CAPI
THE CANADIAN AGRI-FOOD POLICY INSTITUTE

PROCESSED FOOD SECTOR RESEARCH PROGRAM

# PROJECT 4a: CASE STUDIES ON SUCCESS TRAITS

# Club Coffee




Brynn Winegard
Schulich Executive Education Center

Schulich School of Business York University | YORK UNIVERSITÉ UNIVERSITY

February 2014

# About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

**Project 4a**: **Food Processing Company "Traits of Success":** Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

| PHASE 1<br>Diagnosis | PHASE 2<br>Inspiring practices | PHASE 3<br>Competitive advantage |
|---|---|---|
| 1a. Diagnosing the trade deficit | 4a. Case studies on company success | 7. Conclusions |
| 1b. Reasons for the trade deficit | 4b. Cross-case study analysis | 8. Implications for policy & strategy |
| 2. Explaining the trade deficit | 5. Consumers and markets | 9. Dialogues on outcomes |
| 3a. Food manufacturing performance | 6. Innovation insights | |
| 3b. Plant openings, closings & investments | | |

.All completed projects, along with supporting material and data, can be found online at **www.capi-icpa.ca**.

CAPI
THE CANADIAN AGRI-FOOD POLICY INSTITUTE

960 Carling Avenue, CEF
Building 49, Room 318
Ottawa, ON K1A 0C6

Telephone: 613-232-8008 or toll-free 1-866-534-7593
Fax: 613-232-3838

www.capi-icpa.ca
info@capi-icpa.ca

David McInnes, President & CEO: mcinnesd@capi-icpa.ca
Daniel Yeon, Vice-President, Operations: yeond@capi-icpa.ca

Core funding provided by Agriculture & Agri-Food Canada. A complete list of supporters and contributors is available on our website: www.capi-icpa.ca

Canada

# EXECUTIVE SUMMARY

## SITE: CLUB COFFEE™

This case focuses on Ontario-based business ‘Morrison Lamothe Inc’, a contract manufacturer of frozen prepared foods and specifically their subsidiary Club Coffee L.P which provides contract coffee roasting to national brands, retail brands, restaurants, and food service companies.

## PHENOMENON AND RESEARCH QUESTION

Morrison Lamothe Inc., established in 1933, had long been in business but was under significant pressure and was slowly deteriorating. As an example, in 2004 they had what they call the ‘perfect storm’ of issues, which included customer service issues, capacity and scale issues, rising value of the Canadian dollar (and therefore decreasing exports), competition from major manufacturers in the USA (increasing imports), a series of lost contracts, recalls on some of their products, changing consumer tastes and preferences, among other issues (e.g. border closed to many products as a result of Mad Cow disease etc.). Herein the question of interest was: *“How did this company go from a slowly deteriorating state, reinvent itself, to become a solid company in a good position to export?”*

## FACTORS OF SUCCESS FOR MLI AND CLUB COFFEE™

By interviewing the leader of 'this era' of the Morrison Lamothe Inc. (MLI) company, John Pigott, some of what makes the company a success—and how it was turned around—became clear. It was determined that MLI managed to shift the business entirely over time, resulting in a more profitable strategy. The first shift was in 2007 when MLI purchased second largest coffee roasting plant in the country and delved into the coffee roasting and single-serve coffee pod business. The second shift was toward white-label manufacturing of all their products, as a secondary processor/contract manufacturer. Three main factors of success were identified that allowed for these business model shifts, with subcomponents for each. These were: 1) Unique Organizational Values and Culture, 2) High-Quality Strategic Relationships, Partnerships and Collaboration, and 3) Strategic Focus and Flexibility.

### Unique Organizational Values and Culture

- MLI has strong organizational values and a corporate culture that implicitly drives innovation, productivity, customer service and employee satisfaction.
- Legacy and History: MLI has a long legacy of operation and history in the business, which brings with it significant organizational knowledge and experience. MLI is a family-based business whose leaders are economically tied to one another and mutually interested.
- Localized Roots: MLI has a heritage in a fairly localized region (Ontario) that allows for community support and brand recognition.
- Customer Orientation and Commitment to Customer Service: MLI demonstrates a die-hard commitment to customer service and a general orientation toward the customer.
- Employee Productivity and Loyalty: Management at MLI now invests in quality personnel and employee quality of work-life, garnering employee loyalty and satisfaction.
- Team-Based Leadership: John Pigott operates according to a team-based leadership model that engages empowered employees, disperses responsibility and credit, and allows employees to make and learn from mistakes.

### High-Quality Strategic Relationships, Partnerships, and Collaboration

- MLI has strong industry relationships that are built on trust, strategic partnerships and a willingness to collaborate with potential competitors.
- White Labeling and Custmer Relationships: A company-wide move to 'white labeling' and customer-driven manufacturing allowed the company more potential customers with greater scope of operations as well as a shift away from branding or marketing investment.
- Core Competencies Development: MLI has a focus on core competencies and internal operations instead of competitors' activities.
- Focus on Internal over Competitior Activities: MLI has an organizational culture that values in-facing reflexivity, and is not particularly focused on competitive activities.

### Strategic Focus and Flexibility

- Risk Orientation and Novelty Orientation: A comfort level with risk-taking and allowing for 'calculated risks' in the organization helped MLI decide to acquire a coffee roasting facility that would have otherwise been outside of scope for the bakery/frozen foods company. MLI has a leader who seeks novelty and attempts to continually 'look at things differently', especially with respect to the business strategies he is using.
- Diversified Lines of Business: MLI now has a diversified portfolio of businesses that allows for resilience to external changes (e.g. lost contracts) and market volatility.
- International Scope: MLI now has a bent toward international expansion and exploration of foreign markets.
- Focus on Process over Product: MLI now has a strategic orientation toward evolving the business model and innovating accordingly. There is now a company-wide focus on process- over product- innovation.
- Market Orientation: MLI now has a 'market orientation' that includes a customer orientation, interdepartmental coordination, and an interest in cultivating first-mover marketplace advantages by preempting market demand.
- Organizational Flexibility: MLI, indeed John Pigott, demonstrate organizational and strategic flexibility and agility that allows for quick, risk-friendly decision-making.

## COMPANY HISTORY & DESCRIPTION

Morrison Lamothe Inc. was established in 1933 by brothers-in-law and best friends, Cecil Morrison and Richard Lamothe. It was their second company; they had first started together on Hilson Avenue, Ottawa Ontario as the 'Standard Bread Company' in 1911. This home delivery bread bakery grew rapidly and by 1928 the company had 9 bakeries across Canada when they sold it to Lake of The Woods Milling.

They left that organization in 1932 and started over again in Ottawa. Morrison & Lamothe acquired the assets bankrupt bakery in 1933 which began producing products for the greater Ottawa area. It grew into the largest of the regional bakeries in Ottawa. It entered the frozen food segment in 1962 with the purchase of a factory in Toronto. By late 1979 Morrison Lamothe Inc. (MLI) realized that it could not survive as an independent bakery with as many lines of business as it had (bakery, frozen food in mass production for consumers, hospitality and restaurant segments) while the economy was headed for economic downturn. The then President, Marguerite Hale, Morrison's daughter made a deal with Maple Leaf Foods bakery (then called 'Canada Bread') to sell it the bread businesses. It kept its frozen food operations, a small bakery in Hull and several restaurants.

By 1987 the son of Jean Pigott, Morrison's eldest daughter, John Pigott, became the new leader of MLI. The last bakery was closed, and the focus of the company moved to Toronto and its single frozen food plant. MLI was a legacy business that was under significant pressure. The Canadian economy was in downturn, NAFTA had been struck allowing new competition for Canadian manufacturers (including MLI), and businesses were quickly consolidating in order to meet competitive demands or evaporating. In order for MLI to stay in business something would have to change.

To survive in this new North American marketplace, MLI recognized it needed to find a niche where it could be successful. The choice was to become a contract manufacturer to leading brands and private labels. Its conviction was bolstered by the example-setting of Loblaws and strength of its President's Choice™ brand. In 1990 Morrison Lamothe acquired Northern Fine Foods from a large British firm Northern Foods which provided a base to develop custom products and use innovation to grow the business. MLI's strategy evolved into a new business model; innovate with Loblaws and then take it south to American customers for more scale. This strategy is still being used successfully today. This strategy allowed Morrison Lamothe to grow by a factor of 6 in a 10 year period during the 1990's. Under lying this strategy was a focus on developing deep long standing relationships with its customers, which included working exclusively with some in defined regions or product categories, Tying in product innovation from smaller more flexible plants help fuel this growth.

Until 1993 Morrison Lamothe had not exported to the United States, it realized it could not work exclusively with just Loblaws without a high level of risk from customer concentration. The Canadian market is too small to support just one customer, thus out of necessity it had to develop a US focused growth strategy. Sometimes referred to internally as the FHA strategy (Feed Hungry Americans) in reality a US niche product line fits a smaller Canadian plant with flexibility very well.

The best example of this strategy at work was Morrison's line of pot pies. Over time the segment had become a value priced market dominated by cheap oven-baked pies. For President's Choice it developed a new pie with lots more meat and through clever innovation made it microwaveable. This product won a SIAL D'or Gold Medal at the Paris Food Show in 1998. To get scale and afford new automation MLI took the product to Nestle's Stouffer's operation in the US and since 1999 has made all their meat pies.

What did not change was the underlying set of values that are reflected best in a quote from Cecil Morrison “Success in business requires a vision, paying meticulous attention to the details and how well you take care of your employees and customers. While its products have change over the years Morrison Lamothe has supplied Loblaws continuously since 1938

Next, came a series of challenges in 2002 through 2004. Rising currency and struggles with a much less developed premium private label market in the US slowed and then reversed the export driven growth. Sales began to contract and so did results. Adapting to challenges and opportunities quickly has always been a Morrison Lamothe trait.

One problem became an opportunity in late 2004 as the Canada-US border closed to some beef products and MLI was approached by Nestle and asked how quickly could they manufacture Nestle Canada’s beef-based frozen entrees. The team managed to get 13 new SKUs manufactured in 7 weeks, no small feat. MLI delivered, Nestle became their biggest branded customer in both countries, and a deeper business relationship was established.

MLI’s values suggest taking good care of its customers is the foundation of success. The BSE replacement products pushed the plants to their limits but provided much needed volume for a year. The production was moved back to the US plants in late 2005. Yet the real benefit came later as MLI’s reputation for hard work and customer service registered with Nestle.

The next two steps were critical for MLI’s evolution. The first came in 2006, when because of the quality of the MLI-Nestle relationship, the CEO of Nestle approached John Pigott, with an offer; would MLI quietly acquire their roast and ground coffee assets. And could they do it quickly?

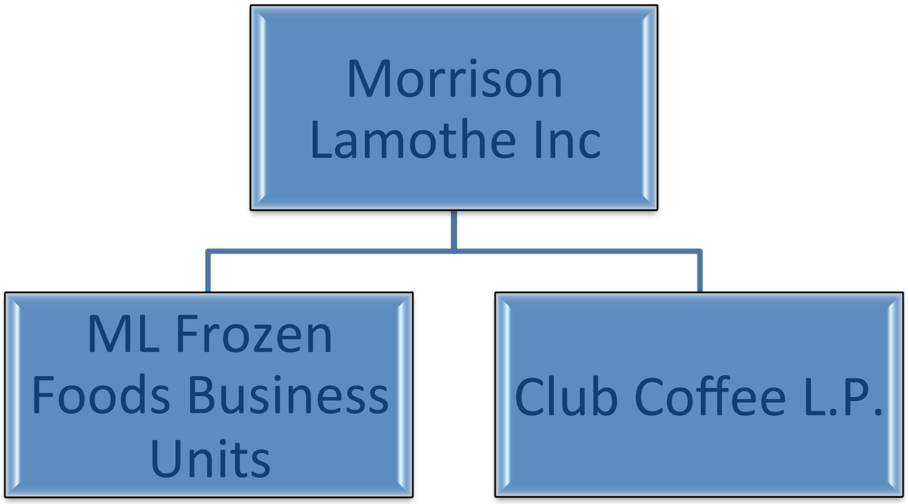
Nestle Canada was required for strategic reasons to exit this mature business but the plant supports two very important customers with custom products. The MLI management team adapted quickly to this opportunity. While it was a very different business, the business model was actually the same and it could be turned around with Morrison’s business model: commercialize with Loblaws and then seek to scale it in the US.

On February 1, 2007 MLI purchased the second largest coffee roaster manufacturing facility in Canada and reinstituted its original name prior to Nestle; Club Coffee. Morrison took its proven strategy, and focused on building US private label business. Over its first four years it invested in the plant and developed strong customer relationships with a series of new customers. Yet significant growth proved elusive as it struggled for a major breakthrough in the US market. It turned to its old standby: innovation.

The next strategic decision was critical and an interesting case into itself in terms of risk management. In 2011 a new strategy emerged; leverage the coffee roasting facility in order to enter the fast-growing single-serve coffee pod market in North America. This strategic move combined with white labeling and a move into a new line of business (coffee) was clearly the driver of MLI’s success today, turned the company around again, and put them in a great position for international success through exporting.

In 2013 a new plant was opened and over 200 new jobs have been created by this bold move into this rapidly growing market.

*Figure 1: Organization of MLI and subsidiaries as of May 2013*




## CATEGORY, INDUSTRY, & COMPETITIVE CONTEXT

All of MLI's lines of business operate in processed food products categories: it provides food products in the form of baked goods, frozen foods, and coffee products. MLI is a secondary food processor that modifies food products in the form of contract manufacturing services to retail or national brands (a business-to-business market) in Canada and the USA. MLI does not interface directly with end-consumers/users, and does not invest energy into marketing directly to consumers.

In the food processing value chain, MLI situates itself as an intermediary midway between raw goods production and final retail or foodservice provision for end-consumers. MLI does not interact directly with end-users of their products. The following figure helps to outline the role that MLI plays in the food processing process, as well as suppliers and customers to such companies.

*Figure 2: MLI's Position in the Food Processing Industry Value Chain*


Competitive organizations might include other secondary processors, other contract manufacturers, or organizations spanning all or some of this industry's value chain, including as an example primary producers that also do primary and secondary processing downstream or national brands that manufacture their own products upstream. MLI supplies major national, retail, fast food, hospitality, restaurant, and wholesale organizations. Few other Canadian companies offer the same breadth and scale of production as MLI. Currently about 65% of MLI's frozen sales and 40% of Club Coffee's sales are earned south of the border, in the USA.

Competitors vary by business line (e.g. coffee versus frozen foods) as well as geographic space (Canada, USA), though in general, John Pigott reports that MLI does not define competitors based on the category or industry that they play in, but instead only conceives another organization to be a real ‘competitor’ if they are not willing to collaborate: “If they don’t want to work with us, they are considered competition.” There is a fundamental understanding at MLI that everyone at the organization would treat competitors with respect, including respecting their boundaries, relationships, and ways of doing business. CEO John Pigott knows many of the major players in the MLI industries throughout North America and typically maintains open lines of communications with these leaders, whether they represent competitive organizations or not.

## SUCCESS FACTORS FOR MLI AND THE CLUB COFFEE™ BUSINESS

### ORGANIZATIONAL VALUES AND CULTURE

Likely because the business has been around for over a century, run by generations of the same family, MLI has a fairly ingrained and consistent set of corporate values that help every business line, including Club Coffee™. Vision statements vary by business-line (e.g. ‘Make Club Coffee the Leading Custom Coffee Roaster in North America), but the overall mission statement is: “To create convenient food solutions that meet the lifestyle needs of today’s consumers.” A corporate tagline is: “We innovate, we partner, we deliver, with passion.” The values of the organization, and of its leadership, are obvious in their activities, processes, employee commitment, business model and organizational flexibility. A patriarch of the family, Cecil Morrison, was quoted in the Financial Post in 1976 as having said “Success depends on vision, on meticulous attention to detail and on how well you look after your employees and customers.” Themes of attention to detail of products, product specifications, and quality, as well as great care for customers and employees have pervaded and become a mantra for John Pigott and the current leadership team. Many of the employees that work at MLI have had life-long tenure with the company, which serves to institutionalize the organizational values further and is proof also that MLI is respected by the employees as a good place to work.

The organizational culture stems from a strong commitment to the fundamental values that have upheld the business for so many years, as opposed to particularly strong vision or mission statements at MLI. Indeed, the business models—and therefore likely some of the strategies, plans, missions etc.—have changed over the years (e.g., implementing coffee manufacturing into a frozen foods and bakery business) in response to market demand and open opportunities. John Pigott likes the saying “Culture eats strategy for lunch”, meaning that a strong corporate culture that values productivity and quality will be more powerful than simply a stated ‘strategy’ toward that end.

### HERITAGE AND EXPERIENCE

MLI has the advantage of century of operation in localized regions of Canada where many know the organization, providing a backdrop of grounded roots, a corporate legacy, and an established organizational history. This lengthy tenure bespeaks not only a fortified organization, resilient to change, innovation, pressures and strife, but can serve to provide proof positive to customers, collaborators and competitors that MLI likely has a wealth of experience and accrued organizational knowledge.

## LOCALIZED ROOTS

Tied to the advantage of having close family ties that have kept MLI successful over the years, is the fact that the organization has a strong commitment to supporting the Canadian economy and local communities. A localized heritage likely helps employee commitment and customer loyalty. Obvious patriotism and community support establish MLI as a conscientious business and employer in Canada, which has garnered local support for the organization in return—including Canadian 'Best Managed' awards—over the years. Further, John Pigott credits MLI's strong relationship with Loblaws and the resulting origination of their white labeling business to having been located in Southern Ontario, where it was possible to collaborate, develop mutual affiliation, and be proximate to major customers.

## 'BUSINESS FAMILY'

Not only does MLI have the advantage of years of established, going-concern operation, but consistent leadership from generations of a family likely help solidify the corporate values, culture, and legacy. That said, it is written in corporate policy that there only be one member of the original family on payroll at any one time—so as not to lose the discipline and integrity of a solidly run organization. MLI identifies itself less as a 'family business' and more as originating from a 'business family'. MLI has equity partners and senior leaders (most who came from other Fortune 100 companies) that are not 'blood related', but considered part of this 'business family'. Further, employees from a 'business family' are likely to demonstrate greater job commitment and productivity in the long term—even the concept of a business family indicates something about the likely corporate culture, sense of responsibility and ownership. All members of a business that are mutually vested in the enterprise are likely to go above and beyond the call of duty, all of which can aid the efficiency, productivity, and consistency of the operation over time.

## EMPLOYEE-CENTERED MANAGEMENT

Partly stemming from the legacy, heritage, and localized roots that MLI has been able to establish, employees working in the company's various business lines have been particularly loyal and highly productive on the aggregate. MLI was recognized in 'Canada's 50 Best Managed Private Companies' list during the years 1997, 1998, 1999, 2001 and 2002. Part of the organizational mantra that Cecil Morrison is quoted as saying is about "meticulously...looking after your employees", a sentiment that MLI's leadership now echoes. The CEO, John Pigott, indicates that his general management style is to 'Let people fail. They get good when they fail. I want to see how they play when they've skinned their knees" because it allows them to learn from their own mistakes. This is likely why many of the existing employees at MLI have a strong commitment to the company, its leadership, and the organizational processes that they themselves have helped to establish.

### EMPLOYEE INVESTMENT

MLI invests in better-trained, quality personnel in the interest of fostering a quality work environment and reciprocal loyalty. MLI prides itself on using Canadian employees for most operations. Says John, “We have to use our labour here in Canada,” which has the benefit of ensuring community support for MLI and maintaining a fair and equitable workplace.

### TEAM-BASED LEADERSHIP

The current CEO of MLI, John Pigott, leads according to what he calls the ‘band master model.’ Instead of portraying the figure head ‘at the front of the parade’, he lets others lead in their role capacity and considers himself the conductor. John reports that ‘you should never be working harder than your team and your team should never work harder than you’, allowing that MLI has a team-based atmosphere where everyone is expected to carry their share of the responsibility and labour. John Pigott is naturally charismatic and has the ability to motivate people willing to follow his vision. While it is John’s vision that is at work at MLI today, including as an example with the Club Coffee™ business that turned the stagnant company into a profitable mega-manufacturer, John is quite humble about his role as leader, indicating that he accomplished all he has with a team of supportive, power-players, and that “it is important to motivate a quality team you work just as hard as and to never quit”.

## RELATIONSHIPS, PARTNERSHIPS AND COLLABORATION

### COLLABORATION

Collaborative partnerships are part of the competitive difference for MLI. MLI has many collaborative partnerships that have allowed them to grow, meet scale demands, provide value-added offerings, traverse borders, and innovate. While John Pigott indicates that competition is part of the fun of doing business, he identifies real or hostile ‘competitors’ as any organization that doesn’t want to collaborate toward mutual productivity in some capacity. John feels that market competition is not only fun, but necessary; it keeps them sharp, provides motivation, and allows that they never get too sure of themselves so that they all keep trying. ‘Feeling like the underdog’ is motivational for John in his leadership style, ‘it means we keep trying, keep thinking about how to innovate … we never rest.’

A willingness to collaborate with competitors is not an anti-competitive sentiment, so much as a willingness to work with others in similar lines of business. Most organizations are too proprietary, competitively insecure, or protectionist to be willing to engage with potentially competitive organizations, for fear of mimicry and cannibalism. MLI’s leadership is not as concerned about allowing competitors some insight into its business by way of partnership. MLI has something special and unique inherent to its organizational and operational strategies that are hard to duplicate. So far, competitors have not.

Both in the local Canadian areas of operation (e.g. Toronto, Ottawa), as well as internationally (U.S.), MLI has formed long-standing bonds with other organizations operating in the same or similar categories. This is a departure from the competitive orientation of most firms that attempt to distance themselves from competitive companies in the interest of protecting their territories, customers, and proprietary information. Further, these collaborative relationships have allowed the company to develop best-in-class policies and strategies, as well as scale up or down (via partnership with others) according to customer or market demands.

## PARTNERSHIPS AS A SCALE SOLUTION

The CEO John Pigott specifically maintains good relationships with many of the leaders in MLI's industries, and often partners with competitive organizations in order to overcome regulatory issues, scale and other constraints. International expansion into the USA was a challenge in terms of MLI's scale and size. The American market is larger and smaller Canadian players find it difficult to compete. John describes partnering with 'other Davids to take on Goliaths' regarding much of the success they've had internationally. Many smaller players were able to form a coalition that together enabled them to service a much larger market (USA). There were three contributing factors that allowed these nominal competitors to coalesce and work effectively in the new market: all organizations had a common goal; all were interdependent and reliant on the others because none could have expanded internationally on their own; and all parties trusted one another.

## RELATIONSHIP QUALITY AND TRUST

When MLI purchased the coffee roasting plant from Nestle the deal was done quickly, based on a handshake, with no lawyers present at the time. Instead, the over-arching quality of the relationship that John Pigott had with the CEO of Nestle at the time was enough to establish trust between parties, as well as mutual understanding and willingness to interact profitably. Further, the equity raised for this deal came from other collaborative investors who had a trusting relationship with John and/or MLI. In fact, many of the successful deals MLI has been able to establish throughout the years have been based on excellent business relationships between entities (or leaders), founded on mutual respect, trust, and going-concern interaction.

## WHITE LABELING AND CUSTOMER RELATIONSHIPS

Consistent across all MLI lines of business has been the installment of a 'white labeling' strategy: as a contract manufacturer for national or retailer brand products in North America, MLI provides the secondary processing and manufacturing to firms that then label the products in accordance with their brand names and packaging requirements. This strategy allows not only that MLI does not have to invest dollars in marketing to end-consumers toward establishing brand names or brand equity, but also that the possible product lines and B2B customers are many and varied.

The CEO of MLI, John Pigott, credits this white labeling strategy to Loblaws Company Limited's (LCL) "President's Choice" brand, which he says created a number of successful Canadian white-label companies: "LCL developed a Canadian supply-base and taught us about innovation, trained us to be better and to think more globally. We won when they won." John indicates that MLI's southern Ontarian roots helped them partner with Loblaws. Location was helpful in harnessing the opportunities that Loblaws presented. John says "there were probably 30 other organizations brought up in this vein, at that time. We learned from the pros there. The strength of the 'President's Choice™' brand and premium private label in Canada has nurtured a supply base and consumer interest that allowed us to develop and grow."

## FOCUS ON INTERNAL- OVER COMPETITOR- ACTIVITIES

MLI does not demonstrate an orientation toward competitor mimicry, monitoring, or concern. Instead, MLI might be characterized as exhibiting an 'internal orientation' that predominantly considers the strengths and possibilities that the organization has existing to the exclusion of competitive activities or strategies. John Pigott describes this as "focusing on what we have, what we do well, playing to our strengths and defending our weaknesses…know yourself, focus on yourself.” This statement represents not only what might best be described as an internal orientation, but is in direct contradiction to what might best be described as competitor orientation.

### FOCUS ON CORE COMPETENCIES

A focus on MLI’s core competencies has allowed the company to assess opportunity fit, process innovation, and strategic evolution with an honest, reflexive view of the company’s abilities and weaknesses—important if they are to evolve and innovate in a way that MLI can actually accommodate. Specifically, MLI’s leadership values not being mimetic in the industry, allowing that MLI will likely have the advantage of doing something notably different from competitors—a valuable differentiation strategy in a fairly homogeneous industry otherwise. As an example, acquiring a coffee roasting facility and developing Club Coffee™ was not only a surprise to MLI’s competitors, but has not since been repeated by them either. Interesting here also is the fact (as above) that John identifies competitors as any entity that ‘won’t collaborate’. MLI’s leadership must have ingrained the type of corporate culture, organizational alignment, and implicit processes that are not highly imitable, given they aren’t afraid to partner with theoretically competitive organizations. The thinking seems to be that even competitors with an inside view of the organization could not replicate the same successes necessarily, given the key ingredient at MLI is a non-replicable, implicit organizational culture that supersedes obvious, explicit organizational strategies or processes.

## STRATEGIC FOCUS AND FLEXBILITY

### BUSINESS MODEL EVOLUTION AND INNOVATION

MLI has significantly changed its business models over the years (e.g. bakery and frozen food products to coffee roasting and manufacturing). In fact, it is the evolution of the business model and willingness to innovate or adapt them that John Pigott credits for their current success. John believes that innovation of process and of business model—as opposed to innovation of products—is what really drives their current success. While on the surface it may look as though MLI’s products are what have evolved over the years (the current set of SKUs are all new as of the current CEO’s tenure, there are no legacy products currently remaining), John asserts that in actual fact it was the business model, business strategies, that he was altering over the years, in response to market demand, opportunities, trial, and error. John says “I innovate business models”, evidenced by many facets of his business, including the evolution from an Ottawa-based home delivery bakery to a white-labeling custom mega-manufacturer of coffee pods and frozen foods. John indicates that he is continually ‘looking at things differently’, allowing that he is constantly negotiating and re-negotiating his own understanding of his business and how it can perform better. In a corporate document for employees, there is a warning to “never assume that our business growth continues, that our strategy is perfect, or put too much faith in our own stories.”

### INTERNATIONAL SCOPE

Given an interest in expanding into larger, profitable markets, as well as an ability to service markets that were very similar to the Canadian one, MLI was able to partner with like organizations to enter the American market successfully (above). In doing so, MLI was able to increase both the size of their business, as well as exports from Canada (contributing to overall economic prosperity in general). By expanding operations into novel markets, MLI reduced its own reliance on large Canadian customers and was able to further diversify its customer-set toward greater long-term stability and profitability.

### DIVERSIFIED LINES OF BUSINESS

MLI has the advantage of two separate companies under the parent organization, each in a separate line of business. While diversification of this sort can sometimes pose a problem for organizations that cannot excel in multiple lines of business, MLI's experience and legacy help it overcome that potential pitfall. Instead, MLI has been able to successfully house all businesses to great avail, with some more profitable than others at certain points in time. This way, the parent organization is less susceptible to volatility of all sorts: market fluctuations, changes in consumer preferences, unsuccessful partnerships, lost accounts, productivity issues etc. Diversified lines of business also mean that distribution channels are diverse (many ways to render and disperse products) and the array of potential customers is broad and varied.

### FOCUS ON PROCESS- OVER PRODUCT-INNOVATION

Second, another factor of success inherent to a concentration on business model evolution and innovation is an implicit focus away from product-innovation onto process-innovation. Product innovation is secondary both to the business model and processes employed at MLI today. Focusing on business processes and factors of production, instead of products themselves, helps the organization be more efficient, institute their 'lean manufacturing philosophy', and earn greater returns/outputs with fewer inputs. Paradoxically, by not having a product innovation focus, MLI likely finds itself in a position to innovate products with greater ease and flexibility: processes and factors of production are better established, the organization is not particularly partial to one product over another, and everyone would have a sound comprehension of how to produce new products based on established, finessed organizational processes. This factor was likely partly helpful in allowing John the flexibility and vision for adapting the coffee roasting facility into Coffee Club™, a tertiary line of business and completely novel set of product offerings for MLI.

### RISK ORIENTATION

The leadership at MLI has a reasonably high level of comfort regarding taking on varying types of risk. Contributing to this comfort is the belief that 'it is better to be in business than be in *a* [specific] business.' Accordingly, risk is considered part of the process of maintaining a productive business—a necessary evil—not an optional liability. John believes that MLI's risks have been calculated and that often in business (as with the introduction of Club Coffee™ to the MLI portfolio), "the bigger risk is doing nothing." Though many would have found risk in not only the product and production variation that were not at the time core competencies of MLI, the leadership at the time believed that diversifying the business portfolio would be advantageous in general, if not ultimately lucrative. Further, while the Club Coffee™ business required a significant investment with a quick turnaround of liquid dollars in order to purchase the coffee roasting plant from Nestle, it also had significant renovation, legal, branding, and administrative costs associated with it. That said, of particular note here is that MLI didn't have to resort to private equity investments in order to raise the required monies. Significant dollars were raised for this venture from partners and allies who had trusting relationships with MLI and were willing to help out. As an example of risk orientation associated with this acquisition, John reports investing "more ambitiously than the balance sheet." John considers that 'pure investment decisions' are easy to analyze one's way out of, that it is necessary to take risks at times (often based on tough decisions), and that entrepreneurial thinkers will take risks based on their cash flows, not their balance sheets.

## NOVELTY ORIENTATION

One of the driving factors that allowed MLI to incorporate the Club Coffee™ business is likely MLI's overall philosophical orientation toward novelty, innovation, and a willingness to consider new business ideas. John considers that risk aversion is typically detrimental to businesses that can become entrenched, institutionalized, and resist innovation or change as a result of these qualities. Accordingly, MLI's current leadership is continually seeking novelty and innovation and is open to change or adaptation where and when it is deemed necessary (e.g. toward manufacturing popularized coffee pods after a decade of bakery and frozen food production). In general, this is described as a philosophical orientation toward acceptance of new ideas and strategies: "If you do what you have always done you will get to the same place. You have to do new things to get new places." A willingness to change and adapt is likely useful in context of prospective opportunities, such as the business-altering acquisition of a coffee roasting plant and move toward single-serve coffee pods in 2012.

## MARKET ORIENTATION

MLI appears to have a market orientation to the business that includes alignment of all functional business units toward meeting marketplace demand. As an example, when MLI acquired the coffee roasting facility and instituted Club Coffee™ into the business, the foresight and flexibility to allow this strategic move bespeaks an overall orientation of the business toward the general market and marketplace factors. CEO John Pigott describes this intention as 'shooting ahead of the ducks', meaning that he intends to preempt market movement and consumer demand by anticipating it and developing products or businesses around these. As evidenced with the Club Coffee™ business, a pre-emptive market orientation includes not only a willingness to adapt and identify market trends, but has first-mover advantages that can include some temporary monopolistic leadership in the industry especially when it comes to strategic partnerships, customer interest, and process innovation.

## CUSTOMER ORIENTATION AND COMMITMENT TO CUSTOMER SERVICE

MLI does demonstrate a strong predilection toward their customers in general, as well as a commitment to customer service. Because every division of MLI plays in business-to-business markets, 'customer' in this case is always others organizations with which MLI does business, as opposed to end-using consumers. MLI dedicates staff specifically to take care of the customer relationship and ensure their satisfaction. These employees are encouraged to advocate for customer interests internally as well, allowing that often their interests will be misaligned with other MLI employees (e.g. conflict between internal customer relationship managers and finance or operations employees). The belief here is that if the customer 'wins', MLI will win too, which is a classic customer orientation strategy. Further, John identifies that often the best 'sales people' in the organization are the customer-relationship managers or the quality managers because they are encouraged to harbor the customers' best interest. Trust is often readily established and customers are then more likely to order more products or new product lines because of the quality of this relationship. MLI prides itself on allowing customers multiple points of contact within the organization so that they receive best-in-class service, they will have access to one or more people who will be able to satisfy their requests, the service will be prompt, and they have insight into the functions and process at MLI. As an example, MLI was recognized by Loblaws with 'Supplier of the Year Awards' four times over a six year period.

## OPERATIONAL FLEXIBILITY

John Pigott believes that one of the key advantages of the MLI business has been the fact that they are smaller than some of their American counterparts, nimble, willing to move quickly, and not focused on scale or size of operations. By partnering with other similarly sized firms, MLI has been able to produce scalable operations and the perception of size for customers who require it. Being able to scale up or down with the help of strategic collaborators has been helpful toward up-scaling to service customers and down-scaling to maintain lower overhead and infrastructure costs. Further, by 'partnering with many Davids to take on Goliaths', John reports that MLI could actually 'befriend' larger organizations and have them on-side strategically or gain them as customers. Larger organizations appreciated the speed, agility, and risk-taking that MLI was able to accommodate *because* of its smaller size, not *in spite* of it. Larger organizations often find themselves too entrenched in specific categories or product lines, bureaucratized, institutionalized and resistant to change. MLI has the advantage of being none of those things and being able to help organizations that were. This agility, flexibility, and ability to scale was especially advantageous in the acquisition of the coffee roasting plant that led to the Club Coffee™ business, as well as during expansion into the much larger — and more profitable — American marketplace.

One of the issues that arises regarding organizational and operational flexibility within MLI is the trade-off that has to be made between remaining flexible/nimble to take on new projects and automating processes so as to be able to meet scale demands. John reports that the relationship between automation and flexibility would likely take on an inverted 'U' shape: automation is inherently more 'fixed' rendering the company less flexible, though less automation requires more reliance on personnel, which doesn't allow for scale and is more expensive in general. At one point in an MLI expansion phase John reports that MLI automated in order to meet scale requirements for larger American customers and which meant that it had become 'too big for Canadian customers and too small for American ones. "We were too big to be a niche plant and too small to be a North American mega-plant." High levels of automation decrease the organizational and operational flexibility that has characterized much of MLI's successes over the years.

## GLOSSARY OF FACTORS OF SUCCESS FOR MLI AND COFFEE CLUB™

By interviewing the leader of 'this era' of the Morrison Lamothe Inc. (MLI) company, John Pigott, on what makes the company a success—and how it was turned around—became clear. Some of the factors of success outlined herein include:

ORGANIZATIONAL VALUES AND CULTURE: MLI has strong organizational values and a corporate culture that implicitly drives innovation, productivity, customer service and employee satisfaction.

RELATIONSHIPS, PARTNERSHIPS, AND COLLABORATION: MLI has strong industry relationships that are built on trust, strategic partnerships and a willingness to collaborate with any willing organization.

WHITE LABELING: A company-wide move to 'white labeling' and customer-driven manufacturing allowed the company more potential customers with greater scope of operations and a shift away from branding or marketing investment.

RISK ORIENTATION AND NOVELTY ORIENTATION: A comfort level with risk-taking and allowing for 'calculated risks' in the organization helped MLI decide to acquire a coffee roasting facility that would have otherwise been outside of scope for the bakery/frozen foods company. MLI has leadership that demonstrate a philosophical orientation toward novelty, openness to novelty, and that attempts to continually 'look at things differently', especially with respect to the business strategies in place.

LEGACY AND HISTORY: MLI has a long legacy of operation and history in the business, which brings with it significant organizational knowledge and experience. MLI is a 'business family' whose leaders are economically tied to one another and mutually interested.

DIVERSIFIED LINES OF BUSINESS: MLI now has a diversified portfolio of businesses that allows for resilience to external changes (e.g. lost contracts) and market volatility.

LOCALIZED ROOTS: MLI has a heritage in a fairly localized region (Ontario) that allows for community support and brand recognition.

INTERNATIONAL SCOPE: MLI now has a bent toward international expansion and exploration of foreign markets.

STRATEGIC ORIENTATION: MLI now has a strategic orientation toward evolving the business model and innovating accordingly. There is now a company-wide focus on process- over product- innovation.

MARKET ORIENTATION: MLI now has a 'market orientation' that includes a customer orientation, interdepartmental coordination, and an interest in cultivating first-mover marketplace advantages by preempting market demand.

CORE COMPETENCIES DEVELOPMENT: MLI has a focus on core competencies and internal operations instead of competitors' activities.

CUSTOMER ORIENTATION AND COMMITMENT TO CUSTOMER SERVICE: MLI demonstrates a die-hard commitment to customer service and a general orientation toward the customer.

ORGANIZATIONAL FLEXIBILITY: MLI, indeed John Pigott, demonstrate organizational and strategic flexibility and agility that allows for quick, risk-agreeable decision-making.

EMPLOYEE PRODUCTIVITY AND LOYALTY: Management at MLI now invests in quality personnel and employee quality of work-life, garnering employee loyalty and satisfaction.

TEAM-BASED LEADERSHIP: John Pigott operates according to a team-based leadership model that engages empowered employees, disperses responsibility and credit, and allows employees to make and learn from mistakes.

# Sponsors & Partners

CAPI expresses its appreciation to its sponsors for helping to make this project possible:

Alberta Government

La Coop fédérée

EDC Export Development Canada | Exportation et développement Canada

Farm Credit Canada Financement agricole Canada

FCPC Food & Consumer Products of Canada

Industry Canada Industrie Canada

Ontario

Prince Edward Island BioAlliance

And, to our in-kind sponsors:

Schulich School of Business York University | York Université University

Ivey | Agri-food@Ivey