

Chapter 13

Managing Relationships for Innovation in the Food Industry¹

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The late February board meeting had been exhaustive and extremely argumentative. Long after everyone had left work for the day, Carl Young, the managing director of Farmfresh,² sat behind his mahogany desk and reflected on the day's meeting and the heated debate concerning Packfex, one of their plastic film suppliers. Five months ago, in two of Farmfresh's production facilities, Packfex's film (Chubb X1) was uncharacteristically causing significant wastage, approximately 33 per cent in their pudding range of products. In production terms, the golden rule is that production efficiency running into double figures is totally unacceptable. Over the five-month period, Farmfresh had absorbed substantial costs while both companies attempted to rectify the errors in the film and the production process. Besides the ever-increasing costs and shrinking profit margins, the inconsistency in production meant that delivery of their pudding product range was unreliable. Indeed, pressure was mounting from numerous customers, especially the large retailers, to sort the distribution problem. Members of Farmfresh's board were worried about loss of reputation and potentially even market share. In the interim, Young had given his personal assurance to their customers that the situation was under control and that product made to the highest quality would be delivered on time.

Packfex had guaranteed Farmfresh that a new film would work. However, when the new film was uploaded, the production wastage from Chubb X2 was higher than ever before, approximately 50 per cent. Immediately, the tension between representatives from both companies was intense, with some very aggressive language being expressed by

¹ This case study is intended solely as a basis for class discussion. It is not intended to illustrate either effective or ineffective management.

² Due to the sensitivity of the material contained within this case, company names and individual names have been altered to adhere to confidentiality agreements.

Young's own senior staff towards Packfex managers. Under pressure from the engineering and production departments, the corporate buyer had informed Packfex that they were being de-listed due to the ongoing quality issue with their film.

The next day, Young had organised a board meeting to discuss how the issue was going to be resolved. He was worried that the big retailers would not tolerate another slip-up in distribution, especially over any extended length of time. He knew that competitors would love the opportunity to seize market share on a range of their top selling branded products. However, at the meeting, internal conflict broke out between departments over the issue of who was to blame and should Packfex be de-listed. Most blame and criticism was directed at the incompetence of the production and engineering departments, who in turn blamed the incompetence of Packfex. The financial controller had quipped that 'the money is literally flowing out the company doors and it wasn't his fault'. The meeting had become so conflictual that Young had called a halt to the board meeting until the following day.

The Irish Agri-Food Industry

The contribution of the Irish agri-food industry to the Irish economy is very significant in terms of manufacturing output, exports, employment and also through the purchase of raw materials and services. The total value of the Irish agri-food industry in 2006 was over €12 billion or 8.1 per cent of GDP. Exports of the industry amounted to €8.1 billion, with the UK being the main destination for Irish agri-food exports. In 2005, the UK accounted for 48 per cent of all exports and 30 per cent went to continental European markets, while the remaining 22 per cent went to international markets.¹(3) According to the Census of Industrial Production (2002),²(4) 696 companies are engaged in the agri-food industry, employing approximately 163,400 jobs or 8.1 per cent of total employment.

Nevertheless, in recent years, pressure has intensified on Ireland's agri-food industry due to European Commission price cuts on commodities, as well as an increasingly competitive export market (Department of Food and Agriculture 2004). Indeed, in 2006

¹ (3)Bord Bia: <<http://www.bordbia.ie>>.

² (4)Central Statistics Office: <<http://www.cso.ie/census>>.

some agri-food companies faced troublesome times when the price of their products sold on international markets was lower than the cost of producing them. Another factor is that consumer tastes, market trends and international trade are changing at an ever rapid pace. In addition, Irish agri-food companies are being squeezed by very large European retailers, who control around 50 per cent of the food retail market.¹⁽⁵⁾

These changes are creating a much more competitive EU and world commodity markets, and ever more complex and innovative food product markets (Department of Food and Agriculture 2004). New product development is essential and, according to Mary Coughlan (ElAmin 2005). Ireland's Minister for Agriculture and Food, 'without increased investment in R&D, Ireland's food industry will be outstripped and out-paced by others who already possess the necessary research capability.' The lack of an innovative focus has been identified in the Irish agri-food industry as a major failing. The Irish food industry's expenditure on R&D at 0.3 per cent of sales is lower than in other sectors of the economy. This is in part because it comprises a large number of small and medium enterprises (SMEs), which do not have the capability or expertise to engage in R&D and which, in any event, do not originate from such a background or culture. There is a general consensus at government and industry level that all agri-food companies face a challenge to produce more added value products in coming years and so there is a need to invest more time and resources in R&D to generate a culture of innovation and risk taking in the market (Department of Agriculture and Food 2004).

