

PROJECT 4b:
CASE STUDIES ON SUCCESS TRAITS
Cross-Case Analysis



March 2014

About the CAPI Processed Food Research Program

Food and beverage processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Companies are succeeding yet the sector has been facing challenges, including record trade deficits in secondary processing. Working closely with a variety of partners, CAPI's research is focused on better understanding the issues and opportunities facing this sector and their implications for policy and strategy, and to generate a dialogue on ways to support the sector's future growth and competitiveness.

Project 4b: Food Processing Company "Traits of Success": Cross Case Analysis: In collaboration with 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. By working with the schools, the cross-case analysis identifies four conditions that are key determinants of company success. This work has implications for food companies, supply chains, producers, governments and others that support the sector, such as the innovation community and financial institutions.

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

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



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Contents

Executive Summary	5
Researchers and Case Companies	8
Overview of Companies	9
Guiding Questions.....	10
Drivers of Success – Summary	11
Cross-Case Synthesis	12
1. CEO's clarity of core purpose	12
2. Layers of uniqueness and differentiation	14
3. Calibre & breadth of company relationships.....	17
4. Enabling macro conditions	20
How companies grow.....	24
Conclusion	29
Sponsors & Partners.....	30

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Executive Summary

CAPL and its partner business schools undertook a study of what makes 13 processed food companies successful.¹ Each company case study is available separately and this document provides a cross-case analysis.²

Four conditions for success

1. The key elements of success include the CEO's or senior leaders' absolute "clarity of purpose" – this defines the business and innovation culture and drives its strategy forward.
2. To engage strategy, companies pursue "layers of uniqueness" to differentiate at every level of their businesses. (This is what innovation is or should be all about.)
3. "Quality relationships" help make this happen. This analysis reflects the breadth and calibre of the diverse array of such relationships.
4. As expected, companies require an enabling "macro environment." Company strategy is shaped in various degrees by the marketplace, the domestic and global economy and by policy and regulation.

Changing the perspective

It is the interplay of these four conditions that is critical and truly reveals the "DNA" of company success. This can change perspectives. For example:

Governments may automatically gravitate to the workings of the macro environment (No. 4) – the economy and policy – as their primary domain. While true, governments can also enable how companies differentiate (No. 2), such as how they encourage investment in new technology and support R&D funding. As well, publicly funded institutions have many relationships with companies (No. 3) that can support efforts to grow.

To achieve success, companies often publicize the need to improve certain policies and regulations (No. 4). CEOs flagged a number of changes that are required here, but the cases revealed that their success is determined by factors that are clearly within their domain or control. A CEO's single-minded purpose (No. 1) shapes how companies implement their strategies. They create multiple layers of differentiation (No. 2) at every level critical to their success – from the ingredient supply to the end-use consumer. They seek out a diverse array of relationships (No. 3) that truly enables the company to do more: enter new markets, promote their products, reduce costs, innovate and mitigate risks.

Overall, this cross-case analysis is meant to provide a new perspective about what drives company success. This is also the basis for changing the dialogue about ways to improve policy and regulations, support the competitiveness of the country's processed food sector and help build a stronger agri-food sector.

1. Maple Leaf Foods is included although it is not an example of growth as it addresses how a company is fundamentally restructuring its supply chain to become globally competitive; sets this company somewhat apart from the others for this examination.

2. This work is part of a larger CAPL project on examining the state and prospects of the country's processed food sector.

What does this mean for individual stakeholders?

With the inspiring insights of the case studies in hand, how companies and stakeholders across the food system apply these perspectives can vary, as suggested in the following table.

For domestic start-ups & small firms	With a focus on local or being a regionally dominant niche player, or even with export markets in mind, many of these firms will want to link their sustainable growth path to uniqueness of intellectual property or terroir which captures the essence of authenticity in craft and artisan products. Mentorship (which applies to leaders of firms of any size) and access to technical and advisory expertise is particularly important for newly formed firms.
For established domestic mid-sized to large firms	Canadian processor growth requires developing “resilience” to (primarily) American scales through differentiation and leveraging these points of differentiation to access and focus on growth markets. Such innovative approaches will help drive productivity and better position the firm to attract capital and the right people (the bench strength) to manage step change. As firms mature, companies need effective succession plans to allow original owners to transition to the next generation of ownership structure.
For multinational enterprises	Retention of operations in Canada or investing here requires outperforming NAFTA manufacturing options and competing for capital against alternative global opportunities within the corporate family. Those that come or stay here require a differentiated advantage which is often based on securing a reliable supply of high-quality and competitive inputs (ingredients). This is the basis not only to serve the domestic market but to hold export mandates in key product lines and to develop innovative product or conduct global market testing here. Doing so requires globally minded leaders who can leverage these opportunities.
For producers	Processors depend on the supply of quality agricultural ingredients and producers depend on supply chains as a channel to get their products to market. With changing consumer food tastes, preferences and expectations, the production and supply of food is receiving greater interest and scrutiny. Consumers want to know where their food comes from, how it is grown and what is it good for them, etc. Producers’ and processors’ economic prospects are becoming more closely tied than “just” a supply relationship, although reliable supply at a competitive price and value to the producer is paramount. Sharing information and managing consumer expectations is increasingly important to ensure that the desirable attributes and quality of those ingredients – which is the essence of a brand – meets the evolving needs of the marketplace.

