

ORGANIZATIONAL LEARNING IN A FOOD INDUSTRY VALUE CHAIN

**A Dissertation submitted by
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ABSTRACT

This dissertation documents and evaluates the transformational change process undertaken by a major Australian food manufacturer, Golden Circle Limited. The study focuses on evaluating what impact the change process had on the organization's capacity to learn and its ability to apply such learning to improve its competitive performance.

The primary data used in this evaluation were generated by three sets of semi-structured interviews conducted with respondents drawn from different levels of management within Golden Circle and its key value chain partners over a two year period.

From January 2004 to December 2005, the company reported a cost reduction of 21% within the Supply Chain and Operations Area, which had been the focus of the transformational change process. This improvement in performance was based on three success factors: the presence of an effective change champion, the formation of cross-functional project teams that were empowered, responsible and accountable, and the presence of a structured process designed to develop a culture of continuous improvement. Improved relationships with the organization's supply chain partners directly contributed to the improved operational performance through higher quality inputs, better operational alignment and reduced inventory holdings.

The study identified that there were three key factors that were essential for the development of an organizational climate that nurtured learning: leadership that was inclusive, supportive and proactive; a culture of individual responsibility and team accountability; and an organizational structure that promoted open communication and collaboration. Further, this study identified four factors that enabled new knowledge to be applied: the presence of a shared vision, adequate resources (both financial and personnel), a willingness to participate, and the capabilities to participate.

A significant component of this research was the construction, testing and refinement of a model of organizational learning in the context of a value chain that would be of value to future research and managerial practice in the area of organizational adaptation.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analysis, and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Signature of Candidate

Date

ENDORSEMENT

Signature of Supervisors

Date

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I would not have undertaken this Doctorate without the urging of my wife Trudy, nor would I have enjoyed it as much without her support, encouragement and at times spirited critical but constructive comment. I cannot thank you enough.

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It was through my involvement on the Advisory Board of the Food Chains Program that I first became aware of the 'lean supply chain' project that had been proposed by Golden Circle as a Demonstration Project. I wish to especially thank David Gregory, the Food Chains Program Manager at that time for his encouragement to undertake this study and his keen interest in its outcomes.

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PART 1 THE RESEARCH SETTING

Twenty two years ago, the Australian government embarked on a program of micro and macro economic reform that was designed to open up the Australian economy to the world. As Kelly (2003, p.11) points out, these reforms *symbolized the end of certainty and our entry into a globalised age of uncertainty.*

Senge (1990a) had predicted that the most successful organizations in such a competitive environment would be *learning organizations* – organizations that have the ability to learn and adapt faster than others in their field:

The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels of the organization (p.4).

Organizations that thrive in times of uncertainty and discontinuity have been described by Limerick, Cunningham and Crowther (2000) as *fourth blueprint* organizations that are characterized by the presence of metastrategic management, flexible structures and empowered, collaborative individuals. Further, they claim that networks and strategic alliances are core business for a fourth blueprint organization.

The views of Limerick *et al.* (2000) are supported by the research conducted by O'Keeffe and Mavondo (2005). Their research indicates that building an organization that anticipates and responds to change is one of the main challenges facing managers in the Australian food and beverage industries and that developing *the ability to leverage the resources and capabilities of other firms in the network is an integral part of this challenge* (p.6).

This dissertation documents and evaluates the transformational process undertaken by an icon Australian food manufacturing company in its efforts to *make a good company a great company and to reward its shareholders accordingly* become *'a leading food and beverage company in the Asia-pacific region* (Golden Circle, 2004, p.5). The success or

failure of this transformational process depends on the company evolving from an organization that has historically undervalued learning to one in which continuous improvement based on collaborative learning is vital to its existence as a company.

While the focus of my research was a food company, the outcomes of the transformational process and the conclusions I have drawn from my research have relevance for organizational learning more broadly and particularly for the role of learning in sustaining the momentum of organizational change. For example, leaders, administrators and staff in schools and universities whose roles are to develop what Drucker (1994) calls the knowledge workers of the future, could obtain insights from this research in terms of the leadership, culture, structures and processes necessary to ensure that their organizations and curricula are relevant to needs of a post industrial society.

Fullan (2001) supports this position:

At the most basic level, businesses and schools are similar in that in the knowledge society, they both must become *learning organizations* or they will fail to survive. Thus, leaders in education and business face similar challenges – how to cultivate and sustain learning under conditions of complex, rapid change (p. xi).

Many doctoral dissertations emerging from Faculties of Education are embedded in the theory and practice of teaching and learning within the context of educational institutions such as schools, colleges or universities. On the other hand, postgraduate research in the area of organizational learning is often associated with Faculties of Business and its outcomes are reported in the business literature. I have chosen to undertake this research within a Faculty of Education because I consider education to be a process designed to promote learning, whatever the context, and I see learning as the key enabler of changes in behaviour.

To reinforce the point that a dissertation that is focused on organizational learning in a business context is consistent with the more traditional research activities undertaken

within a Faculty of Education, I draw on the research of Atkin (1994)¹. In her paper Atkin develops *elements of a framework that describe the conditions which enhance and maximize learning* in the context of schools (p.2). Atkin identifies two conditions as the basis of this framework – the relationship between the teacher and the learner, and the skill of the teacher in designing learning experiences. In this dissertation I have constructed a model of a learning organization that is based on developing an environment that supports learning and enables learning to take place that parallels Atkin’s learning framework.

In deciding on the structure of this dissertation I have adopted an approach that follows that suggested by Uncles (1998) because of the nature of the project and the mixed audience that may find my research relevant to their interests – other researchers, organizational leaders and policy advisors.

In his discussion on how a thesis should be structured, Uncles adopts a typical marketing approach to the problem by focussing on meeting the needs of a diverse client group effectively and efficiently. To achieve this outcome he advocates that the introduction to a thesis should communicate the major findings of the research in a clear and comprehensive manner before embarking on full and detailed description of how the research was undertaken and how the conclusions were arrived at. The advantage of this approach is that the reader, regardless of their motivation for consulting this thesis, is provided with the significant aspects of the research prior to being confronted with the detail of methodology and data analysis.

In Part 1 of this dissertation, I describe my motivation for undertaking this research, present reasons why this research is of academic interest based on a review of the relevant literature, discuss why this research could be of interest to the wider community, and finally I present a discussion of the key outcomes of my research.

¹ Atkin states that this paper is based on twenty years teaching and research and the *synthesis of ideas and responses from more than six thousand practising teachers, other adults and students ranging from twelve years upwards* (p.2).

Section 1 My motivation for undertaking this research project

The key motivator for me undertaking this research project arose from my membership of the Food Chains Advisory Committee which was set up under the Federal Government's National Food Industry Strategy in 2001. Of particular interest to me were the leading edge chain management projects that were to be funded under the Food Chain Program and how the lessons emanating from these projects could be captured and disseminated.

In this Section, I describe the nature and purpose of the National Food Industry Strategy and in particular, the Food Chains Program. I then provide a history of the case study company on which this research is based and finally I outline why this particular research is of interest to the wider academic and business communities and its potential relevance to government policy.

1.1 The National Food Industry Strategy's Food Chain Program

In September 2001, the Federal Government announced a \$102.4 million National Food Industry Strategy that was aimed at ensuring that *by 2007, the Australian food industry will be a significant global player with a sustainable and profitable role in the global food product system* (Agriculture, Fisheries and Forestry – Australia, 2002b, p.18).

The National Food Industry Strategy² consisted of three major programs that were designed to deliver on this vision:

1. The Food Innovation Grants program that provided incentives to Australian food producers and manufacturers to encourage greater R&D activity;
2. The Food Trade program that would integrate State and Commonwealth activities in market access, trade development and promotion; and
3. The Food Chains program that would facilitate the development and adoption of supply chain management practices in the Australian food industry.

² Further information concerning the Nation Food Industry Strategy can be found at www.nfis.com.au

The Food Chains Program (FCP) was allocated \$10.2 million to support leading edge chain management demonstration projects and capacity building initiatives that would enhance the competitiveness of Australian food chains. In July 2003, I was invited to be a member of the Advisory Committee that would oversee the implementation of the FCP because of my *business experience and familiarity with the strategic issues surrounding the program*.³

As organizational learning would be central to the success of the strategy, funds were made available under the FCP to capture and disseminate the lessons learnt in each of the demonstration projects. Since earlier attempts to capture and disseminate the lessons learnt from previous government programs in agribusiness had met with limited success (Section 1.5), my previous experience and close involvement with the current program provided me with a unique opportunity to develop and test a model for capturing the lessons learnt in a more effective manner.

Consequently I sought and obtained the approval of the Food Chains Advisory Committee to undertake a longitudinal evaluation of the outcomes from one of the demonstration projects – the Golden Circle ‘lean supply chain’ project. This project became the focus of my dissertation.

1.2 The Case Organization - Golden Circle Limited

Golden Circle Limited had its origins in 1946 when the Committee of Direction for Fruit and Vegetable Marketing (COD), a Queensland Government Statutory Marketing Authority, established a processing plant in Brisbane to service the needs of pineapple growers located in south-east Queensland. In 1964, COD transferred the ownership and operation of the cannery to a grower-owned cooperative, which in turn became an unlisted public company, trading as Golden Circle Limited, in 1991.

³ A copy of my invitation to join this Advisory Committee is contained in Appendix A

Although the company was initially solely a pineapple processor, it now manufactures in excess of 800 products including shelf stable fruit and vegetables, fruit juices, cordials, jams, conserves and baby food, with total sales revenues of \$414 million in 2004. The revenues generated by processed pineapple products account for approximately 12 percent of the company's sales (Fraser, 2004b).

The company's brand, "Golden Circle", is the No. 9 umbrella grocery brand in Australia and is widely regarded as an Australian icon (Biggs, 2003; Fraser, 2004a; Golden Circle, 2004). The company's logo incorporates the words 'Australian Grown – Australian Owned' as a proud endorsement of its ownership and heritage.



Plate 1.1 The Golden Circle logo

1.2.1 Ownership and governance

Golden Circle is owned by 700 Queensland pineapple and vegetable growers and while it trades as an unlisted private company it is registered as a cooperative under the Queensland Cooperatives Act (1997). As with most cooperatives, the board of Golden Circle has been dominated by its grower-owners. Historically, five of the six non-executive Directors have been growers, of whom four were pineapple growers.

Up until 2003, Golden Circle experienced a high degree of stability in the membership of its board and senior management team. The Chairman had served on the board for 27 years and was Chairman for 19 years before his retirement in mid 2003. Three of the

remaining four grower Directors had been members of the board for 7-12 years, while the independent director had held his position since 1991. The then Managing Director was appointed in 1993 after joining the company in 1965.

In December 2004, the company's constitution was amended to expand the number of independent Directors and reduce the number of grower Directors – a change that resulted in the grower-shareholders of Golden Circle losing control of the board and the appointment of the first non-grower Chairman of the company in May 2005.

1.2.2 Financial performance

A review of annual reports, press releases and media reports over the period 1996-2002 gives the impression that Golden Circle was *financially sound, well managed and well respected by its customers* (Biggs, 2003).

Table 1.1 Key Financial Indicators 1996-2002

(\$'000)	1996	1997	1998	1999	2000	2001	2002
Total Sales	242,257	228,876	236,876	252,388	263,098	286,142	398,439
Operating Profit (Before depreciation, interest and tax)	18,572	16,378	16,216	21,282	21,526	21,006	28,826
EBIT (Earnings Before Interest & Tax)	9,183	6,791	5,129	8,683	9,290	7,482	16,829 ⁴
EBIT/SALES (%)	3.7	2.97	2.16	3.44	3.53	2.79	4.22
Net Profit	5,105	4,167	3,370	6,484	6,101	5,732	10,393
Total Assets	210,062	213,533	213,034	239,308	258,007	248,268	327,025
Return on Assets (%)	2.43	1.95	1.58	2.71	2.36	2.31	3.18

(Source: Golden Circle Annual Reports)

⁴ Golden Circle acquired the Original Juice Company in 2002 for \$70 million; the additional sales plus the elimination of the 'up-front' premium payment for pineapples account for the significant increase in EBIT reported in 2002.

As the data presented in Table 1.1 shows, the company had experienced a steady rise in both sales revenues and net profit but low earnings when expressed in terms of returns on total assets or as a percentage of total sales.

But the storm clouds were gathering. During 2003 both the Chairman and the Managing Director warned that 2003 *would be a difficult year* for the company (Biggs, 2003; Golden Circle, 2003). In February 2004, Golden Circle announced *a massive net loss of \$31 million for the 2003 calendar year, nearly three times more than its original estimates last November of \$8 million to \$12 million* (Jimenez, 2004, p.36).

1.2.3 An icon in crisis

In hindsight, 2003 was a watershed year for Golden Circle and its stakeholders. For the first time in the Company's 57 year history it had posted an operating loss. While this was a significant event in itself, it was the extent of the loss that threatened the very viability of the company and forced radical change in its management and operations.

The substantial loss in 2003 brought into sharp focus the need for total performance improvement across the company's operations – from management procedures and systems and sourcing and processing of raw materials, to the product made, when and where (Golden Circle, 2004, p.4).

In December 2003, the Managing Director resigned and was immediately replaced by an interim Chief Executive Officer who was charged with the responsibility *to revive the icon company and (do it) quickly* (Jimenez, 2004, p.36).

By mid 2004, there was a new Chairman of the Board, a new permanent CEO and three of the four members of the senior management team had been replaced. A new strategic plan had been developed and adopted by the board that enshrined the *six pillars* upon which the future of Golden Circle would be built.

The year ahead will be a challenging one for Golden Circle, but we now have in place the foundations of a long term strategy that we expect will return the Company to profit and boost shareholder value. The six critical pillars of our strategy for the future involve Golden Circle:

- Becoming a consumer-driven business;
- Developing new products in growing categories;
- Adopting lean supply chain principles;

- Sourcing raw materials for optimal financial outcomes;
- Making difficult but necessary changes; and
- Adopting an integrated change process.

(Golden Circle, 2004, p.11)

Central to this strategy was improved operational planning to better align production and inventory with sales and the elimination of unnecessary costs from the company's operations and its material supply chain. A key component of this transformation process was the 'lean supply chain' project that was funded under the Food Chains Program of the National Food Industry Strategy.

1.3 The project's academic significance

During my review of the literature pertaining to organizational learning (Section 3), I realized that many of the published works in this area were theoretical or prescriptive in nature rather than empirical studies that evaluated the causes and outcomes associated with organizational learning initiatives (Argyris & Schön, 1996; Garavan, 1997; Lakomski, 2001; Senge, 1990a; Senge *et al.*, 1999; Smith & Tosey, 1999). This observation was reinforced in the field of education by Robinson (2002) who found that there was *scant empirical research available on organizational learning in schools* (p.802).

The most common approach adopted in empirical studies on organizational learning was to survey managers either through formal interviews or mail questionnaires seeking their perceptions about the current state of learning within their organizations and the factors that they perceived to promote or discourage organizational learning (Buckler, 1998; Lennon & Wollin, 2001; Lopez, Peon, & Ordas, 2005; Penn, Ang'wa, Forster, Heydon, & Richardson, 1998).

Such approaches ignore the fact that learning occurs at different levels of an organization, in different forms (adaptive and generative) and over time (Senge, 1990a). My research addresses these issues by collecting primary data from multiple levels within the case study organization over a two year period.

Similar gaps in the literature exist with respect to the role of inter-organizational relationships and their impact on learning both at the individual organization level and that of the supply chain (Barlow & Jashapara, 1998; Barratt, 2004; Beeby & Booth, 2000; Bessant, Kaplinsky, & Lamming, 2003; Preiss & Murray, 2005; Spekman, Spear, & Kamauff, 2002).

By conducting multi-level interviews with key respondents within the Golden Circle supply chain over a two year period, my research contributes to overcoming these problems.

1.4 The project's significance to other organizations

This research was conducted in the context of the Australian food industry, an industry whose success *in this increasingly competitive and globalised market, will depend on dynamic businesses actively pursuing growth and development along the entire food supply chain* (AFFA, 2002b, p.5).

The Golden Circle 'lean supply chain' initiative was funded as a demonstration project under the Food Chains Program because it had *become very clear that the lean thinking approach is of considerable interest to companies that are dealing with local supermarkets, particularly those with an EDLP (every day low price) type focus* (General Manager, Food Chains Program, 2004, pers. comm., 13 May).

Lean thinking is based on the production system developed by the Toyota Motor Corporation and popularized in two seminal publications – *The Machine That Changed the World* (Womack, Jones & Roos, 1991) and *Lean Thinking* (Womack & Jones, 1996). In essence, the Toyota Production System is underpinned by what Liker (2004) describes as four principal categories – Philosophy, Process, People & Partners and Problem Solving (Figure 1.1). Central to the Toyota Production System is a culture of continuous improvement that enshrines learning at the individual, organizational and inter-organizational levels (Liker, 2004).

While the principles associated with lean thinking have gained significant attention and application in manufacturing world-wide, the Golden Circle ‘lean supply chain’ project was the first application of these principles in the Australian food manufacturing industry (Golden Circle, 2005).

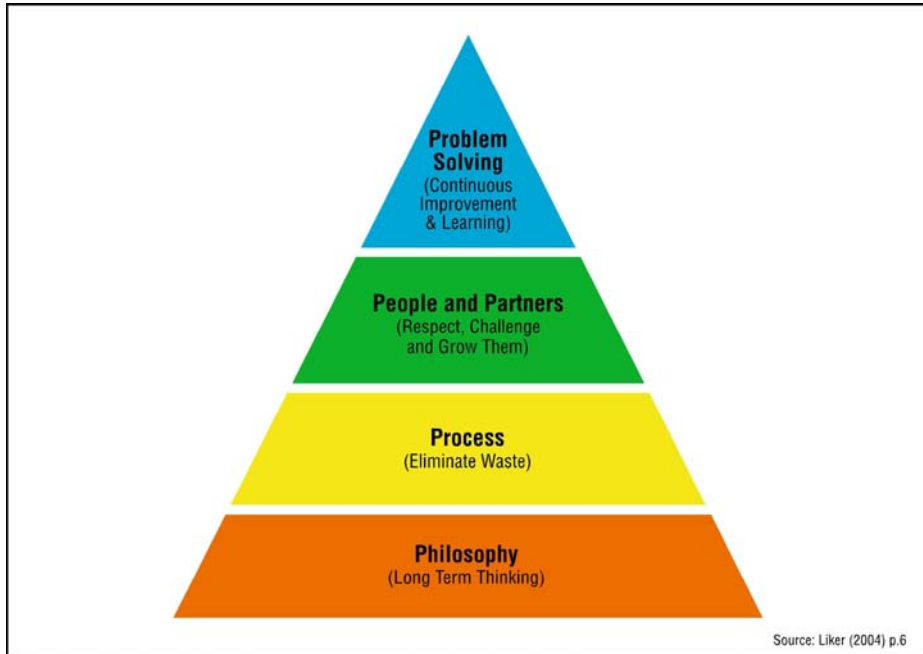


Figure 1.1 “4P” Model of the Toyota Way

Consequently, the findings of this research should be of interest to managers of other food manufacturing companies who may be evaluating the relevance of lean thinking as a process for creating an organizational environment that promotes and enables learning.

1.5 The project’s significance to government policy

As outlined in Section 1.1, the National Food Industry Strategy was a Federal Government initiative that sought to assist the Australian food industry in becoming a significant and profitable participant in the global food system. Within this overall

strategy, the Food Chains Program was to support leading edge chain management demonstration projects and capacity building initiatives that would facilitate this process.

The perennial problem associated with all government funded programs is determining how effective the program has been in achieving its stated policy objectives. The normal program evaluation process involved the funding agency engaging a consultant to conduct an independent *post hoc* audit of the program with respect to its administration, outputs and outcomes.

The major shortcoming of this type of evaluation is that while it is able to describe processes, tools, reflections and observable outcomes it is not designed to capture what organizational learning, if any, had occurred as a result of funded activities, or what inter and intra-organizational factors promoted or inhibited such learning.

This point was highlighted in the evaluation of the Food Chain Program's predecessor, the Food and Fibre Chains Program, which acknowledged that industry capacity building and the development of intangible assets (tacit knowledge) are *the most difficult area(s) in which objective measures can be applied and ... acknowledged this is one of the greatest areas of industry need* (AFFA, 2002a, p.77).

In undertaking this research I have developed a longitudinal evaluation model designed to capture changes in processes, attitudes, behaviours and outcomes in the case study organization and the impact its chain partners have had on these changes. This model, while being resource intensive in its application, could serve as a prototype for government agencies that are seeking to improve their ability to assess the effectiveness of programs in the delivery of desired policy outcomes, especially where those outcomes are difficult to quantify.

Section 2 The major outcomes of my research

In this Section I present a summary of the major findings of my research with respect to the evolution of Golden Circle towards becoming an organization that nurtures and enables learning to occur. In presenting these findings I identify the key lessons that emerged from my research and discuss their implications for future research and for people engaged in the process of leading and facilitating organizational change.

2.1 Has Golden Circle evolved as a learning organization?

The conclusion that I reached based on the analysis of the data collected in the initial round of interviews (April 2004) was that Golden Circle exhibited very few of the characteristics normally associated with an organization that nurtures and enables learning: leadership that is inclusive, supportive and proactive; a culture of innovation, responsibility and accountability; and an organizational structure that facilitates open communication and collaboration.

However by December 2005, an environment that nurtured and enabled learning had been created within the Supply Chain and Operations Area and was beginning to spread throughout Golden Circle. The interview data collected in May and December 2005 and my attendance at workshops, presentations and training sessions over this period, allowed me to document and evaluate this change process.

I have concluded that there were three key factors that enabled this transformation:

1. The presence of a very capable leader in the General Manager of the Supply Chain and Operations Area who was able to articulate and galvanize support for the change process;

it was his approach to people which I think was critical and the way he talks to people, how he listens. He's never too busy for anyone who wants to talk to him and he's very approachable. He leads by example.

(Middle Manager, November 2005)

2. The formation of cross functional teams that were empowered, responsible and accountable for the change process;

The introduction of teams has been absolutely crucial. The reviews create the forums and the opportunity to actually recognize both individuals and teams that have been successful. I mean there's nothing better than being able to recognize a team as being successful – the enthusiasm is infectious and that has come about through the lean process if you like – it's a real cornerstone.

(Middle Manager, April 2005)

3. The presence of a structured framework that identified, resourced and monitored the process enhancement projects that were at the core of developing a culture of continuous improvement.

The key success factors have been the vision of the whole value stream approach, the involvement of people in that approach, the planning and skill development that we have put in place. So the millions of dollars saved are actually achieved through improved performance and clear accountability.

(Senior Manager, December 2005)

The availability of resources to finance and execute the change process emerged from the research as a key factor in the success achieved within the Supply Chain and Operations Area.

The biggest obstacle is people having the time to put the energy and commitment into it (the change process). We have to prioritize.... when you've only got so much budget.

(Middle Manager, December 2005)

The evolution of Golden Circle as a company that nurtured and enabled learning was hindered by differences in leadership style at the senior management level, differences in the acceptance of the need for change that existed between Areas within the company and an organizational structure that discouraged open communication and collaboration. But there were signs that organization-wide, progress was being made.

At the moment we've got a project going with our value streams which is taking on the whole of business approach to some of our activities and I think that could well be a precursor to looking at some structural changes if they start to kick some goals.

(Senior Manager, November 2005)

These outcomes reinforced anecdotal and empirical evidence that organization-wide transformational change is difficult to achieve, slow to be realized, and requires discipline and perseverance to be successful.

Two quotes from the General Manager (Supply Chain and Operations) sum up the change within Golden Circle:

Really historically, we probably haven't been a strong learning organization; we haven't been open-minded about actually absorbing and learning from other organizations and adopting new practices (February 2004).

Golden Circle is definitely more of a learning organization. We've got a lot of learning actively happening both informally and formally.... through the continuous improvement teams, people are actually learning how they can make things work themselves. We involve people all at different levels doing different things along the whole chain so there is a lot of learning about running that part of the business better (August 2005).

2.2 Has Golden Circle's evolution as a learning organization impacted on its performance?

An immediate objective of the transformational change process implemented by Golden Circle was to reduce operational costs, especially in the Supply Chain and Operations Area.

According to Golden Circle Annual Reports, the cost of sales had declined from \$307 million in 2003 to \$302 million in 2004 and further to \$268 million in 2005. This 12.7% reduction in the cost of sales was driven by the 21% reduction in expenses associated with the Supply Chain and Operations Area.

I have identified four key success factors associated with the capacity of staff within the Supply Chain and Operations Area to convert their enhanced capacity to learn into improved performance:

1. The introduction and continual refinement of an operational improvement process that was directly linked to the organization's Key Performance Indicators, a structure that provided the focus and discipline.

Now I've got my budget and I know what I have to achieve in '06. Over the next month it will cascade down through my team and we can plan, organize and deploy teams that are necessary to achieve those targets.

(Middle Manager, December 2005)

2. The involvement of senior managers in the operational improvement process as mentors and auditors. This involvement provided support, encouragement and recognition.

The CEO audits are critical I think. They love them. They really do. When you see the CEO come over and show interest in what they are doing it's the key, it really is.

(Middle Manager, December 2005)

3. The recruitment of the Manager, Continuous Improvement. This appointment along with the establishment of the Continuous Improvement Team, provided a dedicated resource to the operational improvement process and staff development.

The whole empowerment, engagement element; I don't think the degree to which that happens... would be as great without the Continuous Improvement Team's involvement.

(Middle Manager, May 2005)

4. The availability of external funding from the Food Chains Program; these funds were used to resource process enhancement projects at a time when the organization was facing a cash flow crisis.

Golden Circle has been very tight-fisted with proactive initiatives so it was actually good to get some extra funding to support the extra people coming in. So that (NFIS funding) was a key enabler right at that point.

(Senior Manager, August 2005)

The data also indicated that the processes associated with the building of a culture of continuous improvement which had underpinned the improvement in performance were being consolidated.

We are definitely working on now expanding the lean thinking, lean methodology, continuous improvement type culture and processes that are around it to a wider audience through the value stream pilots. The biggest obstacle will be the provision of adequate resources to the priority value stream projects.

(Senior Manager, December 2005)

2.3 Has Golden Circle's collaboration with its key partners impacted on its ability to acquire and use knowledge?

The analysis of the interview data and my attendance at the 'lean supply chain' project workshops indicated that the Golden Circle staff, at least in the Supply Chain and

Operations Area, had improved their capacity to form and sustain closer relationships with their major supply chain partners. This was done through the formation of three cross-organizational 'lean supply chain' project 'loops' that involved its growers, packaging materials supplier and a major retail customer.

In all three cases, these closer chain relationships resulted in more frequent meetings between a wider cross-section of people from the organizations involved. These meetings provided a forum for constructive dialogue and a greater exchange of information between the supply chain partners. The opportunities for greater interaction and cooperation within the 'lean supply chain loops' directly contributed to the improved operational performance of the Supply Chain and Operations Area through the improved quality of inputs, better alignment of operations and reduced inventory holdings.

The quality based payments system has been effective and actually for the better growers there have been higher payments so it has been effective from that angle and we have seen improvements in performance in our pineapple value stream.

(Senior Manager, August 2005)

We have got closer relationships with Golden Circle now, probably on all levels from General Manager down to machine operator. There is a lot of development work going on. It's changed significantly from what it was two or three years ago. We are playing a key role in some of those moves forward.

(Materials Supplier, December 2005)

The results also confirmed anecdotal and empirical evidence that collaborative, as opposed to cooperative relationships with multiple chain partners, are difficult to establish and often not warranted.

I think we threw the net too wide. I think it takes a lot of resource just to keep it going and ... I think people were beginning to say I've given up this time but I'm not actually getting anything out of it. What we're trying to do again is narrow down our focus a little bit.

(Senior Manager, December 2005)

I have identified two critical factors that facilitated the improvement in the relationships and therefore the flow of information between Golden Circle and its chain partners:

1. The availability of funds (provided by the Food Chains Program) for the development of the 'lean supply chain' project, the funding of the workshops and the engagement of expert facilitators to guide the process.

We wouldn't have got management support internally for that (the 'lean supply chain' project) if there hadn't been some money on the table... the fact that they (NFIS) were supporting it enabled the other stakeholders, the external suppliers, to see that it (the 'lean supply chain' project) was important and different.

(Project Facilitator, May 2005)

2. The experience gained by the staff in the Supply Chain and Operations Area in developing an effective process that had encouraged internal commitment to cross functional collaboration.

We've shown them the process, given them a look at the documents that we follow and then they've turned around and said yeah it looks great, let's give it a go and hopefully they'll be able to get some learnings and apply it in their own organisation as well.

(Senior Manager, May 2005).

2.4 The project's contribution to knowledge

This project has made two contributions to the literature which are unique as far as the Australian food industry is concerned. While the process of organizational change is well documented in the literature there are few empirical studies that document the implementation of such a process and its outcomes. This study contributed to filling this gap by linking the process of organizational change to the development of the organization's capabilities to create, absorb and utilize knowledge to improve its competitive performance. Further, this study investigated the impact that the organization's relationships with its chain partners had on the transformational process and its outcomes.

A significant outcome of my research was the development, testing and refinement of a model of organizational learning in the context of a food industry supply chain (Figure 2.1). This model could be useful in further research that seeks to evaluate an organization's capacity to learn and apply new knowledge. Similarly, the model could

be utilized by the management of an organization to identify the strengths and weaknesses in its capacities to adapt to a rapidly changing external environment.

The refinement made to the model as a result of the analysis of the data was the inclusion of the availability of resources as an enabling factor of organizational learning. The results from this study clearly indicate that the success of the transformational change process was dependant on the availability of external funds (initially from the Food Chains Program and then from the equity capital injection in early 2005) and the appointment of the Manager (Continuous Improvement) and his team.

In summary, this study has provided an in-depth evaluation of how one particular organization has developed its capacity to learn and apply this knowledge to improve its competitive performance. This has in turn provided the basis for the development and refinement of a model of organizational learning that may have potential application across a range of organizations or industries.

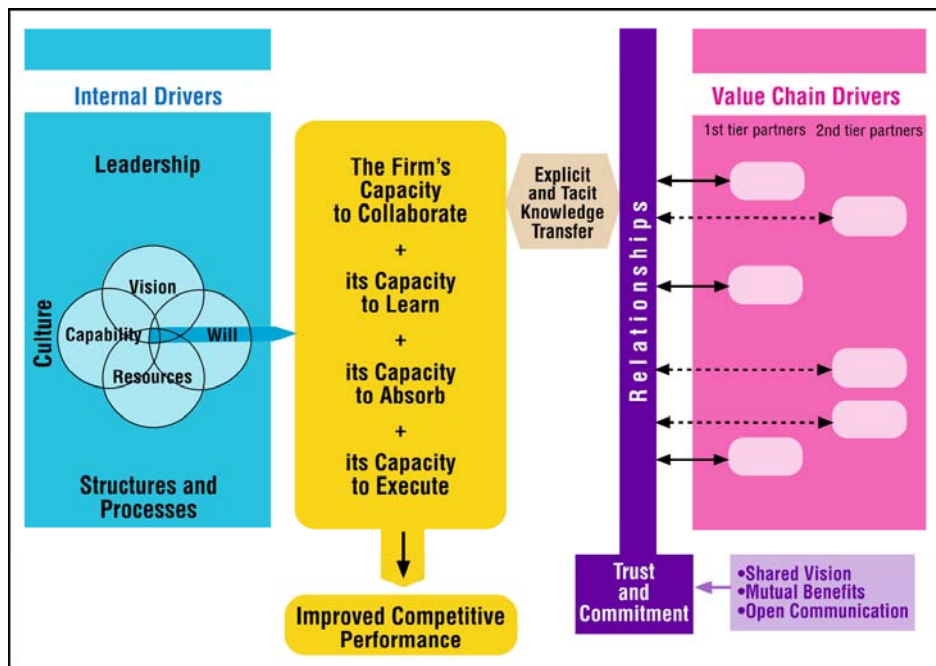


Figure 2.1 A model of organizational learning in a value chain

2.5 The way forward

In Part II, I provide the detail of the literature that underpins this research (Section 3), formally identify the research problem and the research questions this study sought to answer (Section 4) and justify my research methodology and data analysis (Section 5).

In Part III, I present my evaluation of the transformational change process undertaken by Golden Circle based on the analysis of three sets of interview data collected over a two year period (February 2004-December 2005). Each of the interview data sets is evaluated against a conceptual model of the factors that nurture and enable learning to occur and be applied in the context of a value chain partnership. The results of each of the three evaluations are reported separately in Sections 6-8, thus allowing the transformational process to be evaluated as it unfolded.

In Part IV, I report on the overall outcomes of my research in terms of the original research problem and its associated research questions. Further in Section 9, I discuss the refinement of my model of organizational learning in the context of a value chain, identify topics of further research interest and document the implications of my research for management practice and government funded demonstration projects.

Part II The Research Framework

In Part II of my dissertation I present a detailed description and justification of my research framework. This process begins with an extensive review of the literature that establishes the theoretical basis for the research and identifies gaps in the current literature. This review assisted in the construction of a conceptual model that guided the formulation of the research questions that are presented in Section 4.

In Section 5, I provide the justification for my research methodology, data collection methods and the processes I adopted to analyse the data generated.

Section 3 The theoretical basis of my research

This research is grounded in Organizational Learning theory but, as is the case in most complex systems, other areas of the literature support this focus on organizational learning in the context of a food industry supply chain.

I have identified several areas of interest within the literature that form the basis of this literature review - *strategic management*, particularly in the areas of organizational change and supply chain management, and *organizational behaviour* with respect to learning organizations and inter-organizational learning.

Beeby and Booth (2000) claim that this integration of different discipline areas, in this case strategic management and organizational behaviour, results from a recognition of the importance of the knowledge based resources of an organization as a source of sustainable competitive advantage (Grant, 1996; Nieto & Perez, 2002).

According to Stata (1989) knowledge, and the ability to use it effectively, is perhaps the most strategically important of the organization's resources and may become its only source of sustainable competitive advantage. Hamel (2000) supports this position when

he refers to knowledge as a *core competency* – *what a firm knows that is unique, valuable to customers and transferable to new opportunities* (p.75).

Huyett and Viguerie (2005) describe the present business environment as one of *extreme competition* where business strategy must deal simultaneously with uncertainty and discontinuity. To formulate and execute successful strategies under these circumstances may require a radical change in organizational behaviour (Hamel, 2000; Hammer, 2002; Limerick *et al.*, 2000; Pietersen, 2002)

In its simplest form organizational behaviour refers to *how things are done around here* (Schein, 1992) and reflects the organization's leadership, culture and people as well as its systems and processes. The question is what are the characteristics of an organization that deliver the types of behaviour that are essential in a world of extreme competition?

I have attempted to answer this question by exploring the literature on change and the role learning plays in an organization's ability to change. I have also examined the literature on supply chain management and inter-organizational learning because of their influence on learning and on the capacity of the organization to conceive and execute an organizational change strategy.

3.1 Organizational Change

The literature on organizational change is extensive. It is my intention to explore this literature only to the extent that it enables me to establish a close linkage between an organization's capacity to change and its capacity to learn.

The objectives of organizational change are twofold, a reactive response to the external environment and proactive preparation for the future. Senge *et al.* (1999) describe the common aspirations that guide organizational change:

They are trying to respond quickly to external changes and think more imaginatively about the future. They want better relationships, with less games-playing and more trust and openness. They want to unleash employees' natural talents and enthusiasm. They hope to move genuinely closer to their customers. Through all of this they are striving to shape their destiny, and thereby achieve long-term financial success (p.5).

In spite of these aspirations most change initiatives fail (Hamel, 2000; Handy, 1989; Kaplan & Norton, 2004; Kotter, 1995; Senge *et al.*, 1999). The reasons why individual change initiatives fail vary with the circumstances but two common themes emerge – a failure to create an environment that promotes and nurtures change and/or a failure to execute an effective change process.

Limerick *et al.* (2000) claim that an environment that supports change is grounded in an organizational vision that represents a future desirable state for the organization and that has the capacity to energise employee communication, participation and commitment. Much has been written about the important role leaders have in formulating a vision for the organization that is realistic, credible, attractive and consistent with the core values of the organization. (Collins, 2001; Kotter, 1996; Limerick *et al.*, 2000; Schein, 1992). Not only is it the responsibility of leaders to formulate such a vision, it is imperative that they live it if, as Kotter (1995) asserts, they wish to gain the commitment of their employees to the change process.

Leaders demonstrate that they live the change vision by establishing an organizational environment that empowers the individual, promotes collaboration, provides support, and has a bias for reflection-in-action and where communication is honest and open (Senge, 1990a). Such environments are the foundations on which learning organizations are built (Handy, 1989; Kotter, 1996; Limerick, Passfield & Cunnington, 1994; Schein, 1992; Senge, 1990b).

The process of transforming an organization into a learning organization involves three distinct phases that are centred on disciplined people, disciplined thought and disciplined action (Collins, 2001). These disciplines are embedded in the vision, strategy, culture, structure and systems of the organization and most failures in change initiatives can be traced back to a failure to embed one or more of these disciplines during the process of organizational renewal (Collins, 2001; Hamel, 2000; Kotter, 1995; Senge *et al.*, 1999).

If the creation of a learning organization is the purpose of transformational change then it becomes important to understand the nature of an organization's vision, strategy, culture, structures and systems that promote organizational learning.

3.2 Organizational Learning

Nevis, DiBella and Gould (1995) describe organizational learning as the capacity or processes within an organization that allow it to improve its performance based on experience. In addition, as Lopez *et al.* (2005) point out, organizational learning is a dynamic and adaptive process that involves the creation, acquisition and integration of knowledge. Organizations learn via the individuals within a firm and their interactions with colleagues both internally and external to the organization (Argyris & Schön, 1996; Beeby & Booth, 2000; Senge, 1990a).

Kim (1993) observes that all organizations learn whether they consciously choose to or not. Therefore what becomes important to an organization, in a strategic sense, is not only the rate of learning, what is learnt, and by whom, but also how information is harnessed, transformed and transferred internally as knowledge. The fact that some organizations continue to thrive during periods of economic uncertainty while others decline is an indication that individual organizations vary in their ability to learn and adapt.

Given the importance of learning from an organization's perspective, two key managerial questions emerge:

1. How is learning undertaken by individuals within the organization maximised?
2. How is individual learning shared and captured within the organization?

3.2.1 Individual learning

The central role that the individual plays in the creation of knowledge is recognized by the often quoted adage *the most valuable resource of an organization is its people*. This recognition of the importance of the individual within an organization has been given new credibility through what has become known as the *knowledge based view of the*

firm (Foss, 1996; Grant, 1996; Nonaka, 1991). While Collins (2001 p.41) agrees with this general proposition, he warns that it is crucial *to have the right people on the bus and in the right seats and the wrong people off the bus* if the organization is to succeed.

Learning is a knowledge-building process through which individuals acquire the ability to act. This involves both operational (the *know how*) and conceptual (the *know why*) learning that is based on the interpretation of feedback from prior action (Robinson, 2001; Sveiby, 2001). This model of individual learning is grounded in experiential learning theory that is best demonstrated by Kolb's Learning Cycle (Figure 3.1).

Kolb's Learning Cycle is a similar concept to that of the Deming Cycle problem solving process of *Plan, Do, Check, Act* process which is the basis of the Toyota Planning System (Liker, 2004) and the Strategic Learning process of *Learn, Focus, Align, Execute* described by Pietersen (2002).

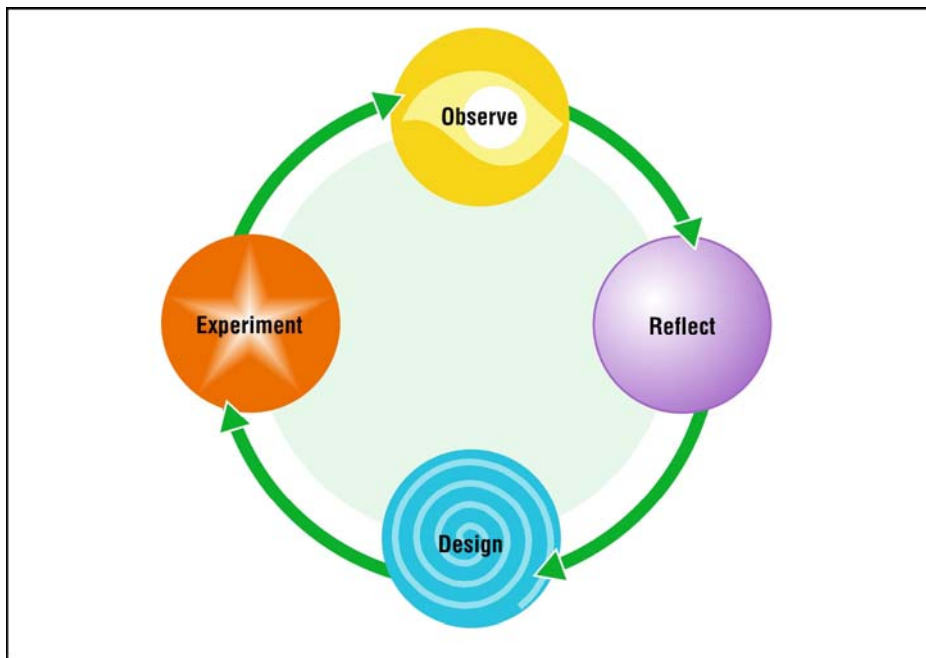


Figure 3.1 The Learning Cycle (Kolb, 1984)

According to the Kolb model, learning is stimulated when an individual observes an unintended consequence resulting from their existing practices or behaviours. Argyris and Schön (1996) refer to an individual's existing practices and behaviours as their theories-in-action. The individual responds by reflecting on these observations against a background of prior experience and if it is deemed necessary, designs corrections to their practices or behaviours. The modified theories-in-action are then implemented and the outcomes observed. Hence the learning cycle is completed until the next unintended consequence is observed. This type of learning is referred to as adaptive or single-loop learning because it seeks to improve the task performance but leaves the values and criteria associated with the measures of such improvement unaltered (Argyris & Schön, 1996; Garavan, 1997; Senge, 1990a).

What features of the world an individual sees, what concepts are used to interpret them, what values are embraced in the process and what range of behaviours are adopted depends upon how an individual views the world or what Senge (1990a) terms an individual's mental models. According to the concept of cognitive culture these mental models are shaped by our environment and reinforced by our experience, so once established they are difficult to alter (Lakomski, 2001). The inflexibility of our mental models offers an explanation as to why an individual may persist with a current mode of behaviour in the face of evidence that such behaviour is inappropriate.

Since our mental models are the basis of our conceptual frameworks and operational routines, we will only start to question their validity in the face of persistent and potentially threatening outcomes from our current theories-in-action (Kim, 1993). This process of changing our untested assumptions that we make about people and situations is referred to as generative or double-loop learning (Argyris & Schön, 1996; Garavan, 1997; Senge, 1990a).

What are the implications for management of an organization that arise out of this overview of how an individual learns?

Schein (2002) offers us some insights when discussing why very few learning organizations exist. Resistance to learning, especially double-loop learning, is due to what Schein calls learning anxiety – anxiety associated with being confronted with the need to learn something new but being afraid of not being able to achieve it. Countering learning anxiety is survival anxiety – anxiety associated with the need to survive. Schein concludes that individuals will learn only when survival anxiety exceeds learning anxiety.

Senge *et al.* (1999) argue that fear and anxiety associated with change can be ameliorated by establishing a climate of openness, an appreciation of individual diversity, the provision of mentoring and support and developing what Handy (1989) describes as *a negative capability – an attitude of mind which learners need to cultivate to help them to write off their mistakes as experience* (p.55).

Further, Schein (1992) argues that since learning involves the freedom to experiment and the application of individual creativity within an employee's area of responsibility, an organizational culture that doesn't accommodate, encourage and reward these activities is counterproductive.

In summary, an organization that promotes individual learning will:

- Provide appropriate training and a supportive working environment to develop the capabilities that minimize an individual's learning anxiety;
- Provide the necessary degree of information and decision transparency that give credibility and validity to the call for organizational change and its associated survival anxiety;
- Support an experimental mindset through positive incentives that encourage individual initiative and responsibility; and
- Provide a psychologically safe environment in which individuals can examine their own mental models without fear of embarrassment or harassment.

Such an organizational environment has been claimed to support the development of the 21st century knowledge worker who is collaborative, proactive, creative and flexible (Drucker, 1994; Limerick *et al.*, 2000).

3.2.2 Shared learning within an organization

When individuals join an organization, they are expected to act within the standard operating procedures and behavioural norms that have evolved and which serve to minimize embarrassment or threatening behaviour and thereby promote organizational harmony and stability. These operational procedures and behavioural norms, an organization's *theories-in-action*, are based on shared mental models and experiences of past and present members of the organization and in general terms represent its organizational memory and culture (Kim, 1993; Schein, 1992). Hamel (2000) refers to these theories-in-action as the firm's *core processes – its methodologies and routines that transform inputs into outputs and are used in translating competencies, assets and other inputs into value for customers* (p.77).

The ability of an organization to learn and thereby change its operating procedures and behavioural norms, depends on its learning orientation (its values and practices that determine where learning takes place and what is learnt) and its facilitating factors (the structures and processes that influence how difficult or easy it is for collaborative learning to occur) (Appelbaum & Reichart, 1997).

The degree of alignment between the mental models held by an individual and the shared mental models of the organization will influence an individual's commitment to the organization and willingness to collaborate with colleagues. This need for alignment is what Collins (2001) meant by getting the right people on the bus and the wrong people off the bus.

Senge (1990a) claimed successful organizational learning is based on team learning and the presence of a shared vision. According to Senge, the synergy of effective teams taps the talents of individuals, develops operational trust and fosters learning within other

groups in the organization. Further, the building of a shared vision fosters commitment to the organization and generates the excitement, energy and focus that are so necessary for innovation to occur. Kim (1993) developed his OADI-Shared Mental Models Cycle to illustrate this link between individual and organizational learning (Figure 3.2).

The crucial link in Kim’s model is the influence of an individual’s mental models on the shared mental models of the organization that underpins organizational double-loop learning.

The adaptive and generative learning capacity of an organization depends on its ability to recognize that its current *theories-in-action* are inadequate and to develop new shared mental models that are more attuned to its operational environment – a process of organizational double-loop learning that most organizations find difficult.

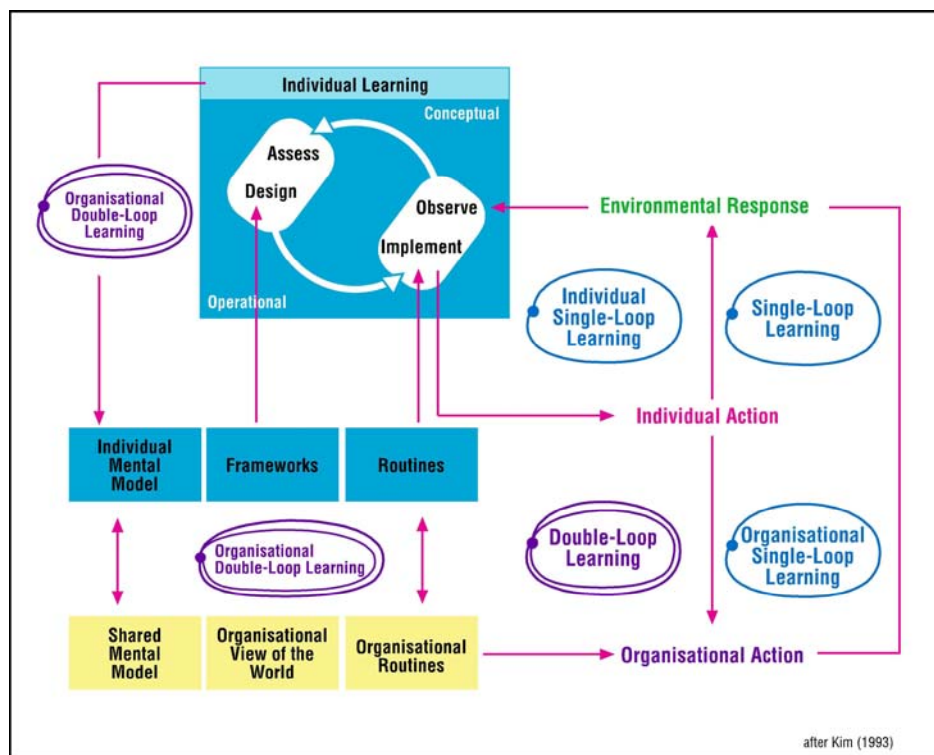


Figure 3.2 An integrated model of organizational learning (Kim 1993)

Isaacs (1993) argues that a key enabler for organizational double-loop learning is the presence of a process of dialogue which encourages collective thinking and communication. Therefore if an organization wishes to maximize organizational learning it has to develop an organizational climate that motivates individuals to maximize their own learning and to collaborate.

Knowledge accumulation within the organization depends upon the capacity of its people to generate new knowledge and the organization's *absorptive capability* – its ability to graft new knowledge onto its existing knowledge base (Beeby & Booth, 2000; Grant, 1996; Lopez *et al.*, 2005).

Absorptive capacity, in turn, depends on the development of shared mental models that generate effective theories-in-action and a culture that encourages experimentation and innovation.

The Focus-Will-Capability Performance System developed by Smith and Tosey (1999) provides a useful framework in which to examine an organization's claims that it is a learning organization (Figure 3.3).

The F-W-C model supports the proposition that the better individuals become at learning to learn collectively, the better will be the organization's performance capability.

The presence of a shared vision is the key to the individual building commitment to the organization and provides the focus that generates enthusiasm, energy and creativity (Senge, 1990b).

In terms of the F-W-C model, as the leadership of the organization develops its ability to express its strategic intent in terms and images that are in tune with the ideals and aspirations of its employees it will provide a sharper focus for the development of the organization's core capabilities.

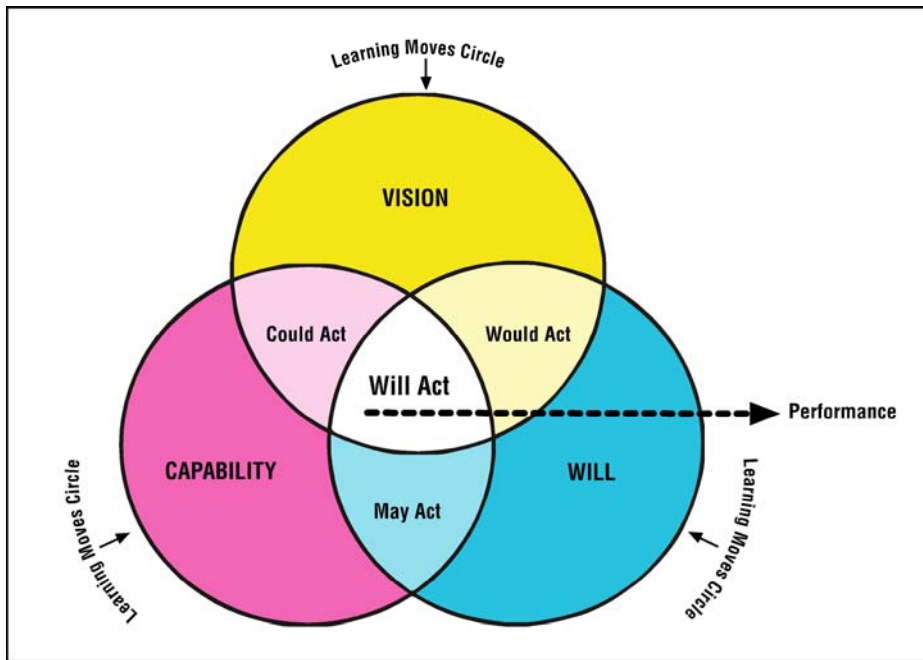


Figure 3.3 The Focus-Will-Capability Performance System (Smith & Tosey, 1999)

The combination of a sharper focus and improved absorptive capacity enhances the organization's potential to improve its performance. This enhanced ability to act doesn't become a strategic asset unless the individuals within the organization demonstrate the will to implement it. As Collins *et al.* (2002) conclude:

Turning knowledge into capabilities and capabilities into competitive advantage is therefore a process essentially rooted in the intangible assets of a firm, in particular its human or intellectual capital (p.318).

The will to act – the employment of intellectual capital, is influenced by the presence of two key conditions within the organization:

1. The alignment of individuals with the vision of the organization that promotes commitment; and
2. The presence of trust between individuals within groups and between individuals and senior executives that promotes cooperative behaviour.

The difficulties associated with obtaining employee ‘buy-in’ are well documented (Argyris, 1998; Drucker, 2002; Herzberg, 1968; House & Mitchell, 1974). The management dilemma that exists between obtaining operational results and empowering individuals has dominated organizational management literature. Recent research has indicated that the presence of leaders with high levels of ‘emotional intelligence’ is essential in an organizational climate that promotes both productivity and commitment (Collins, 2001; Goleman, 2000).

Goleman’s research has indicated that leaders who possess the capabilities of self-awareness, self-management, social awareness and social skills, and are able to utilize a range of leadership styles, *produced decidedly better financial results than those who did not* (p.81). While there is some debate in the literature concerning the use of emotional intelligence as a predictor of leadership effectiveness (Antonakis, 2003), this profile of a leader of a learning organization doesn’t fit with the traditional *command and control* mindset (Buckler, 1998).

In terms of the F-W-C model, leadership that creates an organizational climate in which individuals can learn to trust encourages individuals to collaborate and act on behalf of the organization.

More importantly, the F-W-C model clearly illustrates that organizational learning that involves all three elements – focus, will and capability, enhances the organization’s performance. The greater the convergence of these three fields of organizational learning the greater is what I call the organization’s *locus of learning* – its determination and capacity to act.

The capacity to act effectively varies between organizations because it depends on the utilization of both explicit knowledge that is embedded in the organization’s systems and processes and tacit knowledge that is embedded in the way its employees actually perform their organizational assignments. The capacity to execute effectively is a

hallmark of a learning organization (Collins, 2001; Hubbard, Samuel, Heap & Cocks, 2002; Liker, 2004).

Although learning in its broadest sense is an on-going process within an organization as it adapts to changes in its competitive environment, Schein (2002) claims that:

evidence is mounting that real change does not begin until the organization experiences some real threat that in some way dashes its expectations and hopes (p.105).

In an earlier article, Schein (1992) identifies the culture of an organization as the prime source of resistance to change. He defines the culture of a group as:

A pattern of shared basic assumptions that a group learnt as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore be taught to new members as the correct way to perceive, think and feel in relation to those problems (p.12).

If the survival of a group is threatened because its culture is inappropriate then Schein advocates that it is the responsibility of the leadership of the group to recognize the situation and do something about it.

Two interesting aspects of Schein's definition of culture and its interdependency with leadership are the inferences that:

- Different groups within an organization will have slightly different cultures that are based on their experiences as a group; and
- The responsibility for the leadership of cultural change is organization-wide.

Lakomski (2001) points out that the differences in culture across an organization are responsible for the different perceptions of the nature of threats to the organization, what is the appropriate response to make and the rate at which change will occur.

The proposition that leadership is an organization-wide responsibility is well supported in the change management literature (Crowther, Kaagan, Ferguson & Hann, 2002; Goleman, 2000; Hamel, 2000; Kotter, 1996; Limerick *et al.*, 2000). Although leadership is not the exclusive role of senior executives, leadership initiatives regardless of their

origins within the organization ultimately have to be endorsed by those in positions of power.

In summary, the prototype of the post-industrial organization is the learning organization whose strategic assets are deeply embedded in its intangible assets:

1. The capacity to create knowledge – its ability to innovate;
2. The capacity to collaborate – its ability to leverage individual knowledge;
3. The capacity to absorb – its ability for organizational renewal; and
4. The capacity to execute – its ability to deliver.

Such organizations have a bias for a special form of action learning that incorporates a process of appreciative inquiry that allows the organization to adapt and change in a more radical fashion to deal with unanticipated shocks in its competitive environment (Limerick *et al.*, 2000).

The development of an organization's intangible assets – organizational learning, is dependent upon creating an internal environment that enhances the learning capabilities of the individual and the organization as a whole. The nature of the internal environment of an organization is determined by its culture and leadership and supported by its structure and processes (Locke & Jain, 1995; Preiss & Murray, 2005; Schein, 1992). The characteristics of an internal environment that nurtures organizational learning are summarized in Table 3.1.

Drawing on the literature reviewed to this point it is possible to construct a model of organizational learning that combines the nurturers of organizational learning as summarized in Table 3.1 with the enablers that determine the extent and effectiveness of the learning generated. This model is illustrated in Figure 3.4.

Table 3.1 The characteristics that nurture organizational learning

Leadership that is	A Culture that is	Structures & Processes that support
Empathetic to the needs and aspirations of stakeholders	Supportive of the individual	Open communication
Able to formulate and articulate a credible vision for the future	Supportive of continuous improvement	Cross functional collaboration
Inclusive	Supportive of team work	Self managing teams
Disciplined	Supportive of employee ownership and responsibility	Training and development
Capable of self-reflection and renewal	Supportive of experimentation	Flexibility
A role model for values espoused	Supportive of ethical behaviour	Espoused behaviours and outcomes

In the next section this model of organizational learning will be expanded to include the influences that the organization's chain partners have on the process as a result of the transfer of explicit and tacit knowledge between them.

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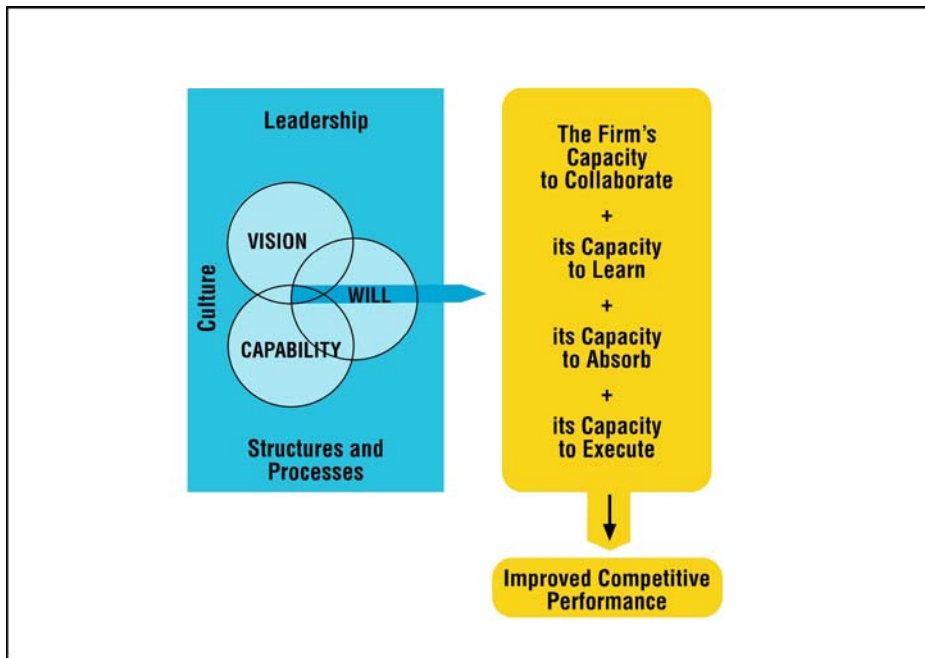


Figure 3.4 A model of organizational learning

As a prelude to this, a brief examination of the literature relating to the role of strategic chain alliances or partnerships will be undertaken to establish the links between the nature of the chain relationships and the quality of the knowledge that is transferred.

3.3 Chain partnerships

Strategic partnerships, alliances and networks have become part of the everyday language used by business practitioners, consultants and academics over the past ten years. Limerick *et al.* (2000) identified the presence of partnerships and alliances as one of the defining characteristics of a post-industrial organization.

The nature of competition in the post-industrial era has seen the emergence of a new business model where the focus of competition has shifted from between organizations within a supply chain to between supply chains themselves (Cox, 1999; Dunne, 2001; O'Keefe, 1998). Under this new business model, the viability of an individual organization is dependent on the ability of its management to integrate it into an appropriate supply chain where it can leverage its own sources of competitive advantage off those of its supply chain partners (Hamel, Doz & Prahalad, 1989; Limerick *et al.*, 2000; Lorenzoni & Lipparini, 1999; Spekman *et al.*, 2002).

Therefore in a strategic sense, the ability to be a good partner is a key corporate asset (Grant, 1996; Kanter, 1994; Lorenzoni & Lipparini, 1999). Kanter refers to this ability to partner as the organization's collaborative advantage.

All organizations have multiple relationships with input suppliers and customers and it may be impossible or unnecessary for an organization to establish and maintain close relationships with all its suppliers and customers (Barratt, 2004; Lambert & Cooper, 2000; Lendrum, 1998).

Lendrum (1998) identified three broad organization-to-organization relationship categories – vendor, preferred supplier and partnership relationships. The type of relationship that exists between two organizations will depend on the nature of the

product or service being offered and the degree of interdependence that exists between the organizations.

Spekman *et al.* (1998) described the evolution of relationships between organizations as involving a shift from a transactional relationship with a vendor to a cooperative relationship that involved the exchange of essential information and the establishment of contracts, to a coordination stage that enabled better alignment and efficiency, to a collaborative relationship that involved joint planning and investment.

Collaborative relationships between chain partners are built on trust and commitment and require an investment of time, resources and managerial skill if they are to be established and maintained (Fearne & Hughes, 1999; Kanter, 1994; Lambert & Cooper, 2000; Morgan & Hunt, 1994; O'Keeffe, 1998; Spekman *et al.*, 2002).

Such collaboration allows individual organizations and the partnership overall to improve their knowledge base, increase their adaptive capacity, improve information access, and increases opportunities for flexibility, innovation and learning (Barlow & Jashapara, 1998; Bessant & Tsekouras, 2001; Newton, 2000).

If, as Hamel *et al.* (1989) state, companies that set out to get the most out of their partners are those that set out to learn from each other, then it becomes important that the conditions that enhance a company's collaborative advantage are understood by the senior executives of the organizations involved in the partnership.

3.4 Shared learning between organizations

Drawing on the discussion in Section 3.2, it appears that the conditions that enhance inter-organizational learning are similar to those that are necessary to enhance intra-organizational learning:

- The presence of a shared vision;
- The presence of a system of shared values and beliefs;

- The presence of systems and processes that support open communication and experimentation; and
- The presence of leadership that is supportive, empathic and capable of self-reflection and renewal.

The presence of these conditions as prerequisites of inter-organizational learning is well supported in the literature (Barlow & Jashapara, 1998; Bessant & Tsekouras, 2001; Kanter, 1994; Liker & Choi, 2004; Lorenzoni & Lipparini, 1999).

The transfer of tacit and explicit knowledge between organizations in a partnership is complicated by the strategic nature of much of this knowledge. The risk each partner faces is that the transfer of competencies and capabilities will eventually make the partnership redundant and give rise to potential competitors (Beeby & Booth, 2000).

The development of inter-organizational trust and cultural fit emerge as key factors in the transfer of knowledge between partners (Barlow & Jashapara, 1998; Beeby & Booth, 2000; Spekman *et al.*, 2002).

Trust and commitment between organizational partners can be reinforced by planning for short-term win-win outcomes that quantify the benefits of collaboration (Morgan & Hunt, 1994; Spekman *et al.*, 2002). The fact that short-term win-win outcomes are important is the reason behind the focus on cost reduction in the formative stages of partnerships since these are easy to achieve and require little collaborative behaviour (Lorenzoni & Lipparini, 1999; Spekman *et al.*, 2002).

As inter-organizational trust develops, learning focuses more on the revenue generating side of performance that revolves around creativity and innovation. These processes are more dependent on the presence of shared mental models between partners. Inter-organizational shared mental models are developed in the same way as shared models within an organization – through processes that involve openness, dialogue and adaptive behaviour.

Barlow and Jashapara (1998) suggest that the cultural similarities between partners assist in the interpretation of many of the symbols and messages transmitted between partners and as a result there is a greater degree of transparency in business processes and communication. Transparency can be enhanced by the organizations establishing multiple sources of inter-personal relationships that expand the opportunities for collective inquiry and dialogue (Barlow & Jashapara, 1998; Beeby & Booth, 2000; Bessant & Tsekouras, 2001; Kanter, 1994).

Just as organizational learning that improves focus, will and capability enhances the organization's performance by expanding its *locus of learning* – its determination to act, inter-organizational learning can enhance the competitive position of the partnership by expanding its *locus of value* (Figure 3.5)

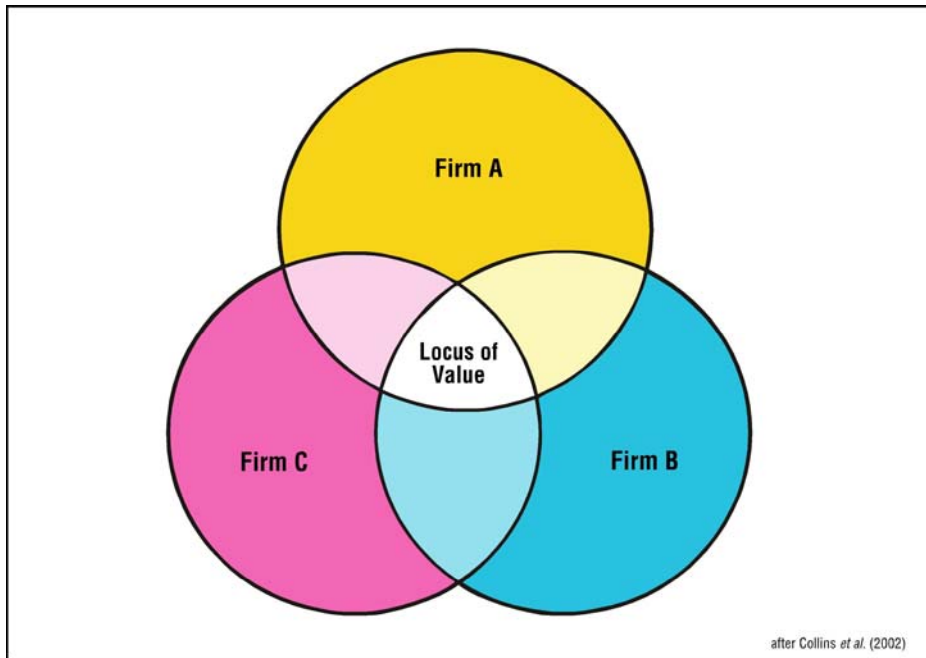


Figure 3.5 The Locus of Value in Multi-Relationship Chains (Collins, Dunne & O’Keeffe, 2002)

Collins *et al.* (2002) define the locus of value as the increased capacity of the partners to create consumer value through maximizing opportunities for shared learning. They conclude:

When the results of this shared learning add to the core intangibles of each firm – the processes, systems, databases, and structures – a learning chain exists, and value is created that could neither be created in any other way, nor easily duplicated by firms whose relationships are not configured so as to create a *locus of value* (p. 320).

When the concept of a learning organization is extended to that of a learning chain (Figure 3.6), it is the same processes of building trust and commitment within organizations that are required to facilitate inter-organizational learning – a shared vision, similar cultures, committed leadership and aligned systems and processes that are reinforced by multiple personal relationships between the chain partners.

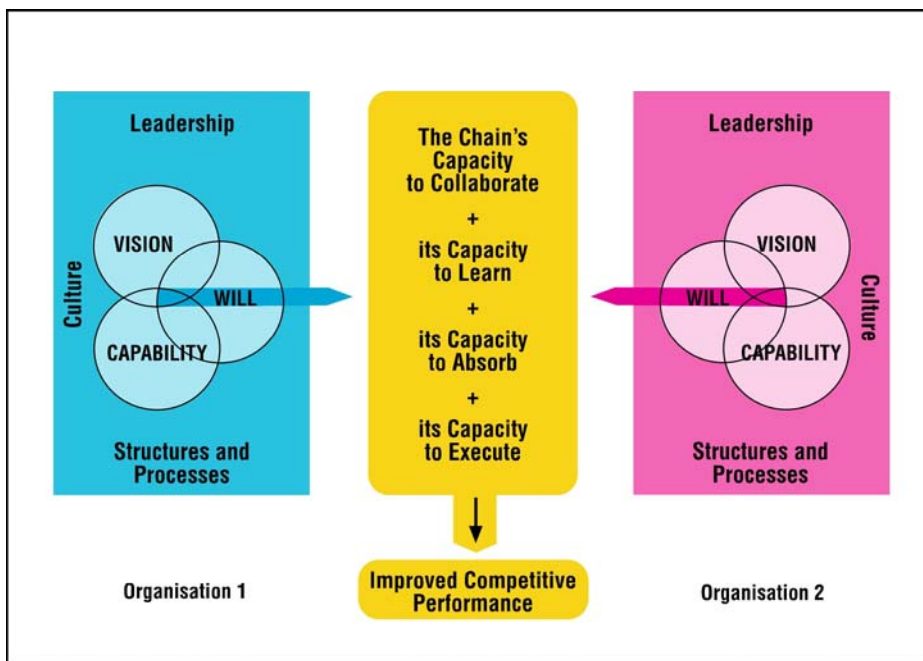


Figure 3.6 A model of a learning chain

Lee (2004) describes such chains as *Triple A* supply chains, chains that are agile (react quickly to sudden change), adaptable (evolve as the competitive environment changes) and aligned (shared vision, processes and outcomes).

To summarize, Spekman *et al.* (2002) have identified six preconditions that are important to the development of inter-organizational learning:

- The presence of trust and commitment;
- A communication process that allows the transfer of tacit and explicit knowledge;
- Multiple points of inter-organizational contact that are both formal and informal;
- A decision making style that is flexible, adaptive and transparent;
- A shared culture that is supportive of trusting behaviour, inquiry and experimentation; and
- The presence of a win-win orientation.

The empirical research conducted by Lorenzoni and Lipparini (1999) concluded that:

lead firms are making serious efforts to create an interacting platform with selected partners in which knowledge and information are generated and transferred (p.332).

However, in spite of the espoused benefits arising from collaboration within a supply chain, examples of true collaboration are difficult to identify in practice (Barratt, 2004; Spekman *et al.*, 2002).

The reasons behind the reluctance of organizations to engage in collaborative behaviour include, the differences in the 'world view' held by buyers and sellers (Spekman *et al.*, 1998), the risks associated with appropriation of tacit knowledge (Beeby & Booth, 2000) and the fear of value appropriation by powerful members of the chain (Bessant & Tsekouras, 2001; Cox, 1999; Hingley, 2005).

Hubbard *et al.* (2002) *were surprised to find that supplier relationships were not regarded as nearly as important to winning organizations as a key to success. The only 'supplier' that was clearly important was people – those who worked for the organization* (p.193).

This finding supports Barratt's (2004) conclusion that most supply chain relationships are more coordinated than collaborative. Such relationships are based on compliance rather than strategic issues and explain the dominance of operational and tactical information sharing between the organizations involved (Barratt, 2004; Bessant *et al.*, 2003; Cox, 1999; Hingley, 2005).

This focus on relationship management at the operational level has led to what has been called *efficiency driven learning* at the expense of higher levels of learning that are associated with innovation and knowledge creation (Barlow & Jashapara, 1998; Preiss & Murray, 2005; Spekman *et al.*, 2002).

Comment [A2]: Consider resolving the conflict in the literature – theory supports, empirical doesn't

Lambert and Cooper (2000) attempted to resolve the debate concerning the relative importance of coordinated and collaborative supply chain relationships by suggesting the organizations do not have the resources to maintain multiple corroborative relationships. Therefore they claim that organizations should consider developing collaborative relationships only with chain partners who are important in a strategic sense.

3.5 Reflections on this review of the literature

Under conditions of extreme competition characterized by globalization and discontinuous change, organizations that are best equipped to survive and prosper are those that are agile, adaptive and aligned, both internally and within their supply chains.

The foundations on which agile, adaptive and aligned organizations are built are their capacities to learn, to collaborate, to generate new ways of thinking and to implement new modes of behaviour.

The organizational climate that nurtures the development of these capacities is one that is grounded in a shared vision for the future, empathetic leadership, and an innovative

culture. This organizational climate is sustained by an adaptive structure, open communication and transparent systems.

The relationships that members of such an organization develop both internally and externally, are based on mutual trust and commitment that support collaboration and facilitate the generation and transfer of explicit and tacit knowledge for their mutual benefit.

While the theoretical and anecdotal evidence supports such a model of a post-industrial organization there are few empirical studies that document how organizational learning occurs, the evolution of organizational learning over time, or the impact the type of relationships that an organization has with its chain partners on its learning processes. This research makes a contribution to filling these gaps in the literature.

Section 4 The focus of my research

In Section 1 I identified that the key motivator for me to undertake this research was the opportunity afforded to me through my membership of the National Food Industry Strategy's Food Chains Advisory Committee to gain access to a company that was attempting to engage its supply chain partners in an organizational change process.

Since the food industry is Australia's largest manufacturing industry and makes a significant contribution to regional economic development and employment, government-industry partnerships such as the National Food Industry Strategy have been initiated to enhance the industry's capacity and capabilities in meeting import competition or in capturing new opportunities in export markets (AFFAa, 2002).

While Australian firms traditionally have been successful competitors in global markets in terms of food ingredients – unprocessed or minimally processed grains, sugar, meat, dairy and horticultural products, the performance of food processing firms has fallen in comparison to their competitors in North America and Europe (Instate, 2000).

The Instate (2000) report identified two principal determinants of international competitiveness as the cost, availability and reliability of raw materials, and the efficiency with which value is added along the supply chain. The authors of the report conclude that Australian food processing firms have little comparative advantage over global competitors in terms of the cost of raw materials and value adding. These conclusions are true in terms of the case study firm in this research where the costs of its raw fruit ingredients are approximately double that of its international competitors and its *direct cash costs of production exceed the average of the ten US plants (involved in an operational benchmarking exercise) by around \$40 million per annum* (Golden Circle, 2005, p.8).

Therefore the basic problem addressed by my research was, **how can an Australian food manufacturing firm become more globally competitive?** Specifically this

research looks at one approach taken to solve this problem – the implementation of an organizational change process centred round the adoption of lean thinking principles and the role that collaboration between the organization and its major chain partners has in these processes.

This section introduces the research questions associated with the research problem and develops the conceptual model for their investigation, analysis and evaluation

4.1 The research questions

Senge (1990a) claimed that in the future, the most successful organizations will be learning organizations. That being the case, it would appear that an organization's capacity to acquire and use knowledge is crucial to its survival in a dynamic and unpredictable competitive business environment. This study seeks to examine the effects of a major change program within an Australian food company on its ability to learn, its capacity to improve its performance and the influence that the nature of its relationships with key suppliers and customers have on these processes.

Specifically, this study addressed the following research questions:

1. How has the change program influenced the organization's ability to acquire knowledge?
2. How has the change program influenced the organization's ability to improve its performance by utilizing knowledge?
3. How has the organization's collaboration with its key suppliers and a major customer enhanced its ability to acquire and use knowledge?

The logic that led to the development of these research questions was that:

- Information is the basis on which knowledge is built (Collins *et al.*, 2002; Sveiby, 2001);
- Knowledge within an organization is created by individuals and their interaction with colleagues both internal and external to the firm – the firm's collaborative

capacity (Argyris & Schön, 1996; Kanter, 1994; O’Keeffe & Mavondo, 2005; Senge, 1990a);

- The absorptive capacity of an organization is influenced by its culture, leadership, structures and processes (Appelbaum & Reichart, 1997; Grant, 1996; O’Keeffe & Mavondo, 2005; Spekman *et al.*, 2002);
- The capacity of an organization to execute effectively is a hallmark of a learning organization (Collins, 1999; Hubbard *et al.*, 2002; Liker, 2004);
- The quality of information shared between an organization and its chain partners is influenced by the strengths of their business relationships (Barlow & Jashapara, 1998; Bessant & Tsekouras, 2001; Kanter, 1994; Morgan & Hunt, 1994; O’Keeffe & Mavondo, 2005; Preiss & Murray, 2005).

The interaction of these elements is shown in Figure 4.1.

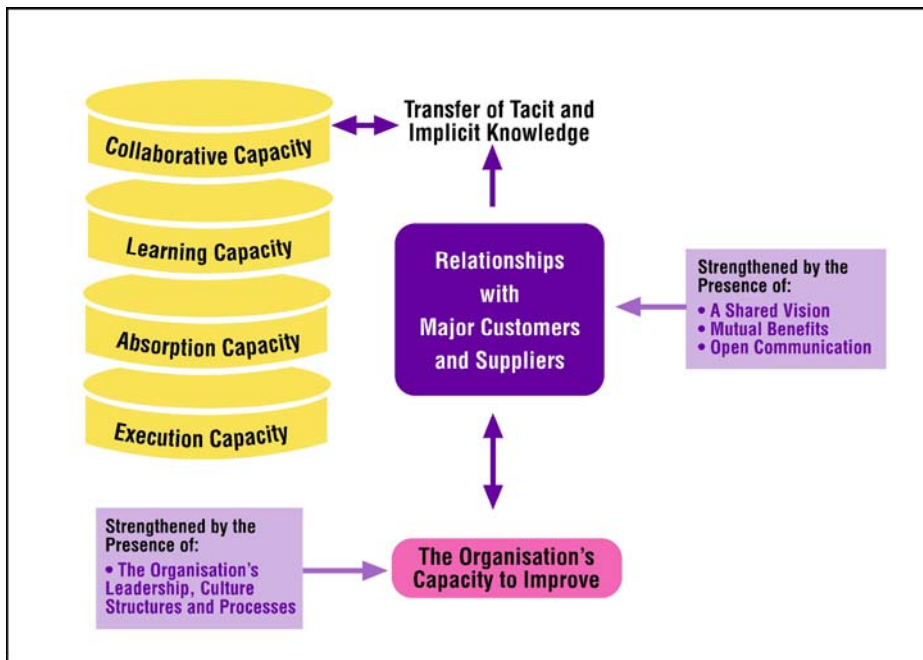


Figure 4.1 The interaction between inter-organizational relationships and the transfer of knowledge.

4.2 My conceptual model

Drawing on the model of organizational learning developed in Section 3 (Figure 3.5) and applying it in the context of my research questions (Figure 4.1) I constructed a conceptual model of organizational learning as it relates to Golden Circle and its chain partners involved in this project (Figure 4.2)

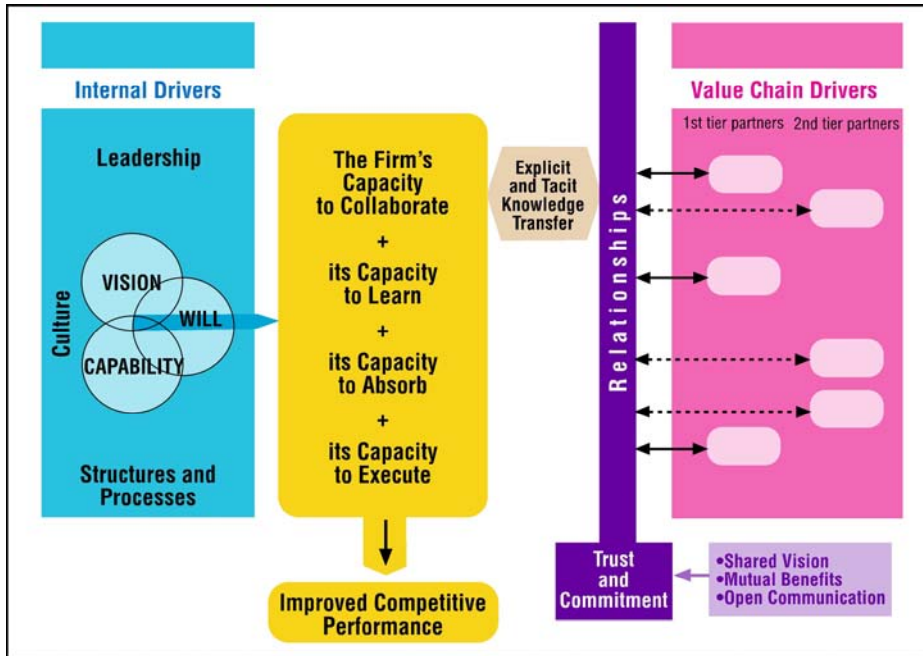


Figure 4.2 A conceptual model of organizational learning within a chain context

The conceptual model presented in Figure 4.2 clearly identifies the focus of the research as being the impact of the change process on organizational learning and hence improved performance within Golden Circle (Research Questions 1 and 2).

The model also captures the impact of the nature of the relationships Golden Circle has with its chain partners on the transfer of tacit and explicit knowledge and hence on its competitive performance (Research Question 3).

In addition the model distinguishes between the relationships Golden Circle has with its '1st tier' and '2nd tier' chain partners because '1st tier' chain partners (retailers, major packaging suppliers and growers) have the potential to influence the strategic direction and operational performance of Golden Circle while '2nd tier' partners (transport and minor material providers) have a limited impact on the organization's operational performance.

In the following Section, I outline the methodology that underpins the research and describe the methods I have employed to collect and analyse the data.

Section 5 The research methodology

5.1 My research strategy

Answering the research questions developed in Section 4, required that I arrived at conclusions through a process of induction, based on the analysis of data provided by people actually engaged in the change program both from within Golden Circle and from its chain partners. Hence, this research was located in the phenomenological paradigm of constructivism that holds that the world and reality are subjectively constructed through the eyes of individuals and these views of the world must be examined in the context of the situation (Collis & Hussey, 2003; Guba & Lincoln, 1994; Merriam, 1998; Patton, 1990; Robson, 2002).

The phenomenological paradigm relies heavily on a qualitative inquiry strategy to provide the depth, openness and detail associated with the analysis of complex sociological systems. As Robson (2002) states:

It is now considered respectable and acceptable in virtually all areas of social research (including applied fields such as education, health, social work, and business and management) to use designs based largely or exclusively on methods generating qualitative data (p.163).

This research project explored the actions and interactions of individuals within a particular organization and among its supply chain partners as it embarked on a journey of organizational renewal. I undertook this study of the organization in its natural setting without any deliberate attempt to alter this setting through influence or intervention.

Patton (1990) and Merriam (1998) support the use of a qualitative inquiry strategy in such circumstances. However this approach *offer(s) high contextual realism (but) involves the trade-offs of low generalizability and low precision/control that impacts both internal and external validity* (Scandura & Williams, 2000, p.1259).

The qualitative approach that I adopted involved a case study, consistent with the position of Yin (1994):

Case studies are the preferred strategy when 'how' or 'why' questions are being posed, when the researcher has little control over events and when the focus is on a contemporary phenomenon within some real-life context (p.1).

This particular study is what Stake (1994) refers to as *an instrumental case study* in which *a particular case is examined to provide insight into an issue(s) or refinement of theory* (p. 237). In this case the issues are:

1. The impact of the change process on the learning capacity of Golden Circle;
2. The impact of the change process on the absorptive capacity of Golden Circle;
and
3. The impact of the relationship between Golden Circle and its key chain partners on the change process and its outcomes.

The study also sought to refine theory with respect to both intra and inter-organizational learning.

The decision to restrict the study to a single case, or supply chain in this case, was made for the following reasons:

1. A single case could be studied in more detail;
2. A single case that involved multiple firms and multiple data collection points was logistically more manageable; and
3. Access to relevant people was more feasible in a single case situation.

Any shortcomings related to the potential for generalization from the findings of my single-case study were outweighed by the opportunity to gain a deeper understanding of the factors that influence the success of a change management process within a value chain context. Yin (1994) supports this position when he claims that the deficiency of case study research in terms of *statistical generalization* can be compensated for by what he refers to *analytical generalization* that enhances understanding through the development and refinement of theory. Stake (1994) also supports this argument when he states:

generalizations should not be emphasised in all research (and) damage occurs when the commitment to generalise or create theory runs so strong that the researcher's

attention is drawn away from features important for understanding the case itself (p.238).

Sterns, Schweikhardt & Peterson (1998) and Boehlje (1999) support the validity of single-case case studies in agribusiness research provided that adequate attention is given to ensure the validity and reliability of the research design and data collection process.

5.2 My research design

Yin (1994) identifies four tests that are commonly used to establish the quality of any empirical social research:

- Construct validity;
- Internal validity;
- External validity, and
- Reliability.

5.2.1 Construct validity

Research conducted within the phenomenological paradigm often encounters the problem of dealing with phenomena that are not directly observable or measurable (Collis & Hussey, 2003). Construct validity is a process designed to demonstrate that the risks of subjectivity, ambiguity and misinterpretation in data collection have been minimised (Scandura & Williams, 2000; Stake, 1994). Yin (1994) cites two tactics that can increase construct validity:

1. The use of multiple sources of evidence (triangulation); and
2. The establishment of a chain of evidence.

The majority of the data collected was obtained via face-to-face interviews with key informants from Golden Circle, its supply chain partners, the change management consultants and the General Manager of the Food Chain Program. The key informants involved in the first set of interviews were identified in consultation with the Project

Manager from Golden Circle. An overview of the original interview sample is shown in Figure 5.1.

The original interview design envisaged that I would conduct 19 semi-structured interviews in each of the three rounds of data collection. Nine of the interviewees were directly associated with Golden Circle and comprised two grower/Directors (including the Chairman of the Board), three member of the senior management team (including the Chief Executive Officer) and four middle level managers.

While no supervisors were included in the initial set of interviews on the grounds that I was still in the process of establishing my own credibility and that of my research with the senior management of Golden Circle Limited, three operations staff were included in the subsequent rounds of interviews, so that a cross sectional range of opinions on the change process and its effects was collected from within the broader organization.

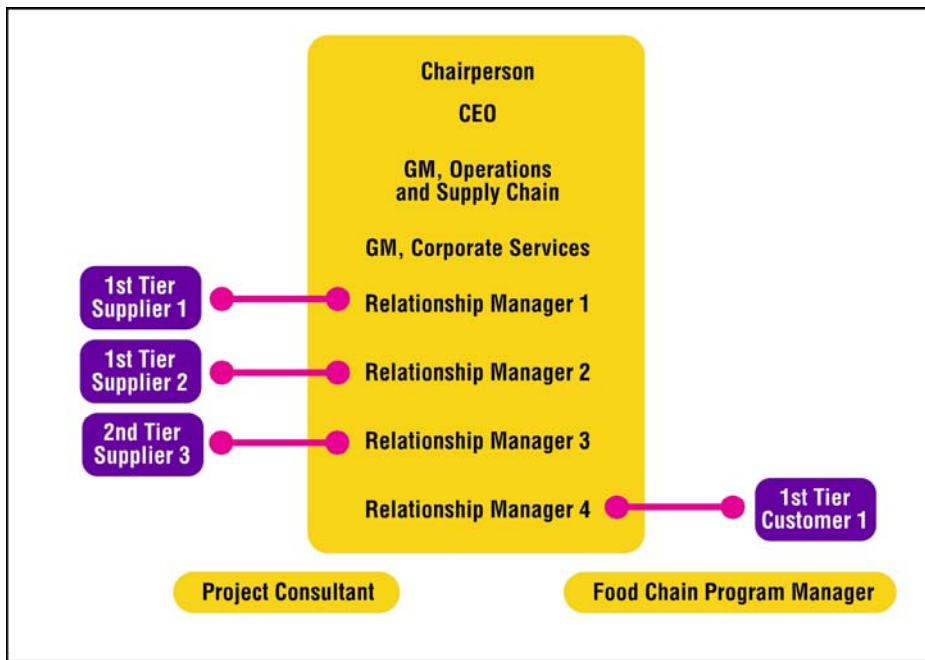


Figure 5.1 The original interview sample

Interviews were also conducted with the long serving former Managing Director (who had resigned in December 2003) and the Interim Chief Executive Officer who held the position from January to June 2004. These provided an historical perspective of Golden Circle and a depiction of the magnitude of the crisis the organization faced at the commencement of my research project.

To capture a wider cross-section of grower opinion on the transformational change process that was being implemented, two non-director growers were added to the participant schedule for the final two interview rounds. These growers were selected on the grounds that they were substantial shareholders and held differing views on aspects of the reconstruction plan being proposed by the board.

The major supplier of materials to Golden Circle other than the fruit and vegetables provided by its grower/shareholders is Amcor Australasia through two of its Divisions – Amcor Fibre Packaging and Amcor Food Cans. Interviews were conducted with two representatives of each of these Divisions. In each case, one interviewee was at the General Manager level while the other was Amcor’s Golden Circle Account Manager.

Interviews were sought with similar level representatives of a major retailer involved in the project but after an initial interview with the company’s Planning and Projects Manager, the company declined to participate further in the project due to a lack of any tangible benefit to them.

Toll Holdings provides transport services between Golden Circle and their major retail customers. In the highly contestable transport market, the business relationship between Golden Circle and Toll Holdings is more operational than strategic in nature therefore representatives from Toll Holdings at the Senior and Operations Management levels were interviewed in order to obtain the views of a 2nd tier or minor supplier.

Interviews were also conducted with the consultant engaged by Golden Circle to guide the process of implementation and adoption of the ‘lean supply chain’ project funded by

the Food Chains Program in order to gain an external appraisal of the transformational process being undertaken and its impacts. One interview was conducted with the Program Manager of the Food Chains Program and with the consultant engaged to assist Golden Circle's management with the development of the company's strategic (reconstruction) plan. These interviews provided valuable insights into Golden Circle's strategic and operational capacity at the commencement of the project. A summary of the persons interviewed during the course of my research is presented in Table 5.1.

Table 5.1 Interview Participants

PARTICIPANT	FIRST ROUND INTERVIEWS (April 2004)	SECOND ROUND INTERVIEWS (April 2005)	THIRD ROUND INTERVIEWS (December 2005)
<u>Golden Circle Ltd</u>			
Grower/Directors	2	2	
Grower/Shareholders		2	3
Senior Management	5	3	3
Middle Management	4	6	7
Operations Staff		3	3
<u>AMCOR</u>			
Senior Management	2	2	2
Middle Management	2	2	2
<u>Retailer</u>			
Middle Management	1		
<u>Toll Holdings</u>			
Senior Management	1	1	
Middle Management	1		
<u>Consultants</u>			
Project Consultant	1	1	1
Strategy Consultant	1		
<u>Program Manager</u>			
Food Chains Program	1		
TOTAL	21	22	21

A problem with any longitudinal field study which involves interviews with specific persons is that circumstances may change during the course of the research that result in

some of the original interviewees not being available for subsequent interview rounds due for example to a change in employment or particular individuals not being in a position to make informed comment on the research issues due to a change in their position or responsibilities. Both these events occurred during the course of this research.

In September 2005, the General Manager who was responsible for the conception, planning and implementation of the 'lean supply chain' project that underpinned the transformational change process at Golden Circle resigned. I conducted an extensive exit interview with him at the time and included his replacement in the interview schedule for the third round of interviews conducted in December 2005.

While the resignation of the project champion at that time was unfortunate from a data collection point of view, it provided me with an opportunity to investigate the potential sustainability of the transformational change process in the absence of its main architect and driver.

As described in Section 1.2.2, the board of Golden Circle was reconstituted in May 2005. As a result, the two grower/directors who were part of the original interview schedule lost their positions on the board just after the completion of my second round of interviews. These two growers were retained on the interview schedule for the third round of interviews to provide continuity from a grower's perspective on the change process and its outcomes.

In total, 64 in-depth interviews were conducted with a range of people within and external to Golden Circle over the course of this research. As illustrated in Table 5.1 the interviewees were drawn from a wide cross-section of the organizations involved in the change process being undertaken and they were in a position to provide a diverse and informed perspective on the drivers and outcomes of the process.

In addition to the interview data, other sources of data included my observations made during workshops, presentations and informal conversations (recorded in my journal) and other relevant documents such as annual reports, workshop summaries and press releases. A chain of evidence was established by maintaining a data base of interview transcripts, my journal and an archive of relevant documents.

My utilization of multiple sources of data and the establishment of a chain of evidence conforms with the tactics described by Yin (1994) to increase the construct validity of a research project at the data collection stage.

5.2.2 Internal validity

Internal validity is a concern when the focus of the case study is explanatory rather than exploratory. As Yin (1994) and Scandura and Williams (2000) point out, internal validity is relevant when cause-and-effect inferences are made from data collected. In this study the problem of internal validity has been addressed in accord with Cresswell's (1994) advice to *purposefully select informants (or documents or visual material) that will best answer the research question* (p.148). By using selected informants (see Table 5.1) who were directly involved in the change management project and collecting multiple perspectives of the same events the possibility of drawing inaccurate inferences from the data was minimized.

Since the research questions relate to exploring the effects of a change management program on the collaborative, learning, absorptive and execution capacities of Golden Circle, the interviews of the selected informants were conducted on three occasions:

1. In the initial stage of the project (April, 2004) in order to establish an initial benchmark of Golden Circle's collaborative, learning, absorptive and execution capacities;
2. At the mid-stage of the project (April, 2005) – approximately twelve months into the project, to identify and explain any changes in Golden Circle's capacities to compete; and

3. At the end of the Food Chain Program funding period (December, 2005) – after approximately 18 months, to identify and explain the overall effectiveness of the change process.

The extended time frame of the data collection phase allowed me to become more familiar with both the issues and the players in the case study. While this may have had some positive benefits such as understanding the context in which events occurred and decisions were made, there was the danger of a loss of objectivity (Cresswell, 1998; Patton, 1990; Yin, 1994).

Two strategies were adopted to minimise any potential loss of objectivity. Continually throughout my research I discussed the outcomes of my formal and informal data collection and interpretation with my supervisors. A formal presentation of the interim results of research was made to my academic peers in October 2004 and at an Executive Review Workshop held at Golden Circle in November 2004. These presentations and discussions together with the many informal contacts that I had, particularly with the project consultant and people within Golden Circle when attending workshops and in-house review sessions, provided me with opportunities to test my interpretation of data on an on-going basis. In the latter case my informal contacts with participants in the project was a form of what Neuman (2000) describes as member validation of the field results.

5.2.3 External validity

External validity is concerned with the extent to which the findings of the research can be generalized. A single-case case study such as this does not claim that its findings are able to be generalized in a statistical sense, but as Yin (1994) asserts, such findings can be valuable in an analytical sense if they clarify or extend our understanding of existing theory. The questions under investigation in this research have the potential to achieve this latter outcome. This is particularly relevant in this case where, as commented on in Section 3, there has been little empirical research on organizational learning in a commercial context. Further, Scandura and Williams (2000) claim that increased

triangulation, (in this case multiple sources of data within Golden Circle in particular) *might result in a more robust and generalizable set of findings (higher external validity)* (p.1250) on learning within organizations.

5.2.4 Reliability

Reliability is concerned with minimizing the errors and biases in the study so that if another researcher duplicated the same procedures using the same case study, then the results and conclusions would ideally be the same (Collis & Hussey, 2003; Yin, 1994).

In common with most social inquiry, it would be impossible to replicate the conditions under which this research was conducted (Neuman, 2000); therefore it is essential that a good chain of evidence as discussed previously is established. I have assembled a comprehensive chain of evidence through the maintenance of a database of the interview transcripts, my journal and an archive of relevant documents.

5.3 My research instruments

Yin (1994) identifies six sources of evidence used in case studies – documentation, archival records, interviews, direct observations, participant-observation and physical artefacts. In this study, interviews, documentation and direct observations were the main research instruments and sources of data.

5.3.1 Interviews

The primary source of data was a series of face-to-face semi-structured interviews (Robson, 2002) conducted by the researcher with key informants as summarized in Table 5.1.

Both Robson (2002) and Yin (1994) cite semi-structured interviews as important tools in case study research, especially where opinions and insights are sought along with facts. However as Yin (1994) warns, interviews are verbal reports that *are subject to the common problems of bias, poor recall and poor or inaccurate articulation* (p.85). This problem was overcome to a large extent in this research through the capacity to cross-check with data from other interviews, personal observations or documents.

The flexibility provided by adopting a semi-structured interview design raised a potential problem due to a lack of standardization in the interview process. This issue was addressed in planning by the preparation of a series of interview guides as suggested by Patton (1990) and in administration by the fact that I had had over twenty years experience in conducting face-to-face interviews.

The focus of the interviews conducted in this research varied with the timing of the interview and the person being interviewed. This process was similar to that described by Neuman (2000) as appropriate for field research. For example, the first round of interviews was used to establish an understanding of the organizational climate within Golden Circle and the nature of the relationships that existed between the company and a sample of its suppliers and customers at the beginning of the transformational process. Therefore the questions asked were predominantly descriptive. In the second and third rounds of interviews the focus shifted to identifying changes in the organizational climate and the inter-organizational relationships and the impacts of these changes on organizational learning and operational performance within Golden Circle. While descriptive questions were used in these rounds of interviews more use was made of probing questions in an attempt to identify the root cause of any identified change and its specific impact on operational performance. Samples of the interview guides are provided in Appendix B.

5.3.2 Documentation

The Golden Circle documents monitored during my research were the published Annual Reports (1999-2005), press releases, 'lean supply chain' workshop proceedings (November 2003, February 2004, May 2004 and November 2004) and the internal Supply Chain and Operations Newsletter (May – December 2005).

The Annual Reports and press releases provided a company-wide perspective on the changes that were occurring within Golden Circle and their impact on the company's financial performance. The workshop proceedings and the Supply Chain and Operations

Newsletters provided me with a detailed record of the activities and outcomes associated with the 'lean supply chain' project which was driving the transformational process within Golden Circle.

The information contained in these documents allowed me to corroborate the information I was collecting through the interview rounds, verify the observations I was making, and inform my analysis of the data.

5.3.3 Participant observation

Over the two year data collection period (January 2004 – December 2005) I attend three 'lean supply chain' Executive Review workshops (February 2004, May 2004 and November 2004), two Supply Chain and Operations biannual review presentations (July and December 2005) and four in-service training workshops (September 2004, May 2005, October 2005 and November 2005).

My attendance at these events allowed me to observe the interactions among people involved in the project at different levels within Golden Circle and their chain partners, listen to the presentation of progress reports on the various improvement initiatives and talk to a range of people on an informal basis.

My observations from these meetings were recorded in my journal and used to assist in the interpretation of events and data related to me via the formal interview process.

5.4 Data analysis

The analysis of qualitative data presents a problem for researchers because *there is no clear and single set of conventions for analysis corresponding to those observed with quantitative data* (Robson, 2002, p.456).

Yin (1994) observed that *the analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies* (p.102). He suggests that the

most preferred analytical strategy should be based on the theoretical propositions that led to the case study. He goes on to identify three dominant analytical strategies:

1. Pattern matching that involves comparing patterns emerging from the case study data with those of a predicted pattern;
2. Explanation building that attempts to explain a phenomenon by identifying a set of causal links associated with it; and
3. Time-series analysis that uses multiple data collection points over time to identify changes that have occurred in selected variables.

My approach to data analysis was guided by the theoretical propositions that underpinned this research. To reiterate, these were:

1. The change program being undertaken by Golden Circle will improve the organization's capacity to learn;
2. The change program being undertaken by Golden Circle will improve the organization's capacity to absorb these learnings into its structures, processes and procedures;
3. The capacity of Golden Circle to build effective relationships with its key value chain partners will impact on the development of the organization's learning and absorptive capacity; and
4. The ultimate outcome of the change program will be the improved performance of Golden Circle in terms of its operational performance and profitability.

In Section 4 I distilled these theoretical propositions into a conceptual model (Figure 4.2, p.47) in which I identified the key variables that determined an organization's learning orientation and the underlying determinants of collaborative inter-organizational relationships.

These key determinants of an organization's learning orientation and collaborative capacity (see Table 5.2) were used as the basis for the construction of my interview guides and logically became the categories for the reduction of my interview data and its

analysis. This approach is consistent with the template approach to qualitative data reduction and analysis described by Robson (2000) and Huberman & Miles (1994).

The analytical approach I adopted was based on Weber’s ideal type analysis as described by Neuman (2000). In Section 3, I constructed an ‘ideal’ model of an organization in terms of its leadership, culture, structures and processes that nurture organizational learning (Table 3.1, p.35). This ‘ideal’ model was used as a benchmark to gauge the progress Golden Circle was making towards becoming an organization that nurtured and enabled organizational learning.

Table 5.2 Key determinants of an organization’s learning orientation and its collaborative capacity

Key Determinants of an Organization’s LEARNING ORIENTATION	Key Determinants of an Organization’s COLLABORATIVE CAPACITY
Leadership	Presence of a Shared Vision
Culture	Open Communication
Structure & Processes	Presence of Mutual Benefits from Collaboration
Shared Vision	
Level of Staff Motivation	
Staff Capabilities	

Since I was interested in monitoring organizational learning within Golden Circle over time, the appropriate analytical strategy in this case was a time-series analysis based on data collected and analysed at three points over a 18 month period. This analysis concentrated on documenting and explaining changes in four key characteristics of Golden Circle as an organization – its learning, absorptive, relationship and execution capabilities.

This analytical process is supported by Patton (1990) who asserts that *the discipline and rigor of qualitative analysis depends on presenting solid descriptive data first* (p.375) and then developing themes and explanations related to the original purpose of the study. This was an inductive process that was carried out simultaneously with each data collection stage (Cresswell, 1994).

High quality qualitative analysis is based on the use of all relevant evidence, includes all major rival interpretations and addresses the most significant aspect of the case study (Yin, 1994). Further, the quality of the analysis was enhanced by the prior, expert knowledge and experience of the researcher (Collis & Hussey, 2003; Patton, 1990; Robson, 2002; Yin, 1994).

Comment [A3]: Need to insert a statement about my treatment of the interview transcripts and my selection of quotations – the main purpose was to demonstrate the concurrence or disparity between level in Golden Circle or between Golden circle and its chain partners

In this respect, I have been involved in the design, conduct and analysis of qualitative research projects that have involved similar methodologies to that described in this section for the past twenty years. This experience was invaluable throughout the research project but particularly so during the data analysis and interpretation stages. In spite of my experience I was conscious of *insidious biases that (could) steal into the process of drawing conclusions* (Huberman & Miles, 1994, p.438).

Part III The Research Outcomes

The results of the research are presented and discussed in three Sections that correspond to my principal data collection points.

In Section 6 I establish the learning orientation of Golden Circle and the state of its relationships with its major chain partners at the commencement of the project in early 2004. The results presented in Section 7 document the changes in the learning orientation of Golden Circle and the impact its relationships with its chain partners had on this process up until April 2005. Finally in Section 8 I document the changes that occurred within Golden Circle over the period from May 2005 to December 2005.

In each of Sections 6-8 the analytical framework in which the results are presented and discussed was that developed in Section 4.2 and illustrated by my conceptual model of organizational learning in the context of a value chain which is re-presented on the following page for convenience as Figure 6.1.

As a company's ability to learn and adapt to a changing competitive environment is determined by its learning orientation and its collaborative capacity, each Section has been structured as follows:

1. The data from the interviews were initially analysed and discussed in the context of the three internal key factors that nurture organizational learning (leadership, culture and structures and processes) and the three key enablers that promote collaborative learning and its application to improved organizational performance (shared vision, motivation and capabilities); and
2. The data from interviews with relevant Golden Circle stakeholders and key chain partners were then analysed and discussed in the context of the key antecedents of collaborative relationships (shared vision, mutual benefits and open communication).

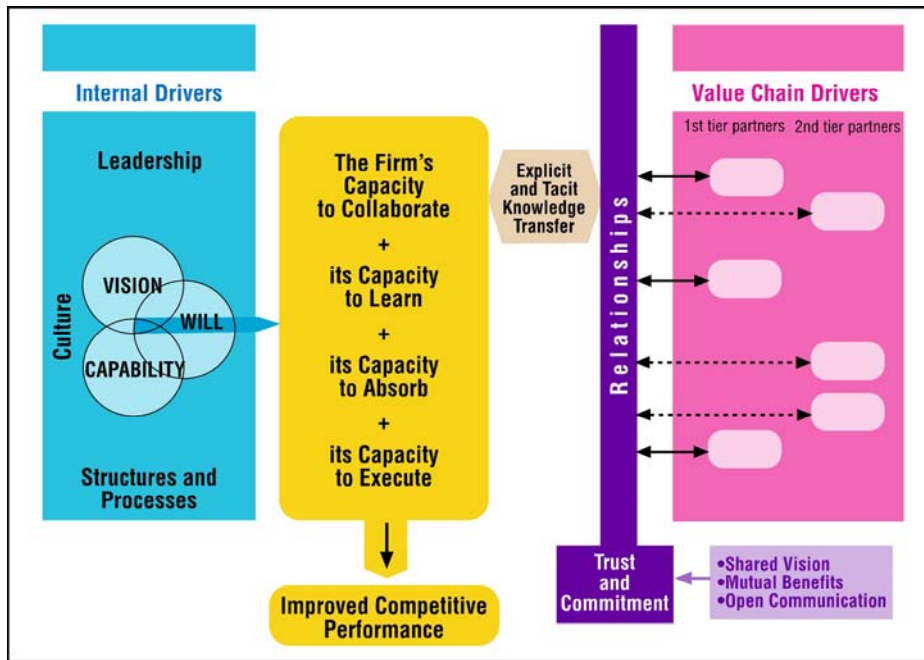


Figure 6.1 A model of organizational learning within a chain context

Throughout my analysis I have included direct quotations chosen from the interview transcripts to support the points that I was making and the conclusions that I was drawing. Because of the sheer quantity of data the interview schedule generated, I restricted the choice of my quotations to those that demonstrated similarities or differences between the views expressed at the various levels within Golden Circle or between Golden Circle respondents and those of its chain partners. This strategy reduced repetition and improved readability.



In addition, I have used icons derived from my conceptual model as 'signposts' throughout my analysis. I have used a bold typeface to indicate the particular element of the model that is being discussed to assist the reader in placing the item in its proper context within the model.

Finally I draw on the results of my analysis of the interview data along with public documents and my personal observations to form a considered opinion on Golden Circle's learning orientation and collaborative capacity at that time.

Section 6 Golden Circle Limited as it was (May 2004)

I formally became involved in the Golden Circle ‘lean supply chain’ project in December 2003 when I conducted an interview with the project’s external consultant. On the day this interview was conducted, the Chairman of Golden Circle announced that its Managing Director for the past 11 years was to retire ‘effective immediately’ and *we will be seeking a Managing Director with a proven record as a change leader.*⁵

This announcement was the first public acknowledgement that Golden Circle was experiencing difficulties in spite of its ambitious expansion and diversification in 2002 and strong sales growth that had led Biggs, in the previous month, to conclude that:

The company is financially sound, well managed and well respected by its customers – a marvellous platform from which to face the future (Biggs 2003, p.15).

The sudden and unexpected resignation of the Managing Director, coupled with the replacement of two other members of the senior management team in late 2003, indicated that radical change was about to occur in the way Golden Circle conducted its business.

In February 2004, the company announced a loss of \$31.1 million: far in excess of the \$8-\$12 million loss foreshadowed to shareholders in November 2003. Included in this announcement was a recovery plan based on several ‘critical planks of performance improvement’ which involved the elimination of unnecessary costs from the supply chain, and improved operational planning to better align production and inventory with sales.⁶

What was it about Golden Circle that precipitated this crisis and instigated the transformational change process of which the ‘lean supply chain’ project was an integral part? As one informant stated to me, the substantial loss reported for 2003 had not come

⁵ Golden Circle Limited Press Release: Golden Circle Managing Director Retires. 2/12/2003.

⁶ Golden Circle Limited Press Release: Recovery Plan mapped out for Golden Circle. 27/2/2004.

about as a result of one year of bad luck. In that case, why hadn't the company been able to identify and adapt to changes in its competitive environment?

In this section I sought to answer this question by analysing the learning orientation of Golden Circle and its capacity to develop and sustain collaborative relationships with its key chain partners as of May 2004.

6.1 The learning orientation of Golden Circle Limited

The primary source of data used to determine the initial status of Golden Circle's learning orientation was a series of semi-structured personal interviews that I conducted in April-May 2004.

One of the conditions under which these interviews were conducted was that the statements used in this dissertation would not be attributed to an individual. Therefore the interview transcripts were grouped into three categories- grower/directors (G), senior management (SM) and middle management (MM) and any quotations extracted from the interviews were identified by the respondent category rather than a particular individual.

6.1.1 A grower/director perspective

Both grower/directors interviewed were large pineapple growers and long-term suppliers to Golden Circle. Both had served on the board of the company for periods in excess of seven years.



Neither respondent made any direct comment about the leadership within the company. Both stated that the board had recognized the need for change; had endorsed the 'lean supply chain' project; had approved the necessary resources; and had made changes in the senior management team to facilitate the change process.

The board took the decision that they were to give him (the General Manager, Supply Chain and Operations) the resources (to drive the process) because we knew we had to do something. But just as importantly, we had to make it clear to

management at all levels that the board was going to back this fellow to get the job done. (G1)



It was obvious from the comments made that growers considered that Golden Circle was their company.

I think we take a personal interest because we consider it ours. I think every grower considers Golden Circle is actually their own. (G2)

This attitude had impacted on the management of the company in terms of procurement policy (Australian grown, Australian owned), the price paid for raw material (150% above world parity price), and the amount of retained earnings available for capital expenditure (*we are undercapitalized (but) it's symptomatic of cooperatives to a very large degree* (G1)).

Both respondents recognized that this attitude had to change and had been addressed in the redrafting of the Cooperative's constitution in 2002 and the six pillars that underpinned Golden Circle's reconstruction plan that was endorsed by the board in early 2004. change

Well the culture of Golden Circle is undergoing a fairly radical at the moment because really I think both from a growers and a company point of view, over a long period of time we have had a fairly comfortable ride in the market place. So we all got too comfortable. (G1)

(By separating the delivery) quota from the shareholdings that growers had it made it very clear to shareholders that they then had two businesses – that of a grower as a producer of fruit for Golden Circle and as a shareholder of Golden Circle the company. (G1)

The most significant change endorsed by the board that signalled a radical change in corporate philosophy was the decision to source *raw material for optimal financial outcome* (Golden Circle 2004, p.11). This decision meant that Golden Circle would no longer be restricted to sourcing its fruit and vegetable requirements from its

grower/shareholders, thus indicating a radical change in its commitment to being ‘Australian Owned – Australian Grown’.

While making no direct comment about the internal culture of Golden Circle, both respondents stated that there was a positive environment within the company, and *people are a whole lot happier than they were twelve months ago.* (G1)

In addition there had been a noticeable improvement in the level of empowerment within the company over the past few months:

Some of these people (on the factory floor) have been trying to make changes themselves and nothing happens but at least there’s a mechanism there now for some feedback and to make some changes even at that level. There’s a huge change. The big change that I have seen is the teamwork that’s involved in the whole business (of the ‘lean supply chain’ project). What it’s doing is it’s making sure that everybody in the factory knows what the other person is doing. It’s still not perfect, but it’s happening. (G1)



Both respondents agreed that Golden Circle was not a low cost processor and the major challenge facing the company was to reduce operating costs.

We have taken the decision to move away from the procurement procedures that we have that are based solely on we’ll get it from Australian producers and sources whatever the cost. If we continue to do that we’ll go broke eventually. We will always give first preference to Australian producers but if we’re going to succeed and continue to exist as a company, we have got to be competitive and we all know what that means. (G1)

There was evidence that communication and alignment between the various sections within the company had improved.

There’s real communication in the system that was never there before. I mean that’s the number one thing that has happened and then the other thing that’s happened is that you’ve got sales people and operations people actually talking to each other. Now it’s not perfect but they are getting a lot better at it. (G1)

It was acknowledged that the grower/directors’ understanding of the Golden Circle supply chain was limited before the commencement of this project:

As a director and as a grower I never really understood the full process of the supply chain. I've always sort of assumed that supply chain really only (applied) on the pineapple side of things. It never occurred to me that the supply chain actually worked backwards (from the customer) and when you look at it and you see how it is, it makes sense. (G2)

They recognized that a process that *rewards people for making beneficial changes* will have to be developed and implemented if the momentum of the change process was to be maintained and that such a system was not presently in place.

The grower/directors' comments also indicated that they understood that the change process was a long term project and it would take time before tangible benefits would emerge. They agreed that their measure of success of the change program would be improved financial performance.

What we want to see is some dollars in the tin at the end of the day. That will be (the measure of) our success. (G1)

In summary, Golden Circle traditionally had been a company run by the growers for the growers. As a consequence the primary focus of the majority of the grower/directors was the well-being of the growers and, when coupled with their limited understanding of workings of the supply chain in which Golden Circle operated, it had impacted on the board's ability to effectively oversee the strategic development of the company.

The financial crisis that threatened the company in 2003 forced the board to accept the need for radical change in the direction of the company and how it was managed. They also recognized that changes in the operations of the factory were a critical component of this process and empowered the General Manager, Supply Chain and Operations, to drive these changes.

Although changes were becoming evident in the leadership, culture and processes of Golden Circle the board recognized that the full impact of the change program on the company's financial performance would not be evident for three to five years.

6.1.2 A senior management perspective

Five senior managers were interviewed, the interim Managing Director, the General Manager (Corporate Services), the General Manager (Supply Chain and Operations), the former Managing Director and the newly appointed Chief Executive Officer.



Leadership and culture in any organization are closely intertwined. Employees take the lead from senior management – what senior management do is accepted as being important and employees respond accordingly.

The leadership style adopted at Golden Circle was a classical example of ‘command and control’.

I think historically it’s been...one could describe it as probably benevolent dictatorship to a certain degree. I think the style’s reasonably autocratic. It started in basically post-war era where there was quite a directive style of management. (SM2)

This leadership style had a direct impact on ‘how things are done around here’. Employees at all levels of the organization didn’t challenge the status quo out of fear.

(The company was) absolutely supply driven and with nobody prepared to challenge that. Call it fear if you would. A freedom to experiment? I’d say previously not a lot. But I think there is a new sense of freedom that people can actually say or act in the way that they feel that is right for the organisation without sort of fear that they’re going to get chopped off at the knees.(SM3)

Several other shortcomings of the pre 2004 senior management team were identified as:

- Lacking in experience
There hasn’t been lots of recruitment from outside at a senior level so we’re fairly insular. The fact that we haven’t had probably enough movement at the top of the organisation did make it a little bit difficult for us to really embrace the change that was necessary. (SM1)
- Lacking in focus
(Was there) an environment where the management met very regularly, shared ideas? The answer is definitely, “No”. (SM3)
- Lacking in team work
It was sort of everybody wanted their own patch and instead of pulling together. (SM4)

These comments indicate that the senior management team at the time was somewhat dysfunctional and was not capable of providing the leadership necessary to guide the company out of the crisis it found itself in during 2003. This conclusion is supported by the fact that all but one of the senior management team had been replaced by mid 2004.



The culture of Golden Circle was a culture derived from its traditional relationships with its grower/shareholders and from the leadership style adopted by its senior management. It was a culture that had served it well in less turbulent times.

We've been in comfortable circumstances. We basically haven't been under the financial pressure that some other companies find themselves under. We've just been motoring along with performances that seem to be satisfactory by the shareholders and the board throughout those years and there wasn't really seen to be the great need for a shake up or change.(SM1)

But it was an inappropriate culture for the future.

I suppose what we're going through at the moment is sort of really trying to transform the organisation from really what, until recently, was quite a directive style of management to a more cooperative and in a style where there's a high level of ownership and empowerment.(SM2)

This transformation relied on the presence of employees' trust and respect.

Your people have got to trust you; trust that you know what you're doing and they have got to respect the fact that you have a strategy, you have a point of view, you have a path of direction that you're going to take and you believe in it. (SM3)

In spite of the strategic and managerial deficiencies, one of the cultural strengths of Golden Circle that came through during many of the interviews was a sense of 'family' that should be preserved.

Golden Circle at the end of the day it's got a good value system. I think it's, as I said before, it's been quite benevolent in what's done. It's not a harsh organisation to work for. It does value its people. It probably doesn't communicate well to its people and do things effectively from time to time but I still think it does value its people and it does have a soul. Even though we've got to sharpen our focus and really lift to those next levels of performance, I think it is important for us not to lose sight of that we are an organization that does value people. (SM2)



Like many organizations Golden Circle had developed an organizational structure around the traditional functional areas of operations, sales and marketing, finance and corporate services. Unfortunately these functional areas had evolved into isolated silos without the necessary systems and processes in place that facilitated planning, coordination and alignment of corporate activities.

We did a big picture mapping of our whole organizational supply chain and that actually opened up to a whole level of people about just, the gaps of information flow and some raw material flows, how complex the organization had grown to be. (SM1)

(Internal communications is) nowhere near as good as it needs to be. I think that's bred out of a philosophy of 'a need to know basis' and I think that the level of transparency that we need in the organisation wasn't where it needs to be. (SM2)

The company didn't really know which of its products were profitable and which ones weren't. We had far too much stock; far too much inventory. (SM3)

Projects initiated under the 'lean supply chain' project in December 2003 had begun to impact on the apparent weaknesses in the organization's structures, processes and culture. Cross functional teams had been established to investigate potential areas of cost savings and efficiency gains. Most importantly, additional resources had been made available in the finance area so that these opportunities could be quantified in dollar terms.

It's (the the 'lean supply chain' project) very important because it's actually about - it's a vehicle for change management, about doing things differently. Doing things differently within our own organisation, doing things differently with our suppliers (material suppliers and grower suppliers) and also doing things differently with our customers as far as the whole offering rather than just the sales contact. We've actually had to link our business, our operational business with our customer requirements. (SM1)

A crucial factor in the operation of these cross-functional project teams was the establishment of a disciplined process of project identification, planning implementation and review based on the Deming Cycle of plan, do, check, act. (see p.25)

The major change in the last year or so has being harping, harping, harping - plan, do, check, act processes are a major part of it, but we are going to focus on this and link it to the strategic direction and all that sort of gear. So the people can see that this is going to just continue on. (SM1)

This process was underpinned by the key disciplines of ‘managing by fact’ and project audits that impacted on Golden Circle’s measurement, recording and communications systems. A system of Supply Chain and Operations ‘review days’ had been established so that the progress in the various projects could be monitored and disseminated on a regular basis.

The deficiencies in Golden Circle’s systems and processes had been recognized and progress was being made to rectify those deficiencies. These improvements were being driven in part by the projects initiated under the ‘lean supply chain’ project and their need for more accurate and timely information, but there were long term company-wide benefits to be gained.

This (the ‘lean supply chain’ project) is a very important first step but it is really only the first step and there’s a lot of learning that we can then transfer into other parts of our organisation. (SM2)



Given a lack of customer focus, a complacent culture and an uninspired senior management team, it came as no surprise to hear claims that Golden Circle didn’t have a clear corporate vision or a coherent strategic plan.

I wouldn’t say there was a total absence of strategy but I think it was highlighting that the strategy basically was sort of undercooked and really wasn’t probably embracing some fundamental principles that it needed to. (SM2)

This was in spite of the company making recent investments in new product lines such as baby food and jam and the acquisition of an interstate fruit juice company.

By early 2004, the senior management team under the leadership of the interim CEO had embarked on the process of developing *the foundations of a long term strategy that we expect will return the company to profit and boost shareholder value* (Golden Circle 2004, p.11).



A recurring theme in the interviews and in my informal conversations with staff was that there were a lot of good employees at Golden Circle, who were proud of, and loyal to, the company and committed to its survival.

Golden Circle is blessed with a lot of good talented people and people that have got a genuine concern about the company and a genuine wish to see the company succeed; as long as we maintain the focus and the commitment. (SM2)

People have been quite keen from the early stages because they have been working with those frustrations every day. When you start to talk about how you can untangle some of those frustrations that gets their interest. (SM1)

The key success factors identified by senior managers in achieving and maintaining employee ‘buy in’ to the change process have been:

- Communication
We spent two days with the executive group, two days with the process owners and we’ve worked with project teams for the last three months. We spent two days last week going through it again so we definitely do hope that all the people in that do understand what we’re on about. We went through the exercise of actually trying to quantify what we talked about here and then start to convert it into dollar opportunities and people started to say “Ah, okay this is something that’s significant, not just nice stuff to talk about”. (SM1)
- Active engagement
What we’re actually trying to do... is work with involving people in the workshops so it’s not a group of consultants crunching numbers, it’s actually lots of people who are participants in the change. We’re actually building up a large group of people who will see this as their change and I think that’s one of the most critical things we’re doing. (SM1)
- Review and feedback
We all set the morning aside so we had four hours of going through all the different teams’ wins and learnings out of the year, so it was good. There was a lot of people who didn’t actually know what was happening in other areas and it was good because it was actually them presenting to the crowd so they actually got the chance to one, reflect on their wins, but also to be recognised and applauded to their progress and different things and then we had a lunch after that. (SM1)
- Commitment from senior management
It’s very important that we maintain the rage, continue to walk the talk and then just continue to get them (senior management) involved and communicate our successes so the whole thing gets some positive momentum. (SM2)



The leadership style and corporate culture was not conducive to staff development and training.

Golden Circle, I think historically hasn't been very good at those sort of soft things within the organisation which a lot of high performing organisations would see essential to their wellbeing. I think Golden Circle historically, if you can't sort of feel it touch it and quantify it, you know it doesn't get a lot of focus. Staff development, I think, hasn't been where it needs to be as far as an organisation of our size and stature is concerned. (SM2)

But things were changing. Formal leadership courses have been developed for frontline supervisors as well as on-the-job training in lean manufacturing principles.

There are huge gaps in the whole approach to interpersonal development in this place. So we haven't done enough and we definitely need to do a lot more but we have involved the people in developing the process mapping which has been quite a good educational thing. We've been setting up various teams which is learning by doing. (SM1)

In summary, the perceptions of senior management concerning the learning orientation of Golden Circle at the beginning of the project were that it was not a learning organization. There was an absence of all the key elements that nurture organizational learning in terms of leadership, culture, structure and processes. This situation was compounded by the absence of the key enabling factors of organizational learning, a clear vision, motivation and staff capabilities.

6.1.3 A middle management perspective

Four members of the Supply Chain and Operations middle management team were involved in the initial round of interviews. The respondents' tenure at Golden Circle ranged from 12 months to in excess of 20 years. The respondents were representative of the main functional areas involved in the 'lean supply chain' project and they were responsible for implementing many of the initiatives emerging from the change process.



The views of senior management concerning the historical leadership style at Golden Circle were confirmed by middle managers.

The senior management group are very much in a dictatorial role rather than an engaging role I guess. If you didn't perform then...it was just, yeah... They believed in managing by enforcement rather than analysis and gathering data and measuring things. (MM4)



The influence of grower/owners on the culture of the company again was evident in the comments made by middle managers.

From my perspective, the Board would generally make decisions which gave a good result for growers and didn't necessarily get a good result for the business. (MM2)

The middle managers confirmed that the culture was beginning to change but people were wary and slow to take up the opportunities available to them.

What's changed in the last six months as well is what we're trying to do is encourage the people to make their own decisions, as opposed to them just being like little robots. Have some more accountability; come forward with your ideas, that sort of thing. Whereas in the past they've sort of just been told what to do, whereas now we work with them, encourage them to make their own decisions, and keep that communication happening. (MM2)

Some of them find it a little bit difficult to come to terms with it. Some people tend to be a little bit reserved and they tend to hold back their thoughts and their suggestions but particularly since we've made these structural changes I think people are willing to take on those opportunities, those responsibilities and they're quite open in coming forward and letting us know how things should be run. (MM3)

Besides the restructuring of the senior management team, the greatest impact on the change in culture from an operations perspective had been the formation of project teams.

The reason for that is because we're trying to get those clear lines as in levels of management and how each one communicates up and down through your teams and just back on that other point, a lot of the change is purely from the team culture. A team push, you do it as a team as opposed to individuals going out there looking for themselves and their own brownie points. It's not, we're not like that. It's more of a team push. (MM3)



While acknowledging that Golden Circle was a very large and very complex business to manage, the consensus among the middle managers was that the company's structures and processes had been inadequate.

I mean, we never use to measure anything, well not accurately anyway, but now I think the integrity of the data still has a fair way to go but the integrity of everything that's been presented is so much more reliable than what it use to be. (MM4)

This (quality) variability is just so out of control it's gone into our operational costs which are too high. We have to get better alignment from the start to the end because there is a lot of misalignment there at the moment. (MM3)

However the changes implemented so far had been positive.

So I've found that working more openly and more cross-functionally across those groups, as opposed to in your silo, in your own departmental areas, has helped tremendously, purely because they help you learn what they're going through, whereas before, you didn't really know. I think it's a good move. (MM3)

I think the company has done the right thing in actually being a lot more open as to the financial situation. Before you were very much kept in the dark and just told pieces of information to get you through. Now I think the information is flowing a lot more and people actually understand how critical it is that we do get the change happening for the viability or future of the company and the future of our own jobs. (MM4)

It's nice for someone like myself or someone else to say 'Gee I can really see the difference' when you really have the facts on the table and the only way you're going to do that is to get the raw data. (MM3)

But there was room for improvement.

There's been no communication since our February workshop as to what's happening there or I know that, I think the supply group have had some further meetings. We haven't had any further meetings. I think we've sort of been left in the dark as to what is our next step. We don't know what to do next and where everybody else is at. (MM4)



The middle managers' responses confirmed that previously there wasn't a clear vision espoused for the company and an absence of any coherent corporate strategy.

I think until the former MD left, I think we were still heading in the same direction. He was making decisions based on that traditional concept of Australian owned and Australian grown and a lot of the sacred cows were being protected. (MM2)

We've been a very fragmented company whereby each department has had its own agendas and we haven't really aligned to each other's agendas as a complete strategy I guess, business strategy, up until probably six months ago when we realised how bad the business was and that we needed to change. (MM4)

However as a result of their participation in the 'lean supply chain' project there was a clearer perception of a corporate vision.

The vision? The overall vision is to have a supply chain that is based on meeting demand, where supply meets demand or supply and demand are aligned. But the savings flows right through the supply chain from the supplier through to the consumer - to have a lean supply chain to align supply to demand. (MM4)

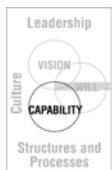


In spite of the comment from one of the managers that morale was still *pretty low*, and in some cases *people were a little reluctant* to be proactive, all managers agreed that there was a high degree of acceptance of the need for change and a willingness to be involved in the process.

Buy-in for the project was actually a fairly easy process because I think most of the staff at Golden Circle could see that this business was not running the way that it needs to run. Once changes were made particularly some of the personnel changes at the very top, and also a new team of management that are open and demanded their inclusion and input into the future management, I think that empowered them pretty quickly and all of a sudden they could see that they now have an opportunity to influence the way in which things are done. And as a result of that, rather than having to try and to get them to buy-in, they stepped in and really took up their ability to have a say in how things ought to happen. (MM2)

The managers were also aware of the necessity for them to demonstrate their commitment to the process.

There is a lot people out there do want change and believe that we need to change. It's just the belief, because previous management have made promises and never followed them through. So what's critical to us is making sure we follow through on the change. (MM3)



The managers recognised that the skill set required for the 'new' Golden Circle would be different from that required in the past but they were confident that the combination of the motivation of the staff and the new staff development initiatives that were being developed would be adequate.

We're currently doing skills assessment on a lot of our people. Doing manpower plans and seeing whether we've got gaps, to make sure that we have those skill sets in place for the future. (MM3)

We are currently doing a leadership program (for the area leaders) as well as Certificate III and IV in food processing. (MM2)

In summary, the perceptions of middle management concerning the learning orientation of Golden Circle at the beginning of the project were consistent with that expressed by the senior management team in terms of the absence of the key elements that nurture organizational learning and the poor development of the enabling factors that would allow such learning to occur.

However there were positive signs that these deficiencies had been recognized by the Board and senior management and that corrective action was being taken at least in the Supply Chain and Operations area of Golden Circle.

6.1.4 Summary: Golden Circle Limited's learning orientation, May 2004

The conceptual model that guided my research identified three factors that nurtured organizational learning and three factors that enabled it to occur. These six factors formed the framework that I used to identify data relevant to my research from the interview transcripts in Sections 6.1.1 – 6.1.3. From my review of the literature associated with intra-organizational learning presented in Section 3.2.2, I extracted descriptors associated with each of these factors and used these as benchmarks for the evaluation of Golden Circle's learning orientation as of May 2004. The results of this evaluation are presented in Table 6.1.

Comment [A4]: Ray commented that I need to present a little clearer description of what I have done

The evaluation demonstrated clearly that Golden Circle exhibited few of the characteristics that nurture organizational learning. The leadership style was coercive and reactionary, the culture (while supportive of the individual in a paternalistic fashion) was conservative and authoritarian, and its structures and processes discouraged open communication and collaboration.

Golden Circle's inability to respond to the rapid changes that had engulfed the company was compounded by the absence of the enabling factors of organizational learning, particularly the lack of an effective corporate strategy and staff development. The strength of the company brand that had been built on being 'Australian Owned and Australian Grown' was no longer sufficient to sustain the company's position in the

market, its corporate culture had discouraged innovation and initiative, while its staff development policies were inadequate to meet the challenges confronting the company.

Table 6.1 Golden Circle’s status as a learning organization (May 2004)

Organizational Learning	The ‘ideal’	The ‘reality’
Nurturing Factors		
Leadership	<u>That is:</u> <ul style="list-style-type: none"> • empathetic • proactive • inclusive • reflective • unified 	<u>That is:</u> The leadership was reactive, insular and subservant to the wishes of growers. There was no strategic plan to guide the direction of the company. The leadership style was ‘command and control’. There was no effective senior management team
Culture	<u>Supportive of:</u> <ul style="list-style-type: none"> • the individual • teamwork • experimentation • empowerment 	<u>Supportive of:</u> The culture of the organization did not encourage independent action or innovation. There was limited interaction between the functional areas of the company
Structures & Processes	<u>Supportive of:</u> <ul style="list-style-type: none"> • open communication • collaboration • continuous improvement 	<u>Supportive of:</u> The presence of functional silos restricted information flows. There was little coordination between functional areas. Management information systems were inadequate
Enabling Factors		
Shared vision	The presence of a vision that is credible and achievable	Absence of a credible vision for the future; ‘what’s good for the growers is good for Golden Circle’
Motivation	A supportive culture and the presence of appropriate recognition and rewards	A climate of fear and the absence of an appropriate recognition and reward system;
Capabilities	The presence of appropriate skills to participate effectively	Absence of appropriate recruitment and staff development systems; insular and lacking a training culture

The inability of Golden Circle to learn and adapt to its changing competitive environment was not due to any one factor but was heavily influenced by its ownership that resulted in a grower/supplier dominated board and the presence of an internally focused senior management team.

6.2 Golden Circle’s Chain Relationships

An integral component of the ‘lean supply chain’ project funded under the National Food Industry Strategy was the involvement of Golden Circle’s supply chain partners in

the change process being undertaken within the company. The objectives of this whole of chain approach were to align the activities of the organizations involved to enhancing customer value and the total elimination of waste in the supply chain.

The process of engagement of Golden Circle's supply chain partners in the change project began in November 2003 when a two day workshop was convened by the General Manager (Supply Chain and Operations). This workshop provided an opportunity for Golden Circle to inform its supply chain partners of the change process it was undertaking, gain their partners' support for the process and invite them to participate in the extension of the 'lean thinking' philosophy across the entire Golden Circle supply chain.

In addition to members of the Supply Chain and Operations management team, participants in the workshop included representatives of growers, packaging materials suppliers, transport providers and one of the major supermarket chains.

The outcome of the workshop was the establishment of cross-organizational teams that were commissioned to investigate opportunities for cost reduction in four specific areas:

- The Grower Loop – from farm to Golden Circle;
- The Operations Loop – Golden Circle Supply Chain and Operations Area;
- The Material Supplier Loop – specifically the supply of fibre packaging and food cans to Golden Circle;
- The Customer Loop – Golden Circle to retail.

The 'lean supply chain' project 'loops' are shown in Figure 6.2.

These teams reported back to a follow-up workshop in February 2004 where potential cost reduction projects estimated to generate savings in excess of \$6 million per annum were identified.

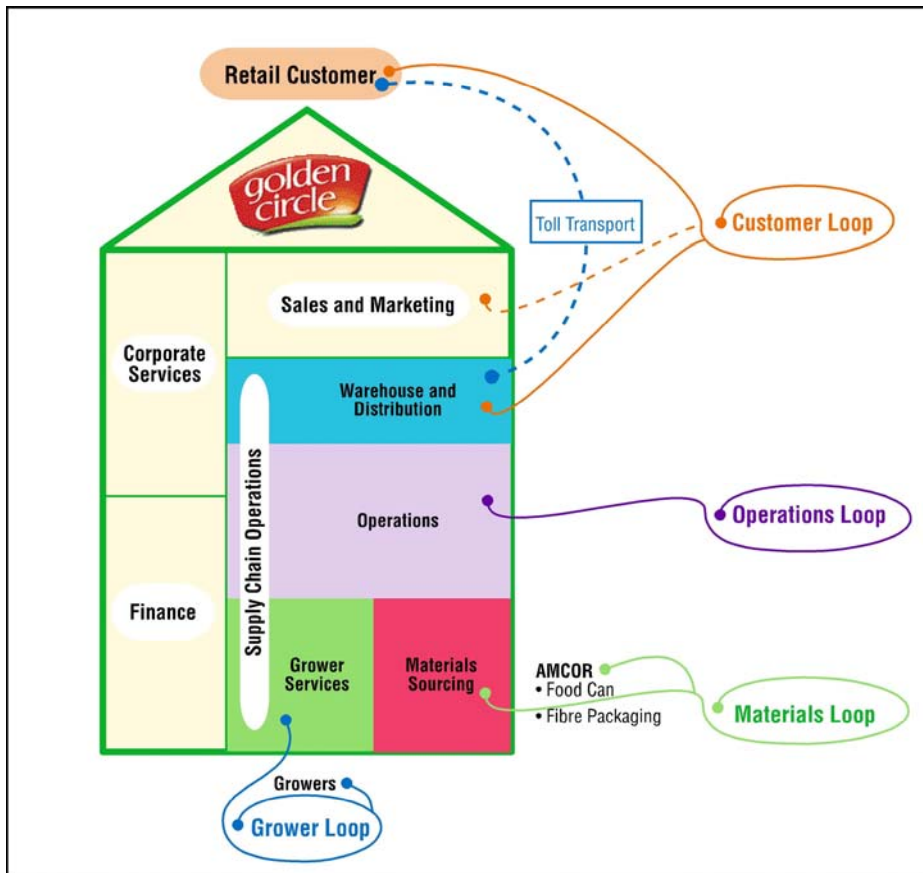


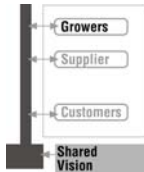
Figure 6.2 The 'lean supply chain' project 'loops'

In addition to the interviews conducted with Golden Circle personnel, I interviewed seven representatives of the Golden Circle supply chain to determine the initial status of Golden Circle's relationships with its chain partners. The supply chain respondents (CR) included a senior manager and the relevant account manager from Amcor Fibre Packaging, Amcor Food Cans and Toll Holdings. While I was unable to gain access to a senior representative from the retailer involved – Woolworths Limited, I was able to interview their project manager who participated in the deliberations of the Customer Loop. Again, to respect confidentiality and provide anonymity any quotations extracted from the interviews were identified by the respondent category rather than a particular individual.

6.2.1 Relationship with its growers

Any analysis of the historical relationship between Golden Circle and its growers is complicated by the fact that its pineapple suppliers are the company's major shareholders who dominate its Board of Directors. This situation has the potential for a conflict of interest arising between what is in the best interest for growers as suppliers and growers as shareholders in Golden Circle Limited. This issue was raised on numerous occasions throughout the interviews by both grower/directors and Golden Circle management.

Grower politics is something that we have to deal with on an on-going basis and some of the pineapple growers don't want to see a whole lot of change. A lot of growers simply want to get paid money that would make them profitable without making any changes. (MM1)

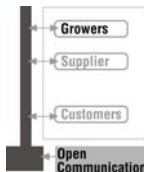


The financial disaster experienced in 2003 was serious enough to convince the majority of growers that changes had to be made if the company was to survive and their equity in it preserved.

From a grower's point of view they are all very open to participate in the changes. Now not everybody's going to like the changes, they won't suit everybody but in general terms my understanding is that growers are willing to do their bit. (G1)

What we're trying to do is to get the message across to growers that there is a future and we have to make sure there is a future, otherwise it will just affect Golden Circle and if it affects Golden Circle, then it affects your shareholdings; your asset component. (G2)

The 'lean supply chain' is all about taking it from where it is, from an unsustainable chain to a sustainable chain. The success of the project will be measured simply by the sustainability of the total supply chain and that will mean the profitability of our growers, the sustainability of supply from those growers and the profitability of the category that we supply. (MM1)



One of the characteristics of cooperatives is the extent of communication between the cooperative and its supplier/shareholders. Golden Circle is no exception.

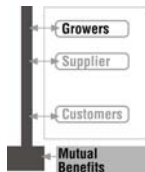
As a company I don't think there's a company anywhere in Australia that gives as much information to its grower base as we do, and we try to be open and honest. (G1)

While the level of information flow from Golden Circle to their grower shareholders may have been good, the quality of operational information from growers to the company was poor, particularly in terms of forecasts of the quantity, quality and timing of fruit deliveries. Correcting this deficiency was the principal task of the Grower Loop because of the impact of these factors on labour costs, processing yield and plant utilization. Central to the task of solving this problem was the development of a quality based payments system to replace the historical system that was based on a flat payment per tonne delivered.

Key to the development of the quality based payments system was the involvement of a group of influential growers in a transparent process that was complemented by an extensive program of progress reports and grower consultations.

At the start it was a bit more dictatorial. But there have been pineapple growers working on the development of the plan; it's now in its tenth draft, to get it into an acceptable form. (G2)

We have been totally open with the information we have developed in Golden Circle and we've given it to them. We've laid it on the desk for them to see. We are very close to what we believe the plan will be, but at the same time, we are explaining to growers that this is not set in concrete, it is live, it will change on an on-going basis and we will change it as and when required. (MM1)



Gaining grower acceptance of the quality based payments system was a delicate process because of a widely held belief that the system, while delivering benefits to Golden Circle, was in effect a way of reducing returns to growers via the penalties associated with non-conformance to the delivery standards. The solution to this problem was to assure growers that the standards were achievable for the majority of growers and that any financial benefits resulting from the introduction of the system were shared.

So the plan is, and it is one we should have introduced years ago, is to figure out a quality based payments system so it's a win-win situation. So that if the fruit comes in and it is a better product for Golden Circle, they can make more margin, but part of that money goes back to the growers. (G2)

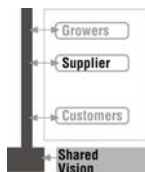
Within the quality based payment system we began paying on quality which was able to stop the losses, running at about \$120,000 a week, within three weeks. They saw the figures and they understand the process that we're using to basically try to redistribute some of those savings back to them to get their sustainability up. (MM1)

In summary, the relationship between Golden Circle and its growers was entering a new phase and there was a degree on apprehension from by growers because of the extent of the change occurring within the company and the potential impacts of these on their viability as growers and on the value of their equity in Golden Circle. Overall they understood the need for change and were willing to participate in the development of a quality based payments system that had the potential to improve the company's operational efficiency but also had the potential to impact adversely on the continuity of fruit supply if not handled skilfully.

Within the Grower Loop, Golden Circle staff demonstrated the capacity to develop closer operational relationships with their pineapple suppliers in the development of the quality based payments system that had been trialled and approved for full implementation in the 2004-2005 season.

6.2.2 Relationship with its major material suppliers

Ancor (Australasia) through its two Divisions – Ancor Fibre Packaging and Ancor Food Cans, is the major non-food material supplier to Golden Circle. Direct costs associated with cartons and cans purchases are in the order of \$40 million per year. Any reduction in these costs either through re-design, fewer lines or lower inventories offered large potential savings throughout the chain.



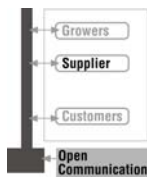
The relationship between Golden Circle and Ancor had been built on the existence of long-term supply contracts for cans and packaging materials. Golden Circle was Ancor's major customer in Queensland where it accounted for 60% of Ancor's can sales and 10% of its packaging revenues. Obviously it was in Ancor's best interest for Golden Circle to

remain a viable business and therefore it was a willing participant in the ‘lean supply chain’ project.

We have long term contracts with Golden Circle; they are dependent on us and we are dependent on them. So we want to see some survival and longevity of the product in its current form and packaging. (CR2)

However the full participation of Amcor in the ‘lean supply chain’ project was limited by the absence of a clear corporate strategