reliability

According to Patton 2002, reliable research is a consequence of validity accomplished in research methodology and study, it is based on researcher's ability and skills. Validity of the research can be defended based on the accuracy of findings and credibility of the data.

In case of quantitative data analysis, it is difficult to support the validity of findings. Hence, to support to those findings, multiple methods were used to collect the data. This offered a mixed approach of collecting & analyzing data from multiple sources like focus group interviews, translated transcripts as well as individual country reports published. This document also includes the strategies employed to achieve thoroughness in the overall study. The strategies include basis for research design, various sources and stakeholders involved, important quotes and presentation of findings.

Both interviewers and the interviewees were knowledgeable stakeholders in the local food business areas. Plus considering perspectives of various stakeholders and from various cultural backgrounds emphasized the overall data and ultimately the research validity. To avoid the ambiguity of how the interviewers can interpret the interviews, the interviews were transcribed, and each country was asked to present their own analysis and findings in country reports. This three-level analysis was very useful in getting valid data required for the empirical research.

A valid research approach creates a reliable result. Reliable research accurately represents what is happening in the problem / research space and how the results of the research have arrived (Collis & Hussey 2003). According to Lincoln & Cuba 1985, the thoroughness of qualitative research can be determined using four different criteria: credibility, dependability, confirmability and transferability.

> *Using two types of instruments in the study of one phenomenon demonstrated confirmation and completeness of data. A confirmation occurs when comparing data collected from different sources to determine the degree of corroboration of the findings. (Golafshani 2003)*

One of the ways to ensure maximum reliability was to follow consistent research method throughout the study and to use more than one instruments for data triangulation. In this thesis, we have used two approaches – electronic surveys, focus group interviews, for data collection. Further, we have used country reports for assuring the validity and reliability of empirical findings. Research data collected from various stakeholders from cross-cultural backgrounds provided with diverse perspectives on same issue or helped in providing insights for new issues to complete this study successfully.

5 DISCUSSION & REFLECTIONS

This study has explored the local food business in Baltic Sea Region, in order to identify current scenario and barriers, exploring opportunities, analyzing the need of strategy development for achieving business excellence by overcoming those existing barriers.

In this chapter, the objectives of this thesis are discussed in detail, findings of the research are summarized. Also, the business excellence strategy model with strategy innovation is presented at the end of this section.

5.1 A map of current situation and existing barriers

One of the objectives of this thesis is to present existing barriers in BSR local food business collectively. The aim is to showcase if there exists any need to improve the business operations.

Following table represents the existing barriers in local food business and it clearly indicates that to overcome these challenges it is important to improve their existing business operations. These barriers also highlight the areas in which they need to improve.

Table 8. Representing existing barriers in local food business in BSR

Scenario	**Barriers**
Communication	• Insufficient product information (origin, how it is produced, producer details etc.) • Use of modern vs traditional communication channels

	• No brand visibility irrespective of local food product's popularity
Ordering	• Demand vs supply imbalance • Increased ordering time due to lack of proper product information • Inefficient customer segmentation (Big cities vs small towns) • Customer acquisition • Lack of assurance for timely deliveries • Product availability in required volumes
Logistics & distribution	• Higher costs in logistics & distribution • Transportation requirements varies according to product • Insufficient infrastructure • Storage issues • Varied demands (big cities vs small towns)
Pricing	• Number of players in food chain (producer -> customer) • Varied seasonal demands for products
Future challenges	• Higher costs of production • Availability of too many tools for e-commerce or marketing. Difficultly in choosing right tools and thus lacking proper reach to the customers
Others	• Under leveraged existing ICT solutions

	• Redundant or repeat investments w.r.t time and money by different stakeholders (specially by networks and distributors) • Lack human and financial resources • Low returns on investments • Low returns over production costs • Environmental factors • Government regulations & packaging guidelines – adaptation time is high • Time investments required to learn new regulations, packaging guidelines, technologies etc. by producers

5.2 A Business Excellence Strategy Model

To develop a business excellence strategy model, the inputs from strategic factors identified (Research Question 2) and the list of existing barriers to overcome (Research Objective 1) are considered. By using EFQM model, as discussed in the literature review, the framework of business excellence strategy model is presented in this section. The model is developed based on the collective findings from all 10 countries' empirical study. It can be easily customized based on individual country's priorities or focus.

While developing the BEM model, it is important to know that the alignment of identified factors is mostly done based on perceptions than the exact scoring mechanism. It is important to see measurable results than developing approaches based on scores. These alignments can be done with little guidance from how assessors evaluate BEMs. BEM assessors generally perform a three-dimensional scoring tactics for evaluation of BEMs (McCarthy 1999). They are:

- Identifying approaches adopted by businesses to drive performance
- Successful deployment of these approaches at all levels
- Measurement of results with internal and external stakeholders

The additional guidance for measuring business performance from the EFQM / BQF Assessors Group 1999 includes:

> *For sound approach, a role model submission would describe what is done, why, how and the link to the relevant stakeholders, with appropriate examples. An approach which is based on extensive research and some best in class benchmarking will score highly. If processes are well defined and have been developed over a period of time, this will also score highly……….. For integrated, the degree to which the approach has been integrated needs to be supported by examples and in general, the more evidence provided, the higher the score. (Source: McCarthy 1999)*

Through BEM, it is important to see measurable results – ‘Results’, which further provide inputs for ‘Enablers’. Following image represents the business excellence strategy model developed for local food business in BSR.

‘Enablers’ focus on business activities while ‘Results’ focus on business results and objectives. ‘Enablers’ comprise of leadership / key stakeholders, people, strategy development, partnership and resources utilization and processes, products & services development. While ‘Results’ comprise of people results, customer results, society results and business results. All these results are analyzed in a timely manner and based on findings, the ‘Enablers’ are modified or updated to achieve desired objectives.

The below presented BEM for local food business in BSR, is derived from the core strategic values that drive business successes. They are:

- Value addition to customers

- A path towards sustainable future
- Developing operational capabilities
- Promoting creativity and innovation
- Robust and flexible approach
- Managing talented human resource
- Development with measurable goals

ENABLERS → **RESULTS**

KEY STAKEHOLDERS

- Development of proper business plan
- Vision & mission Development
- Business model development (B2B & B2C)
- Finding new revenue generation streams
  - Tie-ups with schools / institutions
  - Tourist agencies

PEOPLE

- Stakeholder alignment (focused roles & responsibilities)
- Producer's trainings -Govt. regulations, labelling & packaging guidelines

STRATEGY

- Marketing & communication strategy
  - Trend Analysis
- Customer segmentation (Big cities vs small towns, B2C vs B2B)
- Customer Education
- Initiating branding activities

PARTNERSHIP & RESOURCES

- Partnership contracts between network & distributors
- Resource sharing (e.g. vehicle, cold storage spaces)
- Partnering with Govt agencies
- Organized farming
- Pre-order / Order based cultivation

PROCESSES, PRODUCTS & SERVICES

- Centralized database or information sharing system
- Centralized or decentralized distribution system based on customer segmentation
  - Collect from producer to direct delivery to customer
  - Collect from producer till common selling point
  - Common collection point to direct customer Delivery
  - Common collection to common selling point
- Feedback analysis
- Automated inventory management system
- E2E ICT solution / platform
  - Product traceability / return
  - Producer rating
  - B2C order processing platform
  - B2B order processing platform
  - Payment platform
  - Personalized order (Preferred customers)
  - Collective order (Preferred customers)
  - Feedback platform
  - Delivery tracking

PEOPLE RESULTS

- Reduced no. of people in food chain (Producer -> customer)

STRATEGY RESULTS

- Educated customers
- Product traceability
- Producer's information linked with Products
- Reliable customer & producer's relationships (B2B)
- Timely deliveries

SOCIETY RESULTS

- Recognized brand value
- Premium product value
- Better market penetration

BUSINESS RESULTS

- Increased ROI
- Reduced delivery costs
- Reduced repeat investments
- Better utilization of available resources
- More +ve feedbacks
- Increased returns for producers
- Producers adapting with ease -changes in regulations, business environment etc.
- Robust & flexible ordering system
- Well aligned stakeholder responsibilities
- Effective use of ICT solutions / Technology

LEARNING, CREATIVITY & INNOVATION

Image 19. The business excellence strategy model developed for local food business in BSR

5.3 A Strategy Framework for achieving business excellence

Various limitations of EFQM are analyzed earlier in literature review. Also, why many organizations follow combination of two or three strategy tools for strategic planning and measurement of results is discussed. Innovation in strategy offers flexibility and chances to learn or to develop new business approaches which may or may not have discussed or tested previously (Lamotte & Carter 2000). Thus, with the help of innovative approaches, it offers greater chances of effective strategy implementation for achieving business successes.

Here, so far EFQM and The Four Four Actions Framework are applied in answering research question or fulfilling research objective. But mostly they are used as a gap analysis or diagnostic tool for this study.

In the next step for developing strategy framework, the GE-McKinsey nine-box matrix is used. The matrix is used for real-time business planning and quantitative measurement of results, which assists in developing a path towards a business excellence.

Proposed Approach:

Prior applying GE-McKinsey nine-box matrix, an innovative strategic approach is proposed for BSF project – Phase III i.e. 'Conceptualizing business model through BEM'.

BSF project is divided into three phases. In phase-II of BSF project, business model(s) are developed based on research and analysis done in phase-I. The last phase is all about piloting, testing and remodeling of these business model(s) to develop most financially viable approach in local food businesses. One of the objectives of developing business models in BSF, is to achieve operational effectiveness and ultimately to achieve business excellence, which serves as the basis for the development of this thesis.

As discussed earlier in Section 2, many practitioners get confused with how to implement these business models to achieve desired results or to gain competitive advantage. Which activities or components are to be considered primary and which ones to be secondary? Hence, conceptualizing business models using BEM plays a significant role in not just achieving business excellence but also in effective implementation of these business models. It assists in gaining competitive advantage in local food business BSR geography.

‘Conceptualizing’ is about coming up with a practical implementation of an idea and envisioning it. Once these business models are developed in BSF phase – II, they can be tested, piloted and re-modified based on findings and results of this approach. As this approach has never been studied or implemented before, it does not offer any guaranteed results at this stage. But this can offer a greater flexibility and a development of new business approach towards achieving sustainability and business excellence. With a focused approach in implementing business models with the help of prioritization and strategic management there is always a greater chance of success.

Following image depicts the brief idea about a path to conceptualize business models through BEM for BSF project.

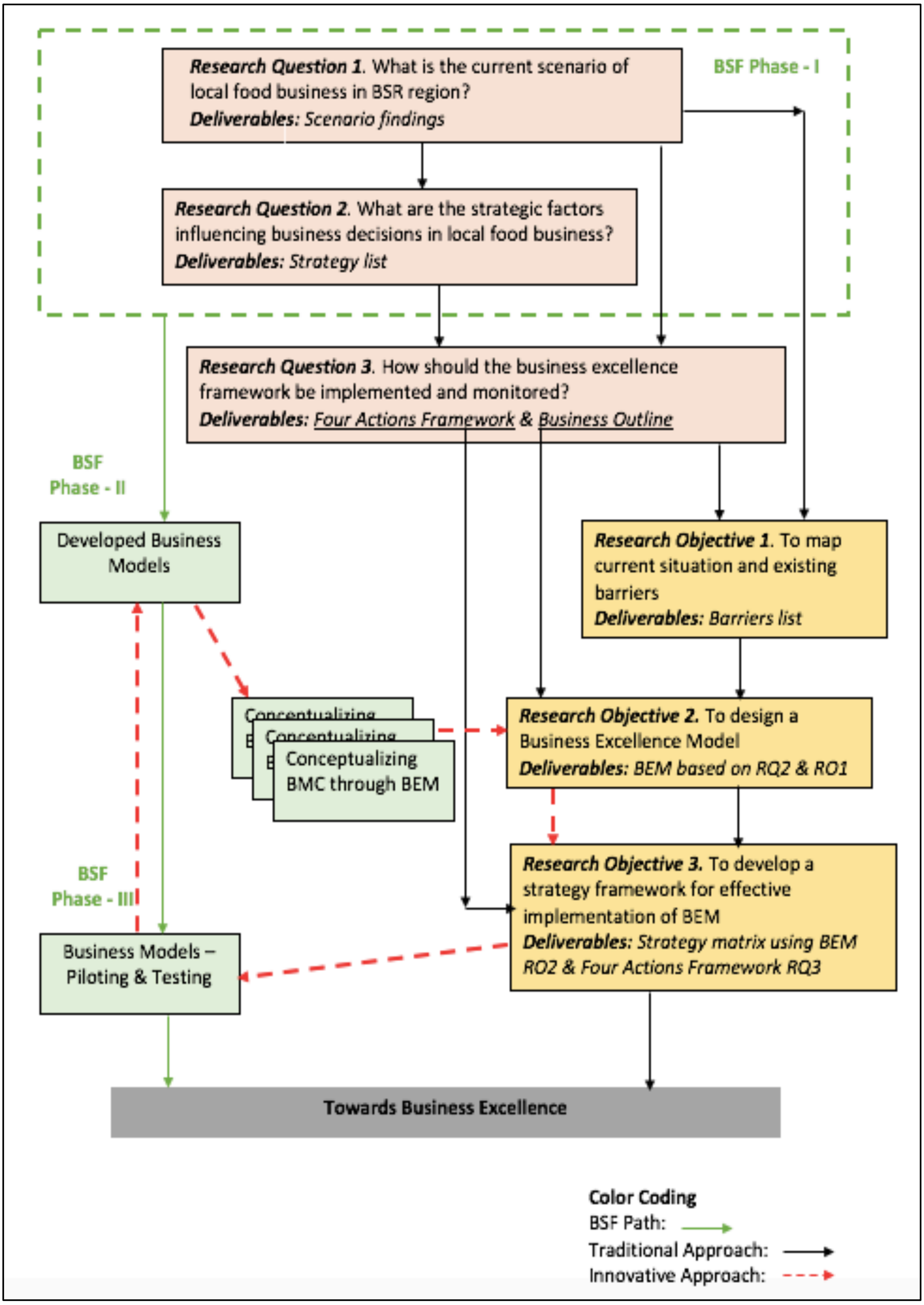

Image 20. Conceptualization of Business Model through BEM to achieve business excellence

All 10 countries in BSR, have their own strategic focus, varied resource availabilities as well as varied set of existing barriers or available business opportunities. Thus, here for now, only one country is considered as an example to showcase how the approach can be developed a strategic framework to achieve business excellence. Using the very same example, the matrix and the strategic approach can be developed and implemented successfully for other countries as well.

Step – I:

Initially, only one country– Germany - is considered to develop the approach for achieving business excellence. Analyzing & understanding Germany's findings, challenges and expectations, the business model is developed.

<table>
<tr><th>Key Partners</th><th>Key Activities</th><th>Value Propositions</th><th>Customer Relationships</th><th>Customer Segments</th></tr>
<tr><td rowspan="3">• Distributors
• Networks
• Tourism Partners
• Retailers
• Wholesalers
• Local businesses
• Schools & Institutions
• Communal societies</td><td>• ICT maintenance
• Social media promotions & branding
• Customer Relations
• Logistics
• Distribution
• Packaging
• Trainings
• Resource sharing</td><td rowspan="3">• Local / organic food products
• Timely deliveries
• Recognized brand value
• Healthy and quality food
• Producer's rating
• Centralized database system
• Educated customers
• Product traceability
• Producer's information linked with Products
• Reliable customer & producer's relationships (B2B)</td><td>• Customer Feedback & suggestions
• Online communities
• Ensured and timely deliveries</td><td rowspan="3">• Big cities vs small towns
• Younger generation
• B2B
• Tourist
• Government events</td></tr>
<tr><th>Key Resources</th><th>Channels</th></tr>
<tr><td>• Distribution Network
• Customer relationships
• Management tools
• Web Development team</td><td>• Direct channel
• Indirect Channel
• B2B
•</td></tr>
<tr><th colspan="3">Cost Structure</th><th colspan="2">Revenue Streams</th></tr>
<tr><td colspan="3">• Value driven approach
• ICT maintenance
• Direct Costs: Operating cost, logistics & distribution
• Indirect Costs: Promotional & Marketing cost</td><td colspan="2">• Pre-agreed pricing
• Direct sales
• Order based cultivation</td></tr>
</table>

Image 21. Business Model Canvas developed for Germany

Step – II:

As a next step, various components for BMC and BEM are analyzed to identify some common aspects and to fulfill their respective objectives, so that they can be mapped with 'Enablers' & 'Results' of EFQM.

Following images represent, mapping BMC components with BEM components based on its objectives.

BMC key components	Objectives	Identified factors	Enablers / Results & sub-component
Key Partners	• Identifying key value partners • Who & why they are important for business? • What important things business receive from them? • What important activities they perform?	Local Food Distributors	Enablers – Key stakeholders
		Local Food Networks	
		Tourism Partners	
		Local businesses	
		Schools & Institutions	
		Communal societies	
Key Activities	• Most critical activities to deliver value & gain competitive edge	ICT tools development & maintenance	Enablers – Processes, products & services
		Marketing & branding	Enablers - Strategy Enablers - Strategy
		Customer relations	
		Logistics	Enablers – Processes, products & services
		Packaging	Enablers – Processes, products & services
		Transportation & delivery	
		Trainings	Enablers – People
		Resource sharing	Enablers – Partnership & resources
Key Resources	• Most critical resources to deliver value & gain competitive edge	ICT team	Enablers – Processes, products & services
		Distribution Network	
		Management Tools	
		Automation	

Image 22. Mapping BMC components - Key partners, Key activities, Key resources with BEM components for Germany – Part I

Key partners, key activities and key resources are the crucial things for any business. Businesses need them to deliver their value propositions as well as to make rest of the business work. These are generally treated as strategic assets required for any business. Considering roles and objectives in business model canvas, key partners, key activities and key resources of BMC – Germany, categorized into 'Enablers' of EFQM as shown in the image 22.

Value proposition is simply a promise of value to be delivered. Value proposition is clear to understand with questions like what it is, for whom and how it is useful. It is a clear representation of how businesses and their existence can be seen or perceived from outside world. Customer relationships are developed based on the value offered and actually trying to solve customer's pain. Thus, both value proposition and customer relationships are the 'Results' of EFQM. Based on inputs from value propositions and customer relationships, various other components of business model canvas can be restructured.

BMC key components	Objectives	Identified factors	Enablers / Results & sub-component
Value Propositions	• Core value of business • How customer's problems are solved?	Local / organic food products	Results – Society results
		Healthy and quality food	Results – People results
		Ensured and timely deliveries	Results – Business results
		Recognized brand value	Results – Society results
		Centralized database system	Results – Strategy results
		Social responsibility	Results – Society results
		Local economy growth & contributions	Results – Society results
		Product traceability	Results – Strategy results
		Reliable customer & producer's relationships (B2B)	
		Rated producers with quality standards	
Customer Relationships	• Interaction with customers	Customer feedback & suggestions	Results – Strategy results
		Online communities	
		Producer ratings	

Image 23. Mapping BMC components – Value Propositions, Customer Relationships with BEM components for Germany – Part II

Choice of channels to reach customers and customer segmentation decisions impact business results. Hence they are categorized into ‘Enablers’ of EFQM. It is difficult to categorize cost structure and revenue streams into one component. Allotted budgets and cost structure approach directly affect business results, while business performance decides various factors in cost structure. Similarly, revenue streams act as key enablers or results providers. E.g. for lower business demands the cost structures needs to be adjusted to reduce costs or in case of stronger competition, businesses may need to look for other revenue generation ideas. Hence, each of their components needs to be analyzed separately before deciding whether it is an ‘Enabler’ or ‘Results’.

BMC key components	Objectives	Identified factors	Enablers / Results & sub-component
Channels	• How value proposition is delivered? • How customer segments are reached?	ICT tools	Enablers – Processes, products & services
		Direct channel – phone, mail etc.	Enablers – Strategy & Enablers – Processes, products & services
Customer Segments	• Who is value proposition target? • Most important customers • Pains & gains of customers	B2C	Enablers - Strategy
		B2B	
Cost Structure	• Major drivers of the cost	Value driven approach	Results – Business results
		Direct Costs: Operating cost, logistics & distribution, ICT maintenance	Results – Business results
		Indirect Costs: Promotional & Marketing cost	Enablers - Strategy
Revenue streams	How value proposition generates money Pricing strategy	Pre-agreed pricing	Enablers – Partnership & Resources
		Direct sales	Results – Business results
		Order based cultivation	Results – strategy results
		Organized farming	Enablers – Partnership & Resources

Image 24. Mapping BMC components – Channels, Customer segments, Cost structure, Revenue streams with BEM components for Germany – Part III

In general, BMC components can be mapped with BEM components as represented in table below. Also, known as conceptualization of BMC through BEM.

Table 9. Mapping business model components with business excellence model

BEM - EFQM	
Enablers	Results
Key partners	Value proposition
Key activities	Customer Relationships
Key Resources	
Customer Segments	
Channels	
Cost Structure	
Revenue Streams	

Step – III:

Once the business model components are mapped with BEM, EFQM BEM framework for Germany is developed. EFQM BEM – Germany is developed by using, Image 21, Image 17 and Table 9.

With the help of Four Actions Framework, various additional factors and approaches can be included in BEM which are not directly relevant to the business model but are relevant to & important for the business. E.g. development of vision

& mission – can't be added directly to the business model canvas but it is critical for business to choose a particular direction to be successful. The business excellence strategy model for Germany, is represented with highlighted strategies based on Germany's empirical findings.

While for rest of the 9 countries, EFQM BEM frameworks can be designed based on the developed understanding of major issues mentioned and studied for each country through this study.

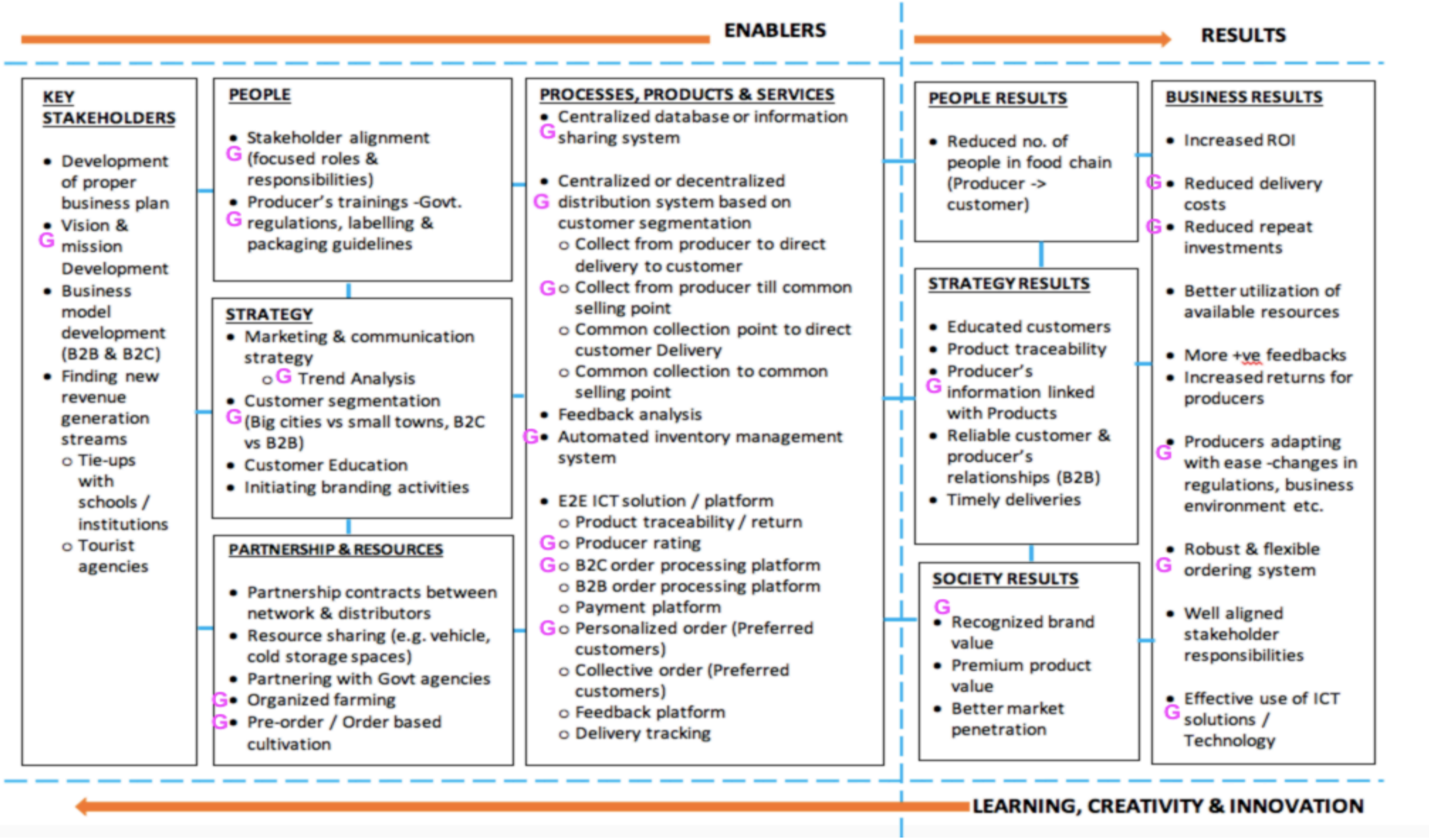

Image 25. The business excellence strategy model for Germany

Step – IV:

Once the business excellence strategy model is developed, it is important to prioritize the strategies identified. But strategy prioritization and re-prioritization becomes arduous and tiresome activity when everything is important. Knowing how to prioritize these strategies yields success for the projects with greater engagement & satisfaction from all the stakeholders.

The strategic prioritization process requires use of analytical matrices, which can reflect the realistic picture of businesses and ultimately providing a direction in developing a strategy implementation plan. Strategy implementation & monitoring is all about allocation of resources and measuring it through financial goals and/or financial performance.

> *The fundamental success of a strategy depends on three critical factors: a firm's alignment with the external environment, a realistic internal view of its core competencies and sustainable competitive advantages, and careful implementation and monitoring. (Source: Porter 1996)*

Next step involves, use of Image 17, discussed in section 4.4.3 & the use of GE-McKinsey nine-box matrix.

The GE-McKinsey nice-box matrix offers a systematic approach to implement and monitor these strategies based on investment opportunities. The matrix emphasizes financial performance as one of the key indicators of a business success. It provides a linkage between strategic goals & their performance. It efficiently provides timely information to facilitate strategic as well as operational control decisions for businesses.

Using Four Actions Framework, prioritize these identified strategies or sub-strategies, based on related business areas and their effectiveness in creating market attractiveness.

Evaluate market competitive position of each factor. Rate and position these factors in the business strength and market attractiveness framework for developing GE-McKinsey nine-box matrix. The positioning is done based on market and business understanding, past experiences, importance of factor etc. There are no specific guidelines developed for alignment of their strategies in GE-McKinsey nine-box matrix.

Once strategies are prioritized, determine the category for each factor for developing strategic implementation guidelines and set the measurable objectives using Table 2, discussed in section 2.4.

Following image represents the strategic implementation & monitoring framework developed for Germany by using GE-Mckinsey nine-box matrix. Analyze this matrix in timely manner to measure the results. Update, eliminate, add and/or reposition these strategic areas on the matrix based on achievements.

		Market Attractiveness		
		HIGH	MEDIUM	LOW
Business Strength	HIGH	Invest & Grow Maximize investments (Leader)	Selective Growth Identify and invest in growth area (Try harder)	Selective Growth Maintain cash position
		Stakeholder Alignment	Automated inventory management	Marketing & communications Strategy
	MEDIUM	Selective Growth Identify weakness and build strengths	Invest selectively with care Specialize	Harvest / divest Minimize investments (Phased withdrawal)
		Centralized distribution system (collection from producers till common selling point)	Customer segmentation	Pre-ordering / order-based cultivation
	LOW	Selectivity Improve or quit Specialize	Harvest / divest Specialize / consider exit (Phased withdrawal)	Harvest / divest Consider exit (withdrawal)
		Centralized database	Trend analysis (Marketing & communications Tools)	Scattered distribution & logistics system

Image 26. Strategy implementation framework for Germany using GE-McKinsey nine-box matrix

A right mix of strategy implementation and monitoring guidelines leads to a successful implementation of strategies and achieving business success. Achieving business excellence is a continuous journey where businesses continually develop and strengthen their processes, products, services as well as management systems in order to achieve superior results for their internal as well as external stakeholders. This path ensures the operational efficiency as well as sustainability in local food business in BSR geography.

6 CONCLUSIONS AND RECOMMENDATIONS

Based on empirical findings and discussions, conclusion and further study recommendations are provided in this section.

6.1 Evaluation

The BSF phase-I survey was conducted from January to May 2018. The research data was collected to best analyze the current situation in the local food business and the potential for development, which will then be used for developing testable business models. It is focused to identify how local food sales are handled, how local food is understood, what are the challenges and barriers involved etc.

In BSF phase-II, findings from phase-I is used to develop most viable business models. The developed business models will be introduced by April 2019. The last phase is all about piloting, testing and remodeling of these business model(s) to develop most financially viable approach in local food businesses. This final BSF phase-III will be conducted till May 2020 and based on results the country-wise final version of business model will be developed and shared with the partners.

One of the objectives of developing business models in BSF, is to achieve operational effectiveness and ultimately to achieve business excellence. Businesses always struggle to know how to execute their business models and value propositions successfully to achieve desired objectives. This study – 'Driving business excellence in local food business through strategy innovation' - proposes an innovative approach for successful implementation of business models for BSF project.

> *It's not that we lack powerful ways to approach strategy; it's that we lack a robust way to select the right one for the right circumstances. (Source: Your Strategy Needs a Strategy by Reeves M., Haanaes K., & Sinha J.)*

The approach proposed through this study, is not just applicable for BSF, but it can also be adapted by other businesses to implement their business models effectively. Additionally, this study provides a framework for conceptualizing their business models through BEM and then to achieve business excellence through strategic implementation framework.

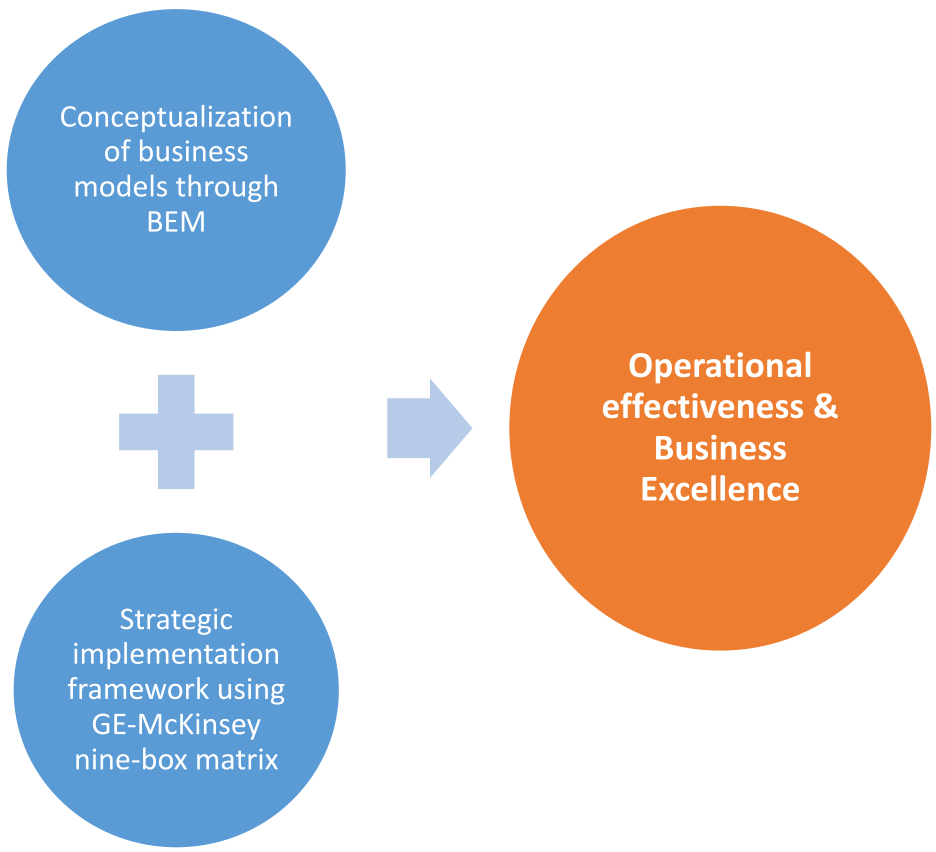

Image 27. The proposed mix for achieving operational effectiveness and business excellence

The proposed mix or approach has never tested, implemented or studied before. Thus, it has its own advantages as well as disadvantages. Here, a simple strategic analysis tool – SWOT analysis, is used to analyze the strengths, weaknesses, opportunities and threats associated with this approach.

Table 10. SWOT analysis of proposed approach – achieving business excellence in local food business through strategy innovation

Strengths	Weaknesses
• Stronger BMC with each iteration • Differentiating BSF project's business models from one country to another • Regular evaluation • Measurable results for analysis • Focused approach • Flexibility & robustness (Easy to modify based on market situations & industry) • Continuous process	• Time consuming • Need understanding about all the tools • Untraveled / experimental path • Alignments based on perception than scoring or weightages
Opportunities	**Threats**
• Use of different tools, both traditional as well as new • Exchange of good practices among the partnership • Innovation opportunity (BSF can lead as an example) • Gain competitive advantage	• Fixed duration of project may affect the end product or process • Getting lost into iterations (if lacks proper understanding of tools) • Unguaranteed success rate (at this stage)

• Increased chances of developing newer business approach • Up-to-date businesses: ready for change and risks • To develop a definite workable business plan	

Strengths

Many Estonian products have strong competition from Latvian local food items as they are cheaper. Hence, finding clients is an important challenge for Estonian local food. They have competition in local food, especially in the border areas. This proposed approach offers a flexibility to modify and to align strategies based on own country's market environments and risk factors. Thus, with this approach one country's business model can be differentiated from another's to gain a competitive advantage. It helps in developing a stronger business model with right value proposition with every iteration.

GE-McKinsey nine-box matrix is based on continuous evaluation of market situation and business environment. This offers a great chance for local food businesses to stay up-to-date and be prepared for easy accommodation of market uncertainties or changes. Also, this approach can be implemented in any industry or business environment. Flexibility and robustness of this approach offers a great chance of achieving desired business results.

Weaknesses

As this is a continuous process, the overall journey is for achieving excellence feels to be time consuming. To achieve desired results, it requires a proper understanding of all the tools used like, BEM, BMC, GE-McKinsey nine-box matrix etc.

The mix of all the tools proposed here, mostly rely on past experiences, perceptions of various stakeholders. These do not offer any particular technique for scoring or weightage before aligning these strategies. As experiences, perceptions vary from person to person, its success is clearly dependent on how correctly the strategy or situation, or business scenario is understood.

Opportunities

As mentioned earlier, 69% distributors and 63% of networks do not have any written business plan. While implementing this approach, various BSF stakeholders and consultants, need to develop various iterations of business models, strategic priorities etc. This approach also requires maintaining an analysis about what strategy has worked & what not, what is implemented new, or removed from the existing processes etc. Thus, it offers an opportunity to develop a written business plan with detailed activities and keep a track of it. This further guides in developing their processes in a focused direction.

The continuous screening or analysis with respect to the continuously changing business environments, offers local food business to stay up-to-date & to accommodate market risks or changes quickly and to gain a competitive advantage.

‘Conceptualizing’ is about coming up with a practical implementation of an idea and envisioning it. With a focused approach in implementing business models with the help of prioritization and strategic management there is always a greater chance of success.

With the successful implementation of business models and achieving business excellence in local food businesses, this approach offers a great chance in strategic innovation. It uses various traditional as well as new tools with a mix. With its success, BSF project can lead as an example for this strategic innovation. Also, it can provide directions & valuable insights for various partners or businesses or researchers.

Threats

BSF has a fixed duration of project and as per timelines, the final country-wise business models will be developed by May 2020. Achieving business excellence is a continuous process and it is not time bound. These timelines may affect quality of the end product or the quality of overall process.

With no proper understanding of how to use these tools, insufficient knowledge about business or market environment, there is a risk for implementers, to get lost into multiple iterations rather than actually achieving any efficiency or excellence. Hence, it is very much recommended to set measurable goals and implementers should have adequate understanding about local food business & its environment.

As this approach has never been studied or implemented before, it does not offer any guaranteed results at this stage. But non-traditional paths offer flexibility as well as chances to learn new business approaches which may or may not have discussed or studied or applied previously (Lamotte & Carter 2000) and offers a path towards strategic innovation – "the strategy of breaking rules" (Markides C. 1997).

6.2 Conclusion

To create sustainable operations and effective business processes applicable for local food business in BSR geography, a mix of business model and strategy innovation approach is proposed. Achieving business excellence through strategy innovation in local food business is about reimagining their own growth strategy through a focused and multi-functional approach. It is not a one action step to achieve something, but it is creating multiple iterations towards achieving operational effectiveness and business excellence.

Each BEM framework must address the different requirements of 10 unique countries in the BSR. They should also offer the flexibility to address the requirements of all the stakeholders – local food producers / farmers, local food businesses / chefs, local food networks and distributors and as well as end consumers. When pulling together all the data from 10 countries, many common issues and opportunities have come across. But it is important to understand while developing BEM and strategic implementation framework, that they have unique cultural backgrounds, different governments regulations and many local and regional differences. Therefore, the developed model must be adaptable enough to fit into their own country environment.

That is the most important reason, why we considered only one country i.e. Germany while developing the business model, BEM and/or GE-McKinsey nine-box matrix. They are designed based on the developed understanding of major issues mentioned and studied for Germany through this study. The main purpose is to provide a quick look at the issues for a specific country - Germany and to highlight the strategic priorities as per individual country needs. While for rest of the 9 countries, recommended strategic priorities using conceptualization of BMC through BEM framework can be developed independently by using Germany as a lead example.

With the successful implementation of business models and achieving business excellence in local food businesses, this approach offers a great chance in strategic innovation. It uses a mix of various traditional as well as new strategy tools. With its success, BSF project can set an example for this strategic innovation. Also, it can provide directions & valuable insights for various partners or businesses or researchers. This approach can further lead in gaining the competitive advantage for local food businesses in BSR geography. Local food business’ stakeholders can focus on differentiation.

> *Strategy is about positioning for sustainable competitive advantage, making choices about which industries, products and services to deliver, and allocating resources to achieve the unique competitive position an organization is aiming for. Ultimately, the goal of strategy is to achieve long-term, sustainable, superior performance. (Source: www.innovationmanagement.se)*

6.3 Further Study Recommendations

The study is not just limited to BSF project. Findings and deliverables can be used in BSF project phase - III. Once the business models or distribution models are developed, they can use these strategic implementation framework and recommendations to make the most out of these business models. This approach provides a guide on how exactly to implement these business models. The strategic framework developed in this study can guide BSF project partners in implementing identified business models effectively.

Streamlining business operations is equally important in achieving business excellence. This study findings, can also be used in other geographies for local food businesses as a pilot project. Based on findings in that particular region, the strategy matrix can be easily customized.

Many practitioners get confused with how to implement business models to achieve desired results or to gain competitive advantage. Which activities or components are to be considered primary and which ones to be secondary? Hence, conceptualizing business models using BEM plays a significant role in not just achieving business excellence but also in effective implementation of these business models. It assists in gaining competitive advantage irrespective of industry.

As this approach has never been studied or implemented before, this offers a greater flexibility and a development of new business approach towards achieving sustainability and business excellence. With a focused approach in implementing business models with the help of prioritization and strategy innovation there is always a greater chance of success.

Also, this strategy innovation opens many research opportunities to study and to analyze the viability of this proposed approach.

6.4 Limitations of the study

This study has few limitations. The electronic surveys conducted, collected only data from two stakeholders – local food networks and distributors. It would have been effective if all the stakeholders were included from the beginning. It would have been helped in obtaining broader view and wider range of responses for greater confirmation towards the empirical findings. Though, it does not appear to have any significant impact on the research findings.

Secondly, the exact definition of local food was not defined prior starting the study. That may have created ambiguities for respondents or interviewers or interviewees. The research data is clearly based on how these stakeholders perceive what local food is, what is regional food vs local food etc.

Third limitation is related to researcher's prior experience in strategy innovation and management. Though every effort has been made to understand strategic planning, processes involved, various tools available and choosing the right tool for performing this study so that the limited experience should not impact the outcome of this study nor the interpretation of the data.

Lastly, strategy innovation approach proposed through this study, to achieve business excellence, has not tested or studied or implemented before. Hence, it does not offer any guaranteed success at this stage. Also, it may yield some unexpected results. But with focused and careful progression or implementation, it offers a greater chance of success.

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APPENDICES

Appendix – I: Electronic Surveys Questionnaire

Electronic Surveys Questionnaire – Local food distributors

1. What type is your company structure?

    - A private company
    - A cooperative company
    - NGO
    - Other __________________

2. In which area/areas does your organization operate?

    - Finland
    - Germany
    - Estonia
    - Lithuania
    - Norway
    - Sweden
    - Russia
    - Latvia
    - Denmark
    - Poland

3. How many clients do you have?

    - Up to 10
    - 11-30
    - 31-50
    - More than 50

4. From how many local food producers/farmers do you buy your products?

    - Up to 10
    - 11-20

- 21-50
- More than 50

5. How old is your organization?

- Under 3 years
- 3-4 years
- 5-10 years
- Over 10 years

6. How much is your company's annual turnover?

- Under 25 000 euros
- 25 000 – under 50 000 euros
- 50 000 – under 100 000 euros
- 100 000 – under 200 000 euros
- 200 000 – under 500 000 euros
- 500 000 – under 1 000 000 euros
- 1 000 000 euros or more
- No information about annual turnover

7. How many employees do you employ? (Full-time and part-time)

	Full-Time	Part-time
Less than 10 employees		
10-50 employees		
Over 50 employees		
We don't have any permanent employees		

8. To whom do you sell your products?

- To food providers (catering companies)
- To shops
- To private persons
- To food processors
- To other clients __________

9. What kind of a distribution/logistics/selling model does your organization have?

    - It is business to business solution
    - It is business to consumer solution
    - It is both a business to business as well as business to consumer solution

10. What type of cooperation does your organization have in distribution / logistics / selling?

    - Centralized delivery of food products from farmers to each customer based on orders
    - Centralized delivery of food products from farmers to one selling point based on orders

11. Does your organization organize/participate in marketing events and/or fairs in your county?

    - Yes
    - No

12. What kind of marketing events and/or fairs does your organization organize / participate in your area? (A question only for those, who answered, that they do organize/participate marketing events/fairs, Q11)

    - Food Markets
    - Food Fairs
    - Thematic Food events
    - Food making / producing workshops
    - TV shows
    - Publishing cooking books / magazines / brochures
    - Mobile App
    - Promotional websites
    - Others___________

13. Which types of local food raw materials or products are in your organization's product range? (A list of products, one or more can be chosen)

    - Meat
    - Fish / Shellfish
    - Milk
    - Eggs
    - Vegetables / herbs
    - Berries / fruits
    - Mushrooms
    - Other _____

14. Which types of local processed food or products are in your organization's product range? (A list of products, one or more can be chosen)

    - Meat products (e.g. sausages, smoked meat)
    - Fish or shellfish products
    - Milk products (e.g. cheese)
    - Vegetable products/berry products (e.g. jams, juices)
    - Grain products
    - Spirits
    - Beverages
    - Other ______

15. Does your organization sell local food products from one centralized place?

    - Yes
    - No

16. Would it be useful to organize centralized distribution and logistics of local food products in your company? (A question only for those, who don't have a cooperation in logistics/distribution/selling)

    - Yes
    - No

17. How do you take care of deliveries to customers?

    - Our network takes care of delivery
    - The distributor takes care of the delivery
    - The delivery is organized in another way ________________________

18. Do you think that you can deliver the local food products fast enough?

    - Yes, we can deliver the local food products fast enough
    - No, our delivery times of local food products are too long

19. Why are your delivery times of local food products too long? (Open question for those who answered "No" in Question 18 (not obligatory question)

____

____

____

20. Are you satisfied with the existing delivery chain?

    - Yes
    - No

21. What are the reasons that your organization is satisfied with the existing delivery chain? (A question only for those who answered, that they are satisfied with the existing delivery chain; Q 20)

    - Good infrastructure
    - The cost of the delivery are reasonable
    - Good customer care
    - Good financial situation
    - Good IT-infrastructure for information exchange, taking orders etc.
    - The size of the market area is sufficient
    - The variety of local food products available is good
    - Other__________________

22. What are the reasons that your organization is not satisfied with the existing delivery chain? (A question only for those who answered, that they are Not satisfied with the existing delivery chain; Q 21)

    - Insufficient infrastructure
    - Cost of delivery is too high
    - Not enough human resources
    - Not enough financial resources
    - Market area is too small
    - The variety of local food product is too low
    - Insufficient IT-infrastructure for information exchange, taking orders etc.
    - Other _____________

23. How is the reclamation handling practice organized in your organization?

    - We have a reclamation form available
    - Clients can make the reclamation by calling us
    - Clients can make reclamation by letter/e-mail
    - Reclamations can be done another way
    - We don't have any reclamation handling routine in our company

24. How do you handle payments? (Can choose one or more)

    - By cash
    - By credit card
    - By bank card
    - By invoice
    - By online-payment
    - Other ______________

25. How is the possible returning of local food products organized in case of quality problems?

    - Clients return the products themselves
    - Our network takes care of the returning of products
    - There hasn't been any returning of local food products in our network

26. Does your network collect feedback from your clients?

- Regularly
- Casually
- Never

27. How do you use the feedback? (A question only for those, who answered that they do collect feedback; Q26)

- We analyze the feedback, but haven't used the data when developing our services/products
- We analyze the feedback and develop our services and/or products based on the feedback
- We haven't analyzed and used the feedback at all

28. How does your network receive and handle orders?

- By phone (the client calls)
- By phone (the supplier calls)
- By email
- By webshop
- By direct selling
- By mobile App
- In person
- Other ___________

29. How would your organization like to receive and handle the orders?

- By phone (the client calls)
- By phone (the supplier calls)
- By email
- By webshop
- By direct selling
- By mobile App
- In person
- Other ___________

30. Does your organization use some e-platform or other IT-solution?

- o Yes
- o No

31. If your organization uses an e-platform or other IT-solution, for what purpose do you use it?

- o For information exchange about available products
- o For making orders
- o For handling payments
- o Other ____________

32. Is the production of local food and demand for local food products in your organization in balance on an annual basis?

- o The availability and demand of local food products are in balance
- o There is more demand than products available
- o There is less demand than products available
- o The balance of availability and demand depends on the season

33. Is your organization planning to expand the business of local food products during the next 2-3 years?

- o Yes
- o No

34. Have you agreed about the quality standard of food products with producers/farmers?

- o Yes
- o No

35. Which marketing channels does your organization use?

- o Newspaper
- o Radio / television
- o Keywords in internet

- Social media
- Webshop
- Phone
- Visiting clients
- Website
- Word of mouth
- Other _______________

36. Does your organization have a (jointly agreed) written business plan? (written document)

- Yes
- No

37. We have cold-storage space in our food organization.

- Yes
- No

38. We have regular goods storage space in our food organization.

- Yes
- No

39. Are your storage spaces sufficient?

- Yes
- No

40. Does your organization have competitors in local food branch in your operational area?

- We don't have competitors or there is very little competition in local food branch
- We have strong competition in local food branch
- Don't know about the situation of competition in local food branch

41. Who are the main competitors in local food branch in your area? (A question only for those who answered that they have strong competition; Q40)

    - Retail chains
    - Wholesale chains
    - Other food networks
    - Farm shops
    - Other ____________

42. Do we think that consumers get enough information about local food products?

    - Yes
    - No

43. Do we think that our clients do appreciate local food products and therefore like to buy them?

    - Yes
    - No

44. Do you think that the price of local food products is suitable?

    - Yes, the price of local food products is suitable
    - No, the price doesn't cover the costs of producing local and supplying products or the revenue is too low
    - The price is too high which makes local food products less competitive

45. Are you planning to investment in infrastructure during next 2 years?

    - Yes, to storage capacity
    - Yes, to transportation vehicles
    - Yes, to e-platforms/IT-solutions
    - Yes ____________
    - No, we are not planning investments

46. Nowadays, what do you think are the biggest challenges when producing local
food?

- The costs of production
- Cooperation with officials
- Cooperation with other organizations / companies
- Financial questions
- Changes in the operational environment
- Getting clients
- Getting skilled employees or keep the skills of employee's updates
- Technical development
- Other __________

47. Nowadays, what do you think are the biggest challenges when distributing local food?

- Insufficient quality of products for organizing delivery and logistics
- Insufficient product range available in our region for organizing the delivery and logistics
- Too small production volumes in farms, insufficient supply security
- Logistics is too expensive because of long distances
- No information available about the offer of local farmers and producers
- The quality of products do not meet the needs of food providers/retailers
- Insufficient tracking system technology for insuring the transparency of the supply chain
- Storage and transport issues
- Other_____________________

48. Contact Information

Electronic Surveys Questionnaire – Local food networks

1. What type of organization is your network representing?

   - A formal organization (e.g. non-governmental organization, farmers' cooperative, local municipality)
   - An informal organization (a network of local food providers/producers with some informal leader, no legal body created)

2. In which area/areas does your organization operate?

   - Finland
   - Germany
   - Estonia
   - Lithuania
   - Norway
   - Sweden
   - Russia
   - Latvia
   - Denmark
   - Poland

3. How many members are in your network?

   - Up to 10
   - 11-30
   - 31-50
   - More than 50

4. Which type of members do you have in your network?

   - Farmers / Producers
   - Food Providers (catering companies)
   - Shops
   - Private persons
   - NGO's
   - Others_____________

5. From how many local food producers/farmers do you buy your products?

   - Up to 10
   - 11-20
   - 21-50
   - More than 50

6. How old is your organization?

   - Under 3 years
   - 3-4 years
   - 5-10 years
   - Over 10 years

7. How much is your network's annual turnover?

   - Under 25 000 euros
   - 25 000 – under 50 000 euros
   - 50 000 – under 100 000 euros
   - 100 000 – under 200 000 euros
   - 200 000 – under 500 000 euros
   - 500 000 – under 1 000 000 euros
   - 1 000 000 euros or more
   - No information about annual turnover

8. How many employees are there working in your network? (Full-time and part-time)

	Full-Time	Part-time
Less than 10 employees		
10-50 employees		
Over 50 employees		
We don't have any permanent employees		

9. Who does your network sell products to?

- To distributors
- To retailers
- Directly to end consumers
- To other clients _________

10. What kind of cooperation do you have in your network?

    - Cooperation in distribution/logistics/selling
    - Cooperation in further processing
    - Cooperation in marketing (under joint label etc.)
    - Shared equipment (for packaging, labelling, processing of products, etc.)
    - Cooperation in information exchange (using common website, Facebook etc.)
    - Shared transportation vehicles.
    - Shared storage/freezing space.
    - Others_____________

11. What kind of a distribution/logistics/selling model does your network have?

    - It is both a business to business as well as business to consumer solution.
    - It is a business to consumer solution
    - It is both

12. What type of cooperation does your network have in distribution / logistics / selling?

    - Centralized delivery of food products from farmers to each customer based on orders.
    - Centralized delivery of food products from farmers to one selling point based on orders.
    - Farmers deliver their food product to one selling point based on orders.
    - Regular farmer’s market.
    - Other ________________________________

13. Does your organization organize/participate in marketing events and/or fairs in your county?

- Yes
- No

14. What kind of marketing events and/or fairs does your organization organize / participate in your area? (A question only for those, who answered, that they do organize/participate marketing events/fairs, Q13)

- Food Markets
- Food Fairs
- Thematic Food events
- Food making / producing workshops
- TV shows
- Publishing cooking books / magazines / brochures
- Mobile App
- Promotional websites
- Others___________

15. Which types of local food raw materials or products are in your network's product range? (A list of products, one or more can be chosen)

- Meat
- Fish / Shellfish
- Milk
- Eggs
- Vegetables / herbs
- Berries / fruits
- Mushrooms
- Other _____

16. Which types of local processed food or products are in your network's product range? (A list of products, one or more can be chosen)

- Meat products (e.g. sausages, smoked meat)
- Fish or shellfish products
- Milk products (e.g. cheese)
- Vegetable products/berry products (e.g. jams, juices)

- Grain products
- Spirits
- Beverages
- Other ______

17. Does your organization sell local food products from one centralized place?

- Yes
- No

18. Would it be useful to organize centralized distribution and logistics of local food products in your food network? (A question only for those, who don't have a cooperation in logistics/distribution/selling)

- Yes
- No

19. Which type of cooperation would you like to organize in your food network?

- Centralized delivery of food products from farmers to each customer based on orders.
- Centralized delivery of food products from farmers to one selling point based on orders.
- Farmers deliver their food products to one selling point based on orders.
- Regular farmer's market.
- Other

20. How do you take care of deliveries to distributors, retailers and / or customers?

- Our network takes care of delivery
- The distributor takes care of the delivery
- The delivery is organized in another way ________________________

21. Do you think that your network can deliver the local food products fast enough?

- Yes, we can deliver the local food products fast enough

- No, our delivery times of local food products are too long

22. Why are your delivery times of local food products too long? (Open question for those who answered "No" in Question 21 (not obligatory question)

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23. Are you satisfied with the existing delivery chain?

- Yes
- No

24. What are the reasons that your network is satisfied with the existing delivery chain? (A question only for those who answered, that they are satisfied with the existing delivery chain; Q 23)

- Good infrastructure
- The cost of the delivery is reasonable
- Good customer care
- Good financial situation
- Good IT-infrastructure for information exchange, taking orders etc.
- The size of the market area is sufficient
- The variety of local food products available is good
- Other_________________

25. What are the reasons that your organization is not satisfied with the existing delivery chain? (A question only for those who answered, that they are Not satisfied with the existing delivery chain; Q 23)

- Insufficient infrastructure
- Cost of delivery is too high
- Not enough human resources
- Not enough financial resources

- Market area is too small
- The variety of local food product is too low
- Insufficient IT-infrastructure for information exchange, taking orders etc.
- Other ____________

26. How is the reclamation handling practice organized in your organization?

- We have a reclamation form available
- Clients can make the reclamation by calling us
- Clients can make reclamation by letter/e-mail
- Reclamations can be done another way
- We don’t have any reclamation handling routine in our company

27. How do you handle payments? (Can choose one or more)

- By cash
- By credit card
- By bank card
- By invoice
- By online-payment
- Other _____________

28. How is the possible returning of local food products organized in case of quality problems?

- Clients return the products themselves
- Our network takes care of the returning of products
- There hasn’t been any returning of local food products in our network

29. Does your network collect feedback from your clients?

- Regularly
- Casually
- Never

30. How do you use the feedback? (A question only for those, who answered that they do collect feedback; Q30)

- We analyze the feedback, but haven't used the data when developing our services/products
- We analyze the feedback and develop our services and/or products based on the feedback
- We haven't analyzed and used the feedback at all

31. How does your network receive and handle orders?

- By phone (the client calls)
- By phone (the supplier calls)
- By email
- By webshop
- By direct selling
- By mobile App
- In person
- Other ___________

32. How would your organization like to receive and handle the orders?

- By phone (the client calls)
- By phone (the supplier calls)
- By email
- By webshop
- By direct selling
- By mobile App
- In person
- Other ___________

33. Does your organization use some e-platform or other IT-solution?

- Yes
- No

34. If your network uses an e-platform or other IT-solution, for what purpose do you use it?

- For information exchange about available products

- For making orders
- For handling payments
- Other ____________

35. Is the production of local food and demand for local food products in your organization in balance on an annual basis?

- The availability and demand of local food products are in balance
- There is more demand than products available
- There is less demand than products available
- The balance of availability and demand depends on the season

36. Is your network planning to expand the business of local food products during the next 2-3 years?

- Yes
- No

37. Have you agreed about the quality standard of food products with producers/farmers?

- Yes
- No

38. Which marketing channels does your organization use?

- Newspaper
- Radio / television
- Keywords in internet
- Social media
- Webshop
- Phone
- Visiting clients
- Website
- Word of mouth
- Other _______________

39. Does your network have a (jointly agreed) written business plan? (written document)

    - Yes
    - No

40. We have cold-storage space in our food organization.

    - Yes
    - No

41. We have regular goods storage space in our food network.

    - Yes
    - No

42. Are your storage spaces sufficient?

    - Yes
    - No

43. Does your network have competitors in local food branch in your operational area?

    - We don't have competitors or there is very little competition in local food branch
    - We have strong competition in local food branch
    - Don't know about the situation of competition in local food branch

44. Who are the main competitors in local food branch in your area? (A question only for those who answered that they have strong competition; Q43)

    - Retail chains
    - Wholesale chains
    - Other food networks
    - Farm shops
    - Other _____________

45. Do we think that consumers get enough information about local food products?

   - Yes
   - No

46. Do we think that our clients do appreciate local food products and therefore like to buy them?

   - Yes
   - No

47. Do you think that the price of local food products is suitable?

   - Yes, the price of local food products is suitable
   - No, the price doesn't cover the costs of producing local and supplying products or the revenue is too low
   - The price is too high which makes local food products less competitive

48. Are you planning to investment in infrastructure during next 2 years?

   - Yes, to storage capacity
   - Yes, to transportation vehicles
   - Yes, to e-platforms/IT-solutions
   - Yes ____________
   - No, we are not planning investments

49. Nowadays, what do you think are the biggest challenges when producing local food?

   - The costs of production
   - Cooperation with officials
   - Cooperation with other organizations / companies
   - Financial questions
   - Changes in the operational environment
   - Getting clients
   - Getting skilled employees or keep the skills of employee’s updates

- Technical development
- Other __________

50. Nowadays, what do you think are the biggest challenges when distributing local food?

    - Insufficient quality of products for organizing delivery and logistics
    - Insufficient product range available in our region for organizing the delivery and logistics
    - Too small production volumes in farms, insufficient supply security
    - Logistics is too expensive because of long distances
    - No information available about the offer of local farmers and producers
    - The quality of products does not meet the needs of food providers/retailers
    - Insufficient tracking system technology for insuring the transparency of the supply chain
    - Storage and transport issues
    - Other_____________________

51. Contact Information

Appendix – II: Focus group interviews Questions

<u>Focus group interviews – Local food networks</u>

1. How do suppliers, distributors and end businesses communicate in your network?
    - Would one platform offered for all communications be useful tool? If not, why not?
    - Is there any middle man involved in the communication process?
    - Is the current procedure time consuming or expensive?
2. How is food safety dealt with in your network?
    - Are there any specific food standards that must be followed?
    - How do you demonstrate that the standards are being met?
3. Do you think the communications and delivery networks are transparent enough?
    - Are producers and clients both aware of the entire process?
    - In the order management process, are any cloud-based platforms utilized? If so, explain how they are used?
4. How does the current pricing model work? Is it consistent and/or fair?
    - Where are the price margins/markups in the current business model?
    - Can they be streamlined or reduced/reallocated more evenly?
    - Would a redistribution of price reduce the attractiveness of using local producers? Who controls what and why?
5. What do you perceive the future challenges facing distributors / suppliers / businesses to be? What should we take into consideration?
6. In your network, do partnership possibilities exist amongst producers? For example, clusters of producers that process one or collective orders.
    - If not, are there any specific challenges to make it possible?

7. If you are currently using any e-platform as part of your service, explain how it is used and what are its most useful features?
    - Are there any missing features like product information, payment pathways etc.?
    - Who is predominantly using it?
    - Are there any reasons suppliers/producers/distributors are not utilizing it?
    - Is there any extra cost associated with using the e-platform services?
8. How is the branding of local food communicated through your services?
    - What is the perceived value of that brand?
    - Are consumers interested in knowing the exact origin of local food?
    - What about the option of tracking specific produce from specific producers, could it provide any extra value to your service portfolio?
9. What priorities and concerns do you think are most important for the producers in your network with respect to how we develop, test, and implement these new business models?

Focus group interviews – Local food distributors

1. How do suppliers, distributors and end businesses communicate in your network?

    - Would one platform offered for all communications be a useful tool? If not, why not?
    - Is there any middle man involved in the communication process?
    - Is the current procedure time consuming or expensive?

2. How is food safety dealt with in your network?

    - Are there any specific food standards that must be followed?
    - How do you demonstrate that the standards are being met?

3. Do you think the communications and delivery networks are transparent enough?

    - Are producers and clients both aware of the entire process?
    - In the order management process, are any cloud-based platforms utilized? If so, explain how they are used?

4. How does the current pricing model work? Is it consistent and/or fair?

    - Where are the price margins/markups in the current business model?
    - Can they be streamlined or reduced/reallocated more evenly?
    - Would a redistribution of price reduce the attractiveness of using local producers? Who controls what and why?

5. What do you perceive the future challenges facing distributors / suppliers / businesses to be? What should we take into consideration?

6. In your network, do partnership possibilities exist amongst producers? For example, clusters of producers that process one or collective orders.

    - If not, are there any specific challenges to make it possible?

7. Are there any methods used for tracking specific goods?

    - Can the goods be traced back to the specific farmer/supplier?

- If no, do you think it is important to track the goods back to supplier?

8. Do you collaborate with other distribution services?

    - How do you maximize transportation efficiency? For example, combining smaller loads in specific areas or locating other revenue generating loads to avoid empty truckloads arriving for order pickup

<u>Focus group interviews – Local food businesses</u>

Which of the following local services are you operating? (Please circle)

- Restaurant service
- Catering Service
- School Canteen Service
- Any Other ____________

1. How do suppliers, distributors and end businesses communicate in your network?
    - Would one platform offered for all communications be useful tool? If not, why not?
    - Is there any middle man involved in the communication process?
    - Is the current procedure time consuming or expensive?
2. How is food safety dealt with in your network?
    - Are there any specific food standards that must be followed?
    - How do you demonstrate that the standards are being met?
3. Do you think the communications and delivery networks are transparent enough?
    - Are producers and clients both aware of the entire process?
    - In the order management process, are any cloud-based platforms utilized? If so, explain how they are used?
4. How does the current pricing model work? Is it consistent and/or fair?
    - Where are the price margins/markups in the current business model?
    - Can they be streamlined or reduced/reallocated more evenly?
    - Would a redistribution of price reduce the attractiveness of using local producers? Who controls what and why?
5. What do you perceive the future challenges facing distributors / suppliers / businesses to be? What should we take into consideration?

6. Rank the following criteria from highest level (5) of priority to lowest (1) when it comes to sourcing your produce?
    - Speed of delivery
    - Quality
    - Consistency in products
    - Price
    - Ease of communication
7. If you are currently using any e-platform as part of your service, explain how it is used and what are its most useful features?
    - Are there any missing features like product information, payment pathways etc.?
    - Who is predominantly using it?
    - Are there any reasons suppliers/producers/distributors are not utilizing it?
    - Is there any extra cost associated with using the e-platform services?
8. How is the branding of local food communicated through your services?
    - What is the perceived value of that brand?
    - Are consumers interested in knowing the exact origin of local food?
    - What about the option of tracking specific produce from specific producers, could it provide any extra value to your service portfolio?