For financial institutions

While financial institutions (and companies) have well-established performance tools/metrics available, the cross-case analysis provides financial institutions with another perspective to consider risk and opportunity from a strategic understanding of the company's growth prospects. Financial institutions and companies look at cash flow and other indicators of financial viability. The insights presented here allow Financial institutions to determine if companies are executing effectively on their business plans by considering how companies are acting on the conditions of success outlined here. Such insights can also help provide advice to client CEOs by advising how performance can be enhanced by delving into these success drivers.

For investors

Investors can evaluate food companies by how they effectively deliver on the essential success factors: the CEO's clarity of purpose to deliver on strategy and the degree to which companies define their value proposition and capacity to grow and be profitable (i.e., through the pursuit of differentiation and deep-seated relationships to execute on strategy). As well, investors assess the macro (external) conditions in which companies operate and compete. If those conditions are not supportive enough, investors will more likely seek out opportunities elsewhere.

For academia advisors

Effective business models enable academia, and researchers and professional advisors, alike, to provide a credible and relevant frame of reference to understand and advise on change management. Individual company practices vary, but shared principles often transcend the differences and can be elaborated upon to add value to the insights, context and advice given to students, companies and others. Institutions can also help understand/develop leadership skills/competencies, specifically in relation to supporting company CEOs (success factor No. 1).

For governments

Governments at all three levels in Canada seek to improve the quality of life of its citizens and they face many and often competing demands to do so from across society. To meet citizens' expectations of attracting investment and creating jobs, governments need to operate within the global context. They need to make conscious decisions about the degree to which they collaborate and evolve policies and practices so to provide the best economic environment possible for companies to invest and compete. The economic fundamentals are linked to quality of life considerations as companies must, themselves, attract and retain people.

Researchers and Case Companies

Researchers	Affiliation	Case Studies
Marc Boivin	HASKAYNE School of Business 	Heritage Foods 
Jean-Claude Dufour, François Couture and JoAnne Lebreque	 UNIVERSITÉ LAVAL  INAF INSTITUT SUR LA NUTRITION ET LES ALIMENTS FONCTIONNELS  HEC MONTRÉAL	Groupe Leclerc  Domaine Pinnacle  Lassonde 
Ray Hope	 THE UNIVERSITY OF WINNIPEG PROFESSIONAL, APPLIED AND CONTINUING EDUCATION	PepsiCo Canada 
Mark Raymond	 SAINT MARY'S UNIVERSITY SOBEY SCHOOL OF BUSINESS	Island Abbey Foods 
David Sparling	 IVEY Agri-food@ive	Ferrero  Maple Leaf Foods  Saputo 
Ron Wasik	 a place of mind THE UNIVERSITY OF BRITISH COLUMBIA	Premium Brands 
Brynn Winegard	 Schulich School of Business York University  YORK UNIVERSITY	Bonduelle Americas  Club Coffee  InfraReady 

Overview of Companies

Company	Head office (Canada)	Ownership	Processing type	Key product focus	Employees	Revenues (2012)	Markets
Bonduelle Americas	Montreal, QC	French; 40% public	primary	frozen vegetables	750 (+1,200 seasonal)	€2 billion (global)	Canada, U.S.
Club Coffee	Toronto, ON	private; part of Morrison Lamothe	primary	coffee roasting, pods	300	n/a	Canada, U.S. (25%)
Domaine Pinnacle	Frelighsburg, QC	private	production, primary and secondary	ice cider, alcoholic beverages	35	n/a	Canada; 50 countries (40%)
Ferrero Canada	Brandford, ON	Italian; private	secondary	chocolate; confectionary; candy	1,000 (Canada)	€10 billion (global)	Canada, U.S., Mexico
Groupe Leclerc	Saint-Augustin-de-Desmaures, QC	private	secondary	cookies, nutrition bars	650	n/a	Canada, U.S., Europe
Heritage Frozen Foods	Edmonton, AB	private	secondary	frozen perogies	78	n/a	Canada, U.S.
InfraReady	Saskatoon, SK	private	secondary	cereal, grains, pulses	23	\$6 million	Canada, U.S. (33%); global (12%)
Island Abbey Foods	Charlottetown, PE	private	secondary	solid honey products	45	n/a	Canada; 20 countries
Lassonde	Rougemont, QC	publicly traded	primary & secondary	juices, sauces, wine	2,000	\$1 billion	Canada, U.S.
Maple Leaf Foods	Mississauga, ON	publicly traded	primary & secondary	meat	20,000	\$4.9 billion ³	Canada, U.S., UK, global exports
PepsiCo Foods Canada	Mississauga, ON	publicly traded	secondary	cereal, potato chips	10,000 (all Cdn. operations)	Cdn n/a (global, \$65 billion)	Canada, U.S. ⁴
Premium Brands	Richmond, BC	publicly-traded	secondary	meats, bakery, seafood, pasta, sandwiches, food service, retail	3,600	\$1 billion	Canada, U.S.
Saputo	Montreal, QC	publicly traded	primary & secondary	cheese, milk, bakery	12,000	\$7.3 billion (2013)	Canada, U.S., Argentina, Australia, 50 countries

3. With the recent sale of Canada Bread, Maple Leaf Foods' revenues will be reduced by \$1.3 billion; and employee numbers will change.

4. PepsiCo operates in more than 200 countries globally.

Guiding Questions

Each case writer was asked to identify and address one key question that portrayed the essence of their respective company's challenge.

	Company	Key case question
1.	Bonduelle Americas	What made Canada attractive to Bonduelle; and, how does it maintain cost-competitive manufacturing in Canada to merit remaining here?
2.	Club Coffee	How did this company go from a slowly deteriorating state and reinvent itself to become a solid growth company in a good position to export?
3.	Domaine Pinnacle	How was it able to expand from a focused strategy on one product and establish itself as a world leader in its category in more than 50 countries?
4.	Ferrero	Why did a major multi-national company decide to locate in Canada to serve North America?
5.	Groupe Leclerc	How did this business carve out an enviable position amid global U.S. players within a saturated Canadian market while ensuring growth in its core products?
6.	Heritage Frozen Foods	How has this company been able to build its business and reputation, without facing the normal pitfalls that often are associated with growing a business?
7.	InfraReady	How did this company take a singular technology idea and parlay it into products with diverse applications for many global manufacturers?
8.	Island Abbey Foods	What have been the key factors underpinning its phenomenal growth, both domestically and internationally?
9.	Lassonde	How was Industries Lassonde able to differentiate and position itself as a “one-stop shop provider” on a North American scale?
10.	Maple Leaf Foods	How can a Canadian consumer packaged-meats company increase productivity and efficiencies to become globally competitive?
11.	PepsiCo Canada	How does a subsidiary within a mature market maintain relevance within its multinational organization and compete for corporate investment?
12.	Premium Brands	How does this company remain entrepreneurial while growing beyond a billion dollars in sales?
13.	Saputo	How can a Canadian company be a global player from a Canadian base, particularly in a supply-managed commodity?

Drivers of Success – Summary

Each company pursues a unique strategy but all these companies (with some exception) adhere to three fundamental principles to drive their respective businesses forward:

- ① CEO's (or senior leaders') clarity of core purpose
- ② Layers of uniqueness & differentiation
- ③ Calibre & breadth of company relationships

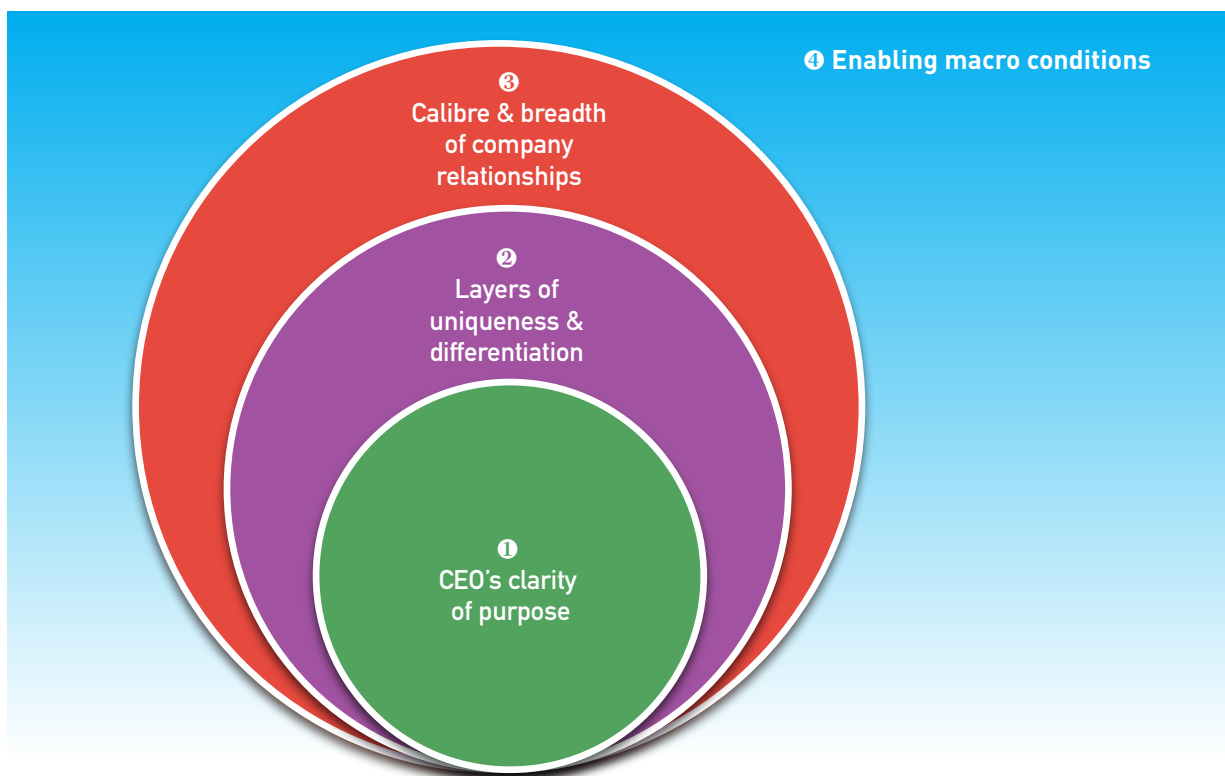
Each company's success is shaped to some degree by (and in some situations, despite) the broader context of the economy and the policies and rules that influence the marketplace:

- ④ Enabling macro conditions

Combined, these four drivers and supporting examples are elaborated upon, below.

How do companies grow?

This work concludes by portraying selected evidence from the cases on how companies manage growth.



Cross-Case Synthesis

Considerable material was shared in each case study. Pertinent learnings from the cases are arranged under key headings, below, to facilitate analysis and discussion. While most cases could be referenced under each subject heading, notable examples are offered for the sake of brevity.

① CEO's clarity of core purpose

Selecting these “core purpose” statements is based on the content of each case study and our perception of the essence of what drives the CEO/senior leader. We could have simply chosen mission or vision statements. But our task was to try to get behind such statements and interpret how the company truly brings to life these intentions. For example, Premium Brands’ vision is “to invest in specialty food businesses featuring entrepreneurial cultures; great-tasting foods made with wholesome ingredients; and a passion for both their local communities and what is best for our planet.” We regard this company’s core purpose as having an unwavering focus on “avoiding commoditization.”

① CEO's clarity of core purpose	The core purpose is the company's “DNA.” It is not a public relations motto and can go much deeper than what is found in annual reports or company publications. It is what the company was founded on and/or sustains it. It is the CEO's (and the senior team's) No. 1 focus and defines leadership, aligns employees across the company and influences how the company interacts with its external partners. It drives innovation at every level. It is the absolute basis of the company's purpose and strategy. (The following represents actual core purpose statements or CAPI's interpretation of them based on the respective cases.)
Bonduelle Americas	Experts at harnessing the value chain to process frozen vegetables.
Club Coffee	Innovate the business model – embracing the willingness to change strategies.
Domaine Pinnacle	An international brand for ice cider (create a new category difficult to copy by competitors).
Ferrero	Premium fresh products for the mass market that are truly unique and extremely difficult to copy or replace.
Groupe Leclerc	The core purpose is rooted in what the founding family focused the company on: how to win the hearts and mouths of consumers (its logo is branded by a heart). <i>Note: this guided the company when it changed its name from “Biscuits Leclerc” to “Group Leclerc” because it may not be producing cookies “50 years from now.” Leclerc has since diversified into snack and health bars.</i>
Heritage Frozen Foods	“Feed a family of five for under \$5.”

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<p>InfraReady</p>	<p>Driven by the desire to "feed the world" and anticipating consumer demand by applying a deep scientific understanding of the properties of grain and pulse ingredients.</p>
<p>Island Abbey Foods</p>	<p>Solid honey becomes a global food and pharmaceutical platform.</p>
<p>Lassonde</p>	<p>"A human drinks 756 litres of liquid a year. We must increase our share of people's stomachs with healthy products. Our whole model is rooted in this principle."</p>
<p>Maple Leaf Foods</p>	<p>Be a world-class consumer packaged-meats company, supported by a highly efficient supply chain, leading brands and market shares.</p>
<p>PepsiCo Canada</p>	<p>Leveraging PepsiCo's global brand strength in the Canadian market and seeking productivity gains and investment in order to compete for capital across the corporate family.</p>
<p>Premium Brands</p>	<p>Avoiding commoditization (to be the No. 1 local/regional brand).</p>
<p>Saputo</p>	<p>Build a global cheese and dairy business by acquiring complementary companies (e.g., operationally, culturally).</p>

② Layers of uniqueness & differentiation

② Pursues layers of uniqueness and differentiation	Each case company displays a vigorous commitment to differentiate themselves in order to deliver on their core purpose (noted above). Companies reveal that differentiation can start from the ground up and across all facets of the products' supply to meet customer requirements and meet consumer food needs and expectations. Pursuing multiple layers of uniqueness and differentiation is the essence of what innovation is or should be all about.	
Soil-to-consumer continuum	Bonduelle Americas	Soil quality with sound agronomic practices (seed, crop rotation, chemical usage) vital to quality vegetables. Plus, planning/forecasting supply for processing to meet customer needs.
	PepsiCo	Providing specific varieties of potatoes to growers and working with producers on good agronomy practices to ensure high-quality products.
Consumer health focus	InfraReady	Driven by “getting the good from the grain” and maximizing its nutritional benefits creates some 250 custom-designed proprietary products that enable them to be harnessed by processed food customers – and at a premium price.
	Island Abbey Foods	Educating consumers about the health benefits of honey as a sweetener to achieve a product premium.
	Groupe Leclerc	A vision to advance wellness. Embraces ingredients with health benefits while maintaining great taste. Opened a health and wellness laboratory in 2012.
	PepsiCo Canada	Canadian operations led the removal of trans-fats from its products and the consumer packaged-goods space worldwide – Canada can be global leader/testbed for product innovation.
	Lassonde	Juices enriched with functional food ingredients (e.g., plant sterols), such as Oasis NutriSource and Health Break.
Food safety	Maple Leaf Foods	Resulting from a major food safety event (the 2008 listeriosis crisis), the company has invested heavily to become a global food safety leader. Food safety is a cornerstone of Maple Leaf's culture.

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Product uniqueness	Domaine Pinnacle	Source difficult-to-reproduce ingredients, such as herbs harvested from the Bay of Ungava, in Northern Canada, to make Ungava premium dry gin.
	Island Abbey Foods	World's first 100% pure, solid, non-sticky honey.
	InfraReady	Technology leadership by transforming grains and pulses into unique food ingredients for tailored food solutions for customers.
	Ferrero	For Ferrero, "freshness" is important to protect the brand. It pulls products out of the market when the code date is over six months old. It is the only product in the category that consistently has all its products in circulation less than a year. To do this, it has gone to great lengths to develop proprietary software to monitor product code dates in retailers.
Creating a category	Domaine Pinnacle	Pinnacle's strategy was driven not merely to build an international brand but to create an entire new category: ice cider (made from apples).
Innovating the business model	Club Coffee	The business has changed from bakery to frozen foods to coffee roasting. ("Never assume that our business growth continues...") While the current product is about coffee pods, the business is about being a contract manufacturer with a record of rapid response to emerging customer needs.
Scale	Bonduelle Americas	Processing scale is dictated by the availability of vegetables meeting specifications within 1.5 travel hours of the processing plant. Capacity utilization is >90%, achieved by contracting pulses for processing outside of the vegetable season. As such, it achieves scale through capacity utilization to compete with Americans by stretching a seasonal business to year round.

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<p>Private standards</p>	<p>InfraReady</p>	<p>Accreditation is a core competency. Beyond CFIA compliance, the processor meets a long list of industry accreditation bodies and specialty certifications (e.g., Kosher and Malaysian Halal). Helps to force up quality with suppliers (farmers, transport), enhances reputation with customers and facilitates exports. Adherence to private-sector quality standards can be a competitive advantage.</p>
<p>Being "global" requires manufacturing success "locally"</p>	<p>Ferrero</p>	<p>Ensuring product freshness requires successful regional manufacturing footprints, including Canada, to serve North America.</p>
	<p>PepsiCo Canada</p>	<p>The company has eight manufacturing sites in Canada; also, it has one company president in Canada versus two in the U.S. for Quaker Oats and Frito Lay – enabling more nimble decision-making here.</p>
	<p>Saputo</p>	<p>Management learns that operating as an exporter cannot succeed without effectively servicing the domestic market as well.</p>
<p>Entrepreneurial culture</p>	<p>Premium Brands</p>	<p>As a holding company with 29 companies, it seeks out highly entrepreneurial branded food companies and will support them and preserve their entrepreneurial focus. If they move towards becoming commoditized, they will not be supported, or may be sold.</p>
<p>Breaking down the "silos"</p>	<p>Lassonde</p>	<p>As a company grows, internal communications and the sharing of ideas become even more important within a multi-product organization and across the company and its affiliates. The approach extends to external contact with suppliers and customers.</p>

③ Calibre & breadth of company relationships

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Relationship to ingredient suppliers	Bonduelle Americas	Partnerships with growers include encouraging key rotational crops to ensure vegetable supply and soil health. Relationship creates a competitive supply advantage (e.g., exporting 90% of green beans to U.S.) and enables price and supply to be locked in before the season starts – creating a win-win outcome for the company and producers.
	PepsiCo Canada	Its two Quaker plants (in Canada, U.S.) receive 100% of their oats from eastern and western Canada, respectively (and these plants do more than process oats). Almost 100% of its potato suppliers are located within two or three hours of their respective facilities and the company has growers in five provinces, fostering close supply-chain relationships. Information is shared with potato growers to maximize yield and use potato varieties that grow, store and harvest well. The potato grower model is starting to be applied to oats growers.
	Ferrero	Working with researchers to create new hazelnut production in Ontario.
	Heritage Frozen Foods	Strategic relationship with Alberta potato growers.
	Domaine Pinnacle	Active role as a supplier for its key ingredients: apples and maple syrup.

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Strategic commercial partnerships	Club Coffee	<p>A deep business relationship was formed with Nestlé in which it demonstrated customer-service excellence in another business line by quickly responding to the needs of Nestlé to manufacture beef-based frozen entrees. Based on this past success, Nestlé approached the CEO to sell its roast and ground coffee manufacturing plant. The opportunity enabled Club Coffee to do business with the largest retailer in Canada and seek scale by building a private-label business in the U.S.</p>
	InfraReady	<p>Saskatchewan Wheat Pool invested in technologies to promote wheat/grains. The CEO acquired its infrared technology to commercialize its applications.</p>
	Domaine Pinnacle	<p>An alliance with Camus, a long-established French producer of cognac, permitted Pinnacle to leverage an established international distribution network (incl. to Asia) and related support to promote its ice apple cider. Today, 40% of its product is exported.</p>
	PepsiCo Canada	<p>The Frito Lay business made a game-changing move when it strategically partnered with Hostess in 1988. This later resulted in an acquisition.</p>
Relationship with technical and research institutions	Groupe Leclerc	<p>With the installation of 61 robots at the Tennessee plant, worked with the Tennessee Technical School to develop a novel training program. Also, collaborates on food ingredient innovation into healthier foods with INAF at Laval University.</p>
	Island Abbey Foods	<p>Access to technical expertise and pilot plant facilities of PEI BioFoodTech, as well as local NRC scientists, supported by federal and provincial organizations, such as the NRC-IRAP, ACOA and Bio-Cluster coordinator PEI BIO Alliance.</p>

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Relationship to grocery retailers	Heritage Frozen Foods	<p>Intimate knowledge of the retail freezer space. Given a ~90% failure rate for new products in frozen processed food, understanding how perogies can remain in that space is critical: the trends, competitors and pressures on retailers, and changing consumer preferences.</p>
Relationship with government	PepsiCo Canada	<p>In competing for an investment in corn processing in the American northeast for the Doritos and Tostitos brands, PepsiCo Canada's bid for Quebec City was successful due in part to a government partnership and the provision of additional railway service in 1997, a key feature of the Cdn. business case.</p>
Relationship with employees	Groupe Leclerc	<p>Sharing strategic information within the company is key to success. An "industrial Facebook" is being created to facilitate exchanges within a plant and between various company plants.</p>
	Lassonde	<p>The CEO meets with employees every 3 to 4 months to discuss the company's challenges and results. "Everyone needs to be engaged in the strategy."</p>

④ Enabling macro conditions

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a. Investment pitch – attracting investment to Canada

Open-for-business climate	Bonduelle Americas	Canada has an attractive corporate tax environment and a favourable business climate. But the U.S. is better at attracting investment (e.g., employing state incentives).
	InfraReady	Cost and ease of doing business in U.S. is lower. Competitors relocating there lured by local tax incentives.
	Heritage Frozen Foods	Conduct a strategic review of regulations, logistics needs and investments to support the Canadian food industry in context of competing with global suppliers.
Canada is missing an opportunity to sell itself better to EU companies to invest in Canada	Ferrero	Canada can be cost competitive within North America. Corporate tax rates are positive. Good R&D incentives. Societal factors: multicultural, stable. Proximity to markets.

b. Enabling growth within Canada

Role of municipalities to attract & clinch foreign investment	Ferrero	Speed of regulatory approvals, seamless regulatory approvals, provide network of people to support the investment, incentives. Need to enhance municipal role.
	PepsiCo Canada	Municipal infrastructure limitations (e.g., size of intersections) inhibit use of efficient long-combination vehicles, such as at its Cambridge, Ontario, plant. High cost of water puts Canadian operations on an unlevel playing field with the U.S.
	Maple Leaf Foods	"Team Hamilton" was very effective in addressing engineering, legal and political issues to enable a major plant expansion in that city. Other local conditions helped the investment decision, such as infrastructure, labour relations availability and labor relations.

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Local innovation ecosystems	Island Abbey Foods	The company leverages the available industry-led model that aligns businesses, research and technical resources, government seed capital sources, and private equity. This presented the business environment that incubated the company and optimized the likelihood of its successful commercialization of new technology.
Financial incentives for productivity enhancements	PepsiCo Canada	Government incentives need to be considered in the context of how multinational firms compete for internal capital across worldwide corporate operations. Subsidiaries must compete for capital (machinery and equipment upgrades) to improve productivity but face the challenges of emerging market subsidiaries achieving higher rates of return and legacy infrastructure among subsidiaries within the developed world (i.e., Canada).
Retail concentration	Groupe Leclerc	It looks to the U.S. mass market for opportunity in part because of the lack of growth potential in the Canadian market (retail/distributor concentration).
c. Market access		
Leverage trade commissioner service	Island Abbey Foods	Positive experience on use of this service (i.e., advising on import practices, shipment protocols and costs and knowledge of export markets).
Trade agreements	Saputo	Trade agreements are important to help access new markets. (Agreements may change Canada's situation on exports.)
	Ferrero	Agreements instrumental to serving U.S. market but also to access new markets.

④ Enabling macro conditions

This refers to the economy, marketplace and regulatory environment. Canada has many economic fundamentals right and has a generally receptive business environment, which is needed to grow businesses and attract investment. But other jurisdictions are working at attracting investment (and away from Canada) and firms make rational business decisions about where they invest. Enabling conditions are not static. Canada's attractiveness as a place to do business and government's support and the policy/regulatory environment must evolve.

d. Responding to structural & regulatory issues

Supply management	Premium Brands	Lack of access to competitively priced supply managed inputs is forcing more of their investments in the U.S. Working with supply chains is critical to meet/exceed consumer demands and expectations and the company is more successful in doing this in areas that are not supply-managed.
	Saputo	Supply management constrains domestic operations, reduces efficiency and restricts innovation. Greater cooperation and coordination between processors and dairy farmers would be desirable.
Marketing boards	Bonduelle Americas	Concerning the subject of arbitration, the problem is that producers can submit for arbitration with no commitment to plant acres. They can always plant another crop if they are not satisfied with the arbitration result. The arbitration rules need to be adjusted to make the process of arbitration more engaging for both parties.
Regulatory practices and approvals	Bonduelle Americas	Newer pesticides or herbicides are sometimes not available in Canada because of the cost of getting them approved in Canada (too expensive in relation to the size of the market). They are just not homologated for usage. That is the disadvantage.
	Saputo	Health Canada lags behind the U.S. and E.U. in approving new compounds (e.g., plant sterols) – hampering innovation.
	Maple Leaf Foods	Elimination of import duties on new equipment enables new investments. Initiatives to equalize the regulatory burden with the U.S. (e.g., Regulatory Cooperation Council) are vital. Out-of-date regulations and lack of alignment with trading partners is an issue but regulatory reform at Health Canada and CFIA are positive developments. Coordination of regulations in Canada, such as lack of uniformity of labour laws and pensions regulations, remains a concern.

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Tax credits	Ferrero	SRED is attractive to use but administratively complex.
Accelerated capital cost allowance	Heritage Frozen Foods	Provides an important incentive to make capital investments (e.g., to install new spiral freezers and packing equipment).
	Maple Leaf Foods	Importance of program given the critical need to invest in new technologies.
Access to labour	Bonduelle Americas	Access to seasonal workers easier in U.S. gives U.S. competitors an advantage.
	Saputo	As production technology changes, more people are needed with technical skills, a challenge in Canada. Difficulty in attracting and retaining skilled people (e.g., mechanics) in low unemployment regions (Alberta).
	Maple Leaf Foods	Growing Forward 2 funding enables the implementation of a training program at Mohawk College; administrative ease to proceed but final approval timeline is long. The foreign worker program is used to secure employees for its plants in western Canada.
Access to capital	InfraReady	Government-funding enables this company to initially launch; incubated technology from Saskatchewan Wheat Pool.
	Maple Leaf Foods	AgriProcessing program (a repayable contribution) used to help fund new plant technologies.
	Premium Brands	The availability of capital to its divisions has been at the core of its success today and will remain so over the long term because capital is deployed to improve efficiencies and economies of scale; the result is that some partner companies have gone on to double, triple and even quadruple in size.

How Companies Grow

The above-noted four conditions of success manifest themselves in many ways. The cases provided considerable information on how companies manage growth, seek opportunity and handle risk. A number of examples of this are provided below.

How do companies grow?	Companies make key choices to enable them to stage-gate growth: evolve management skills, adapt the culture, attract capital, manage risk, etc.	
a. “Go to market” drivers		
Pursue growing markets	Groupe Leclerc	Entry into U.S. is critical for growth, scale and to get closer to customers. (Canada’s market is limited: “maturity of demand in Canada”).
	Saputo	The Canadian regulatory environment greatly influenced its strategy: supply management limits production within a small market and low volumes limit scale. Saputo aggressively acquires foreign companies to grow in global markets.
	Club Coffee	“The biggest risk is doing nothing.” It expanded operations into new markets, which reduced reliance on large Canadian customers and enabled it to diversify customers. Its approach is also driven by seeking partnerships with competitors (partner with “other Davids to take on Goliaths”). Indeed, the CEO sees anyone not willing to collaborate as a competitor.
Utilize consumer-focused market intelligence	PepsiCo Canada	“Knowing the market” is a key enabler and can mitigate innovation risk. This company used such insights to successfully launch Twistos and to act on product formulation changes in response to trans-fat and sodium initiatives.
	Domaine Pinnacle	Partnership with an acclaimed sommelier and cook (Francois Chartier) to develop recipes based on the company’s products and distributed free across Quebec’s liquor retailer, the SAQ.
	Premium Brands	By observing emerging trends driven by demographics and aging baby boomers consuming less red meat and the Asian ethnic segment’s preference for seafood, the company concluded that they were underinvested and underdeveloped in the seafood market. This led to significant investments in the seafood sector and creating a new seafood division.
Seek out receptive municipalities	Ferrero	Brantford attracts its investment. Access to quality labour force and infrastructure was a key determinant to selecting Canada for its North American investment.

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Co-brand	Island Abbey Foods	Cobranding with collaborative food/pharma partners in other countries key to export growth. This was part of a concerted strategic move by the CEO (who applied the approach from his experience in information technology). Associating with established pharma companies helped access their extensive distribution and marketing infrastructure, get its logo on packaging among name brands abroad and accelerate exports.
Packaging	Lassonde	Invested \$19 million at the Rougemont facility to optimize production and reduce the plastic bottle and cap weight. Developed a specific type of beverage packaging and price range by partnering with Tetra Pak to create a new container type (the "Prisma").
Offer private label & national brands	Lassonde	It produces both private labels and national brands as a means to manage both a defensive and offensive market strategy. This provides a diverse platform to compete in North America.
	Club Coffee	A white labelling strategy (contract manufacturing) enabled the company to "own" the fast-growing single-serve coffee pod market while avoiding having to invest in marketing to end consumers toward establishing brand names or brand equity.
Acquire (or divest) for growth	Saputo	Acquisitions are a means to achieve company goals. For Saputo, it looks for companies in markets of interest (as a basis to enter a new market or serve adjacent ones) and looks for companies where manufacturing efficiencies may not be on par; this presents the opportunity to create growth.
	Lassonde	Decisions to acquire U.S. firms were made not only to provide a market position, but for their potential to absorb Lassonde's entrepreneurial culture. Such assessments are key to ensure fit.
	Premium Brands	Fairly valuating potential acquisitions is carefully contemplated, which can include retaining existing management in the process. Sellers want to maximize the price and Premium Brands wants to ensure fair value. Premium Brands offers incentives to acquired companies if they achieve performance targets, allow for greater upside and meet expectations of shared value.
	Maple Leaf Foods	After a number of acquisitions to build market share scale, the company's completion of a seven-year strategy to competitively position its meat business, and recent and planned divestitures allow it to focus on growth as a leading consumer packaged-meats company, with significant financial flexibility.

How do companies grow?	Companies make key choices to enable them to stage-gate growth: evolve management skills, adapt the culture, attract capital, manage risk, etc.
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b. Ingredients expertise

Ensure access to ingredients	Ferrero	Canada has access to sugar at world prices, whereas Americans must pay more in order to support its domestic industry.
	Bonduelle Americas	Proximity of crops to processing plants critical to ensure quality. Good grower relationships (including with marketing boards) to ensure acreage to supply vegetables – a competitive advantage.
	Groupe Leclerc	Long-term supply stability is examined, such as the availability of wheat and prospective impact on future flour prices. It is questioning the strategic question: “who will control our business and supplies in the future?” Agricultural land acquisition by major groups in Canada and elsewhere in the world will likely have an impact on relationships and negotiations with commodity suppliers. It owns orchards and grows produce to connect itself to ingredient supply (and has reduced pesticide costs in the process).
Develop new technology (based on a deep scientific understanding of the ingredient).	Island Abbey Foods	Enable liquid honey to be kept as a solid form; demonstrating profitable commercial production for a food and nutraceutical platform.
	InfraReady	Inactivating the grain enzyme improves shelf-life, safety, texture and cook time of grains and preserves nutritional quality. By transforming the product (not just add value) makes it more attractive for food processing. Customers (e.g., Nestlé) seek it out for technology solutions.

c. Operational excellence

Methodically adhere to strategy	Heritage Frozen Foods	Since 1972, it has maintained its core purpose of price focus, retailer relationship-building and prudent expansion.
Preserve entrepreneurship culture while getting bigger	Premium Brands	Deciding to let each of its companies operate independently to encourage entrepreneurship and seek premium prices.
Compete for internal capital	PepsiCo Canada	Canada (and U.S.) operations must compete for capital with emerging market operations within the same company and fast-growing offshore markets often offer higher rates of return. The “internal rate of return” can be challenging with the costs of upgrading an aging facility here.

How do companies grow?	Companies make key choices to enable them to stage-gate growth: evolve management skills, adapt the culture, attract capital, manage risk, etc.	
Managerial talent, labour skills	Maple Leaf Foods	Executing strategy and change requires developing managerial skills and leadership. Plant managers are key to the change process, now have responsibility beyond production and are evaluated on food safety and sustainability. Adoption of new technologies and systems also requires a higher level of skilled employees and there are constraints in filling such positions and is seeking out those skills from the EU.
Focus on manufacturing plant efficiency	Saputo	Low-cost manufacturing is a preoccupation and a key to success. With multiple acquisitions across several countries and with some 85% of costs relating to raw material in the Canadian market (milk for cheese making), the pursuit of operational efficiency is paramount. Manufacturing efficiency becomes a differentiator. Automation/robotics is becoming increasingly important to reduce labour costs. Drive for efficiency leads to reduction in food waste, energy and water.
	Ferrero	Engineering is a core strength. They have a large in-house engineering staff which have designed their highly proprietary production lines. They have over 100 PhD-level staff working on both product and line design with a singular focus to produce premium products hard to copy but highly cost-competitive, which allows sale in mass market. Ferrero private ownership enables the company to not have to focus quarter to quarter, so each product must be researched, engineered and planned to essentially eliminate any risk of failure. This explains why Ferrero does not build plants incrementally but is prepared to step in and build a scale plant for North America (in Canada) in one step. In this case spending over \$350 million bringing the plant to three shifts within three years of building the plant.
	Groupe Leclerc	Introduces highly robotized production lines. It also has gone green as reflected in the installation, in 2004, of geothermal air conditioning systems in its warehouses, and its use of compostable corn-based trays.
	Maple Leaf Foods	Heavy investment in technology (robotics) and spending \$90 million on systems management (SAP) to improve production and distribution efficiency and to enable global scale production and facilitate consolidation of operations, including spending a \$400 million investment to construct the largest prepared meats plant in Canada.

How do companies grow?	Companies make key choices to enable them to stage-gate growth: evolve management skills, adapt the culture, attract capital, manage risk, etc.	
Learn from failures	Premium Brands	This company had developed a very strong convenience-store business focused on direct store delivery and distribution business across Canada for the meat snack and sandwich businesses. But it was slow to react to change affecting this channel. High gas prices meant, after filling up, consumers were not spending money in the station's convenience store. Pay-at-the-pump legislation in B.C. also cut back on in-store traffic and consumer tastes changed as consumers chose to buy food at quick-service restaurants rather than shop in a convenience store. In an attempt to minimize losses, the company took trucks off the road, consolidated routes and took on distribution partners, but in the process it lost the critical mass needed to service this industry profitably.
	Saputo	The E.U. experience confirmed to Saputo that its cautious approach to entering new markets is indeed the most risk-mitigating way to expand internationally.
	Island Abbey Foods	When first entering the market, smaller producers will likely need to work via a distributor. The company discovered that it was challenging to form relationships with the retail buyer when there was no direct communication. This made it difficult to establish a strong and robust business relationship and impeded the proper sharing of information that was critical for the growth of its' sales. It still uses distributors, but it has made a concerted effort to obtain the business directly without the use of a distributor.

Conclusion

This analysis focused on what drives CEOs/senior leaders and their companies to be successful. Essentially, these cases are about how companies make and leverage their investments – and the strategies undertaken to enable them and cope with what hinders them.

Companies desiring to grow should be inspired by their stories. Students can learn from these cases. Supply-chain partners may appreciate the fact that their success and that of processing companies are intimately tied. And, there are important strategic implications of this material for governments (federal, provincial and municipal/regional).

Companies require certain success factors to be in place to retain investment, facilitate growth and attract new investment. Issues that help or hinder investment in food processing in Canada will vary somewhat depending on the type of processing. What may be a high priority for one company may not be the highest priority for another. All companies seek out markets where they can grow and remain profitable or are finding ways to do so. In addition, in a world where jurisdictions compete for investment and jobs, there is a growing expectation that governments at all levels will provide world-class infrastructure, best-in-class tax regimes, support a high quality of life for employees and their families, competitive inducements including grants, and economic development personnel able to expedite and assist in investment opportunities.

Beyond that, all companies are responding to the growing consumer desire to know “where did my food come from, how was it made and is it good for me.” Jurisdictions that are seen as providing safe, clean, sustainable, nutritious food under strong oversight, from modern plants with a qualified and caring labour force, from high-quality, pure residue-free ingredients, will clearly have a growing strategic advantage. This is the platform to compete based on a strategy of continuously finding and acting upon multiple layers of differentiation. In short, this is a basis to be truly innovative. The CEO’s clarity of focus on what is important to achieve success drives this. As well, for the most part, leveraging diverse relationships helps to make this happen.

CAPL will be using this case study material to further develop its ideas and recommendations to support a more competitive processed food sector in Canada.

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