<H2>Pudding and Its Relationship to Plastic Packaging

Pudding can either be white or black. In contrast to the former, black pudding or blood pudding is a sausage made by cooking blood with a filler until it is thick enough to congeal when cooled. Blood sausage is a more recent North American term for the same as well as a useful term for similar blood-based solid foods around the world. In Ireland, pig blood is most often used. Consequently, the pudding consists of pork meat and fat, suet, bread and oatmeal formed into the shape of a large sausage. The importance of the plastic film is that the pudding is cooked in the packaging. Indeed, the plastic becomes the cooking vessel, in that the raw meat enters the packaging and is cooked. The

¹⁽⁵⁾Bord Bia: <<http://www.bordbia.ie>>.

packaging pasteurises and modularises all the cooking process. Moreover, the plastic interacts with the meat, depending on how much blood is in it, and controls the way the proteins and fats interact. When cooking, the meat swells to four times its thickness and the film has to be able to expand and then shrink back during the cooling process. Also the print has to be readable after the expansion and the shrinking. The shrink characteristics of the plastic allows a skin-like appearance to the pudding after cooking. This is a patented application of Packfex and only a few plastic manufacturers have managed to some degree to replicate the process and none to the quality offered by Packfex.

Background of the Two Companies

Farmfresh

Farmfresh is a medium-sized food and agricultural business in Ireland. Its range of businesses includes dairy and meat processing, liquid milk production and the provision of a comprehensive range of farm services, including animal breeding and livestock marketing. The company's products are marketed nationally and internationally. Its most important dairy brand name is Farmfresh, but it also sells products under several other national and international brand names. Farmfresh employs approximately 650 people and has an annual turnover in excess of €200 million.

For many years, Farmfresh operated in a tightly regulated market, which in essence created a comfort zone and allowed the company to survive while operating less efficiently in comparison to world-class standards of some of its competitors. In addition, Farmfresh had an extremely wide and diverse product range which meant that the company was competing against an equally diverse set of leading competitors, and was a major factor in its rising costs. In 2002, the company made a loss of €2.5 million and its operating profits dropped by 75 per cent from just over €20 million to less than €5 million. It had been estimated that the company could lose over €15 million by 2008. In order to combat the loss in profits, the highly competitive nature of the agri-business, the rising production inflation, tighter margins and more sophisticated customers, Farmfresh board of directors appointed an outsider, Carl Young, to the position of managing

director. Young, a very experienced CEO immediately brought his own leadership style to the company, characterised by decisiveness, willingness to confront the issues and assuredness of direction. Unwavering in his vision and leadership style, Farmfresh has undergone significant structural change in the past few years: several plants were closed, over 150 employees were made redundant, organisational structure re-organised, business divisions were made operate to specific objectives and more focused business plans, costs have been reduced, product ranges sharpened, there has been specific investment in an innovation centre and a significant change in culture has been attempted.

In essence, under the direction of Carl Young, the company moved away from a very formalised approach to a balance between organic and mechanistic structure. While the structure is formalised, and processes are in place, as is evidenced by the pursuit of manufacturing excellence and high operational standards, there is also a high degree of flexibility within that structure. For example, autonomous work teams manage and run their functions within the company, and team leaders communicate extensively with management, and vice versa. Meetings are held on a regular basis between management and staff.

However, reflected in its structures, systems and approach to development of corporate strategy, is a culture that is very aggressive whereby people co-operate with one another most of the time in order to survive, but are constantly having power struggles to establish and challenge orders of precedence. Often these struggles take place behind the scenes. There is a strong belief that successful internal processes lead to successful external cooperation and increased profits. In terms of cooperating with external actors, Farmfresh is an experienced collaborator and over the years has engaged in numerous partnerships and product development alliances, both at a national and international level. The company believes that it collaborates well with others: 'We have extensive experience cooperating and interacting with others. We do it on a daily basis ... we are very good at it ...' (Peter Bell, engineering director, Farmfresh). However, a noticeable feature of Farmfresh's character is that it tends to favour collaboration strategies that

provide continuity and security and views divergence from the norm as a threat or an issue of conflict and so react aggressively.

Packfex

Founded in 1978, Packfex is a privately owned company specialising in the supply of flexible packaging products to the food and beverage industry and other industrial sectors. These include meat, dairy, confectionery, coffee, fresh and ambient foods, and pet food. The company has gross sales in excess of €15 million per annum. The main production plant is located in Ireland, while a finishing warehouse to customise products for the European market is based in England. However, the ever-increasing number of manufacturers moving their production to cheaper economies has meant that the industry in Ireland has become smaller and many packaging companies have not survived the upheaval. As a consequence, the domestic industry has become highly competitive and most packaging companies, including Packfex rely on European and American sales for their continuing survival. The highly competitive nature of the industry has meant that the degree of innovation amongst Irish packaging companies is prolific.

Indicative of a company whose origin began as a small family-run business, which evolved into a global manufacturer, employing over 70 people in formalised departments, Packfex's organisational structure is a balance between an organic and mechanistic framework, in that, the company dearly holds on to its family values, however as the business has grown, it has been formalised to a degree: 'Our processes are in place, yet there is an informality about us as well. We are doing things in real time so the structure has to be there but there also has to be the case where ... informal structures can solve the issue' (Eamon Coleman, technical director, Packfex).

Supporting this balance in organisational structure is a culture, centred on the image of the family: 'We have a closeness. There is a community here. In one way there aren't any secrets in our company, everyone knows everyone else's business, it is very much like a family. The formal structures are in place, but we also have the informality around it and then this is also embedded in an innovative culture' (Eamon Coleman, Packfex). Indeed,

there is a strong cultural norm within Packfex, to establish and maintain a sense of innovativeness throughout the company and it strives to become a learning organisation: ‘Innovation creates profits, that is profit to innovate and so innovation has to be the responsibility of everyone in the company. The real trick that we are trying to do is to train our people up so that they will replace you, that they will challenge your position. We rewarded performance here at Packfex. We train people and we engage them to be more than they initially thought that they could do’ (Eamon Coleman, Packfex).

Consistent with its organisational structure and its embedded family culture, Packfex has both formal and informal communication structures in place. Due to the mechanistic processes in place, formal communication is a requirement. Yet, there is a very strong informal communication structure in the company. Packfex adopts an open plan office and actively encourages informal interaction and communication between all levels of the organisation. This balance between formal and informal is eloquently described in the following statement: ‘There is a lot of formality and informality about our company. They are intertwined. Informal communication generates innovation, it allows people to talk over coffee, ideas are created and shared, yet the formality facilitates the dissemination of that idea in a structured way’ (Eamon Coleman, Packfex).

In terms of engaging in collaborative development projects, Packfex is an experienced collaborator and involves the user throughout the development process: ‘In order to survive in this industry, we needed partnerships and connections with other companies. We are not afraid to collaborate and share our knowledge with others. We want to learn from them. In the long run it has been the key to our success’ (Eamon Coleman, Packfex). In attempting to enhance their collaborative potential, Packfex have established a team of individuals possessing what Packfex refer to as ‘polyphonic’ characteristics: ‘What that means is that you have several specialities in different areas and as a result of that profile type, you can hold conversations and appreciate what is being said by people in different areas of the company, that is marketing, production, quality, etc. ... because our people are polyphonics they create multiple relationships across disciplines. It is very important that you have more than one relationship because if things go wrong you still

have connections' (Eamon Coleman, Packfex). Over the years, Packfex has developed a number of patented innovations from collaboration with other companies. Exhibit 13.1 details a comparative profile of both companies.

Relationship Between the Two Companies

The relationship began in 1985, when Packfex received an order from Farmfresh to supply a standard base-line packaging film. The relationship between the two companies was said to be very good and as a result, in late 1985, Farmfresh approached Packfex with a request to assist them in the development of a new packaging. Farmfresh wanted to make one of their salami products more attractive to customers and their production process more effective. The problem that Farmfresh was having with the traditional packaging was that when the meat entered the packaging, it was hot, however when the meat cooled, it shrank, leaving the packaging in a distorted state, which was very unappealing to customers.

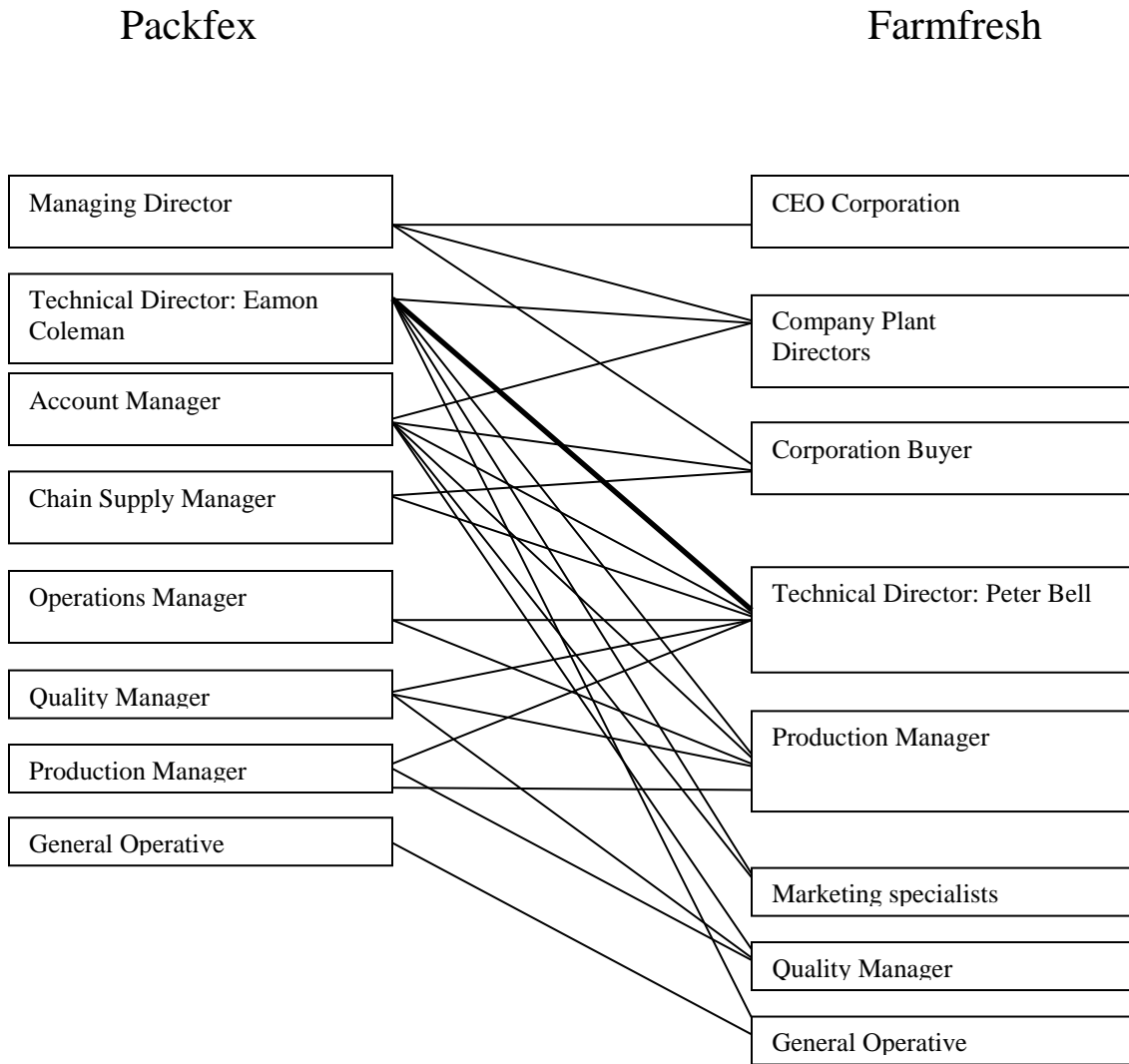
The production wastage was very high as a result of defective packaging. In addition, the shelf life of the product was too short, further increasing waste on returns. The only potential supplier at the time was a Japanese company; however, the cost logistics of importing the packaging from Japan was prohibitive and so Farmfresh turned to its Irish suppliers for a solution. In contrast to other packaging companies at the time, Packfex were confident that the packaging could be developed and the two companies entered a collaborative agreement to develop the new packaging in late 1985. For Packfex, who at the time were a micro-packaging company with a few employees, the potential rewards of a successful collaborative development project with Farmfresh were high. Indeed, if the project was a success, Packfex would not only acquire a large contract, it would also have a new innovative product with vast market potential.

During the development project, the interaction between the two companies was said to be very frequent and intense. Proprietary information was shared by both companies and after a number of failed attempts, a revolutionary and unique product specific to Farmfresh's production process was developed towards the end of 1986. The Chubb X1

film was highly innovative and replaced the traditional shirred casing for sausage type packs. Indeed, the innovativeness of the packaging is still evident today as only a few companies have been able to produce a similar film. Presently Chubb X1 is Packfex's biggest selling product and as Packfex is currently becoming more global, new applications for the plastic are emerging such as plastic covering for army artillery and sales of the film in 2006–2007 are expected to increase exponentially.

Over the past 21 years, the relationship between Packfex and Farmfresh has become close and many iterations of Chubb X1 have been developed. At an inter-organisational level, the relationship between the two companies is characterised as being highly integrative, with high levels of trust, commitment and cooperation. Indeed, communication between the two companies is regarded by both as being high, with a considerable amount of information sharing. Due to the length of the relationship and the strategic importance of Farmfresh as a customer of Packfex, multiple relationships between both companies have been established at many different levels. Indeed, there are a number of close professional and inter-personal relationships between individuals in both companies (see Exhibit 13.2).

Exhibit 13.2. Individuals and Relationship Patterns between Packfex and Farmfresh



Of particular relevance to this case is the relationship between Farmfresh’s engineering director (Peter Bell) and Packfex’s technical director (Eamon Coleman). Both gentlemen were highly experienced executives, with extensive backgrounds in engineering and new product development, and have developed a sound working and interpersonal relationship over the years. However, that interpersonal relationship and 21-year-old inter-company relationship was put under considerable pressure because of the high wastage attributed to Packfex’s packaging film. Indeed, as detailed earlier, tensions between both companies intensified when the new packaging film created even higher wastage than before,

cumulating in Packfex being de-listed. The following section traces the quality crisis that occurred between Farmfresh and Packfex over a five-month period. Exhibit 13.3 presents a chronological summary of that interaction, detailing both actions and perceptions of each company.

Quality Crisis Over a Five-Month Period: Perspectives from Farmfresh and Packfex

October

The high wastage problem that was occurring in two of Farmfresh's plants was communicated, when one of the Farmfresh plant directors contacted the managing director of Packfex and demanded that someone come down to their plant and rectify the situation, as it was costing significant amount of money. The aggressive nature in which the Farmfresh's plant director communicated the problem caused an argument to ensue between the two men. Nevertheless, assurances were given that the problem would be dealt with. However, this did not materialise and Farmfresh got extremely upset at the lack of response from Packfex. Tension between the two companies was evident when the engineering director, Peter Bell contacted Packfex and demanded that they come down to the plant at 6 a.m., the following morning, to witness the wastage first hand for themselves and to meet with Farmfresh's management board after the production run to discuss how this quality issue was going to be solved.

I wasn't happy overall ... there were a lot of questions being asked [about Packfex], like, what's happening now. There could have been a quicker reaction time.

(Peter Bell, Farmfresh)

When Farmfresh rang up and said that we are going to run at 6 o' clock tomorrow morning and as unreasonable as it sounds and in relation to what other appointment or meeting you have got, I had to jump in and bite the bullet, because they would not be interested in talking to us if we didn't turn up. If we didn't turn up, Farmfresh would have thought that there was no commitment from us to solve the issue we were having.

(Eamon Coleman, Packfex)

When the representatives of the Packfex's management went to the site the next morning at the agreed time, the first thing that they noticed was that none of Farmfresh's management team was present. In fact, they did not arrive till 9 a.m., three hours later. For Packfex, that was quite an amazing statement. They felt, that Farmfresh were trying to show them that they were the dominant actor in this relationship. However, the Packfex representatives did not mind being left on the factory floor, with Farmfresh's operatives, because it allowed them to observe the production process in real time. It also allowed them to interact with the operatives and to get first hand illustrations and explanations of the problems that were occurring in the production process. When Farmfresh's management came in at 9 a.m., a conflict immediately ensued between Farmfresh's engineering director (Peter Bell) and Packfex's technical director (Eamon Coleman), the former was blaming the film for the high wastage and the latter was blaming a catalogue of mechanical errors with the packaging machines.

We stated to them that their machines had a catalogue of mechanical problems. At this particular point the Engineering Director is angry because here am I going through the issues, the problems with his machines. He had worked on these machines for the last 7 years trying to get wastage down and here am I jumping all over his toes. And the conflict at this particular point is intense. The anger and the facial expressions in his face as I was going through this is really visible ... The tension at that moment was very high. We were standing on his territory, discussing his machines in such a manner that he is going to find it extremely aggressive. The only way to describe that interaction is that the guy took a pasting from me.
(Eamon Coleman: Packfex)

At the formal meeting between the two companies, Framfresh immediately demanded that the problem with the film be rectified. However, Packfex reiterated the technical faults that they had discovered with the machines and stated that no alterations to their plastic film would be made without these mechanical issues being fixed. Within Farmfresh, the production and engineering departments were not happy with Packfex's assessment of their machines and their production process because it meant that production would have to be stopped and there was now an internal conflict from other departments demanding to know why these technical issues were not already resolved.

However, Farmfresh's engineering director Peter Bell was claiming that it had to be Packfex's film since other packing ran on the machine with no faults.

When we went in to the meeting, we stated that before any changes are to be made to the product, they had to fix the machines and we gave them 5 faults that needed to be corrected before we would get involved. Peter Bell did not agree with us and had stated that the machine manufacturer had been here last week and that the machines were in pristine condition. They were telling us that our film had faults and that when they put on our roll they got 33% wastage, however, whenever they put on other rolls they were getting none. First of all alarm bells were ringing. We knew we were not been told the truth. We knew the wastage was high on the other rolls as well. So we told them that there were 5 faults with the machine and that they needed to be corrected before we would even contemplate adjustments to the product.

(Eamon Coleman, Packfex)

However, despite Farmfresh's arguments that the film was to blame for the high wastage, Packfex was adamant that the mechanical issues had to be dealt with before any product alterations were contemplated. Farmfresh was not happy with this scenario because it meant that a full diagnostic on the machines would have to be conducted which would entail a lot of money been spent on changing parts and there was also the time and labour costs and the production would have to stop. To resolve some of the tension between the companies, Peter Bell and Eamon Coleman worked out a methodology to fix the technical faults in the fastest time possible so as not to delay production. As a result of the corrections to the machines, the wastage level on Packfex's film dropped from 33 to 15 per cent. Packfex was also informed that wastage on competitor's films had also significantly been reduced and was now running at approximately 9 per cent. Despite the ongoing wastage issue, Farmfresh was ecstatic. They had a significant drop in wastage, not only on Packfex's film but also on other suppliers. At this point, Packfex knew there was a problem with the film. The waste figure was very high at 15 per cent and the fault was no longer with Farmfresh's machines.

In the beginning there was machine issues and a film issue. When the machine issues got sorted, the film was still causing unacceptable levels of wastage. So for a while, there was a grey area there when there was not a definitive problem with the film ... however when the machines were fixed we knew there was something wrong with the film.

(Peter Bell, Farmfresh)

Packfex travelled to Farmfresh's factory floor to witness the wastage. They saw that the packaging film got filled, then sealed, clipped, cooked and chilled. It was during the chilling stage, at the very end of the process, that the fault appeared: the film actually split. Since, the film was in Farmfresh's cooking process for four days when the packaging split, it caused not only high wastage and the extra production time needed to compensate, but it also meant serious time delays in Farmfresh's delivery of its product to customers.

So the second time we went back. Peter Bell has now fixed the machines and got less than 9% wastage with other films on the machine and we were still getting 15–20%. Peter Bell put the roll on and we saw it run. It was quite clear now, black and white that it was now a film issue. Now the situation changed the other way around and now Peter Bell was saying that there is something definitely wrong with the film and that he had accepted everything I said about his machines and so what was going to be done about the film.
(Eamon Coleman, Packfex)

Both Peter Bell and Eamon Coleman agreed that the film had to be altered and a co-development meeting was scheduled.

November

Both companies entered the first development meeting with the expectation that the adjustment to Chubb X1 would be rectified within a relatively short period of time, approximately a week. The urgency to rectify the problem stemmed from two main rationales: first, Packfex faced a potential consequential loss claim for the wastage, which can amount to ten times the cost of manufacturing the film; second, Farmfresh were in a situation where they had to use the faulty film until the problem could be rectified and the film up-lifted and replaced. For Farmfresh, this meant a period of high wastage, delayed production and unsatisfied customers, and they were willing to accept this while the problem was being corrected.

Part of the problem was the film had to be fixed, but we still had to produce. It meant that we had to work more to reach our quotas. We really had to have great patience. The wastage was still going on while the film was been fixed.
(Peter Bell, Farmfresh)

As a show of commitment, Packfex agreed to take corrective action and sent a team to Farmfresh to go through their stock of Chubb X1 film, and any product that was deemed not fit for process was removed.

December

However, the initial goal of a quick product improvement was diminished as the problem with the film was not easily identifiable.

We thought perhaps a week ... What we did was that we broke down the film and did a technical analysis on it. The problem is that there are about 5 million parts to a film and locating what is specifically wrong is very difficult ... but when we did the analysis on the film we knew that this was not a simple problem and we had to confirm to Farmfresh that to get a resolution would take a minimum of 4 weeks.

(Eamon Coleman, Packfex)

The tension between the two companies was very high. Farmfresh had an expectation that fault with the film would be resolved in a quick period of time and from their perspective, Packfex had let them down. Farmfresh were extremely frustrated as it meant that the high wastage and the costs associated with it would continue in to the near future.

Farmfresh were saying to us that had they known that the problem could not be solved quickly; that they would have went [gone] to another supplier.

(Eamon Coleman, Packfex)

To alleviate some of the conflicts, Packfex did make some adjustments to the film that would reduce the wastage slightly; however, the film could not be up-lifted, as there was nothing to replace it with. This meant that Farmfresh had to keep using the existing film, while the solution was being developed. At this stage, the tension and the conflict between both companies were extremely dense.

There appeared to be no progress, we were still getting the same film, the same wastage. There just wasn't any progress. Whatever way you look at it, I don't think Packfex came across this problem before and so there was a good bit of confusion. The process for figuring out what was wrong with the film was a bit all over the place. I don't think that they were following any real guidelines in identifying the problem.
(Eamon Coleman, Farmfresh)

Moreover, from Packfex's perspective, the threat of consequential loss was ever present.

January

The analysis uncovered that one of Packfex's suppliers were guaranteeing that their raw material would meet particular sealing requirements but analysis showed that this was not the case.

It worked out that one of our suppliers changed an ingredient in the formula without actually informing us. Once we got into it we identified the problem within 24 hours.
(Eamon Coleman, Packfex)

Having identified the problem, the supplier was contacted and assurance was given that the requirements would be met. Both Packfex and Farmfresh felt that within a relatively shorter period of time the film would be rectified and the production issues at Farmfresh would be eliminated. However, it was soon realised that the problem was far greater than was anticipated. First, the supplier refused to admit that it made any alterations to the sealing layer and refused to engage in any discussion on the matter mainly due to the

possibility of consequential loss of their part. This dramatically delayed the progress, as it meant that Packfex had to analyse its supplier's product, to identify which ingredient was altered.

Having identified the ingredient, it was then discovered that new regulations prohibited the ingredient from being utilised in a sealing layer, and hence the reason why the supplier had removed the ingredient from its product in the first place. However, this finding caused a significant problem in that an alternative supplier and alternative ingredient to the formula had to be located. What is more, tensions began to mount significantly between the two companies due to the ever-increasing catalogue of setbacks that had been experienced on the project. Farmfresh were getting frustrated at what appeared to be the lack of progress. They felt that the film should have been rectified by now and that perhaps Packfex did not fully appreciate the cost to Farmfresh, which was clearly expressed to them through several communication mediums at that point. While consequential loss was not explicitly threatened, it was never the less implicitly implied. Farmfresh were increasingly becoming worried that the problem could not be solved.

February

Through a series of formal and informal brainstorming sessions between Farmfresh and Packfex, an innovative solution to the problem was devised and tested for requirements. It was felt by both parties that the problem had been solved. Indeed, there was a sense of euphoria amongst the people involved and the relationship between the two companies was said to get even tighter. Moreover, there was a sense of relief for both Packfex and Farmfresh. The threat of consequential loss was removed for Packfex and Farmfresh and the high cost and wastage would be reduced.

What we did in Farmfresh was very controversial. We changed the sealing layer completely away from traditional practice to what it is now – yy. What happened was that we created a brand new product. So what we did was that we took that old product apart and rebuilt it as if it were the ideal utopian product for Farmfresh. Rather than using xx as a sealing layer we used yy.

The idea for using yy instead of xx came as a result of new product that we were developing with a European manufacturer and in the course of testing suitable ingredients we discovered that one of the properties of yy was that it was a good sealing layer.

(Eamon Coleman, Packfex)

However, when the film ran in Farmfresh's cooking process, the wastage was higher than ever before, approximately 50 per cent. Although Chubb X2 had resolved the sealing issue, another problem materialised as a result of the changes to the sealing formula. In essence, the new film was thicker and not as smooth as the original; as a consequence, the film moved slower through the packaging machine causing it to be misplaced.

What happened was that when we sorted out the sealing issue, because we changed the formula, we found a completely different problem materialised. We sorted out the sealing issue but now there was a problem with the slip ... they [the films] were out of place –the product was misplaced- it was not where it should have been. We did alter the feel of their product.

(Eamon Coleman, Packfex)

The tension between the two companies and the key individuals Peter Bell and Eamon Coleman escalated to an extreme intensity. The communication between the two companies was said to be very aggressive and threatening. As far as Peter Bell was concerned, Packfex and Eamon Coleman had let him down and, worse, had made him look bad within Farmfresh. Indeed, both Peter Bell and the production director were under fierce internal pressure for the failure of Chubb X2. The animosity between the key individuals was clearly evident, when both Peter Bell and the production director would not even communicate to Eamon Coleman, in relation to rectifying the new problem; as far as they were concerned, Packfex should be de-listed.

In relation to the failure of Chubb X2, it was really hard because we had to go back to Farmfresh and pick them up of the floor and there was also a loss of

faith in us. At this particular point we are trying to positively reinforce the relationship, no negativity at all ... but Peter Bell was telling me that there was no reason for me to be phoning him, we had our chance, we would be de-listed and that I was wasting his time. I told him that innovation is an iterative process and that this was an engineering situation.

(Eamon Coleman, Packfex)

It was like we had made no progress at all. There was a lot of patience on our part when the problem with the film was been sorted ... because of the fault we had a lot of waste ... there just wasn't any progress and that is the way we looked at it. It really wasn't what we expected.

(Peter Bell, Farmfresh)

However, internal conflict broke out between other departments in Farmfresh, when engineering and production put pressure on the corporate buyer to de-list Packfex. As was detailed earlier Packfex had multiple working and personal relationships in different areas of Farmfresh, and now they relied upon those multiple relationships to stem the conflict from engineering and production.

They were flexing their mussels, showing their metal, it is all about pecking order and we knew that ... We knew that our product was very unique to Farmfresh and that they would have a hard job replacing us ... we had to be patient. They couldn't de-list us, but they had not realised that yet.

(Eamon Coleman, Packfex)

The Future

As Carl Young sat in his office he knew that the situation needed to be rectified quickly. He was unhappy with the way the board meeting went today, especially the blame mentality of his senior management. He was worried. The large retailers were not going to be happy with any more distribution problems. The internal conflict had to be resolved

if they were going to get over this rough patch. In relation to Packfex, Young knew it would be difficult to de-list the plastic company because the film was particularly unique to Farmfresh's production process, and locating another supplier would be easier said than done. In addition, if they decided not to de-list the plastic supplier he needed the inter-company conflict to be resolved and especially the inter-personal conflict that was going on between certain boundary-spanning members. Young knew that if he did not get his engineering and production directors to sit down with Packfex's technical director, the project would fail and the problem would never be rectified. They were the key individuals. Carl Young sat back in his chair and wondered how he was going to handle the situation.

References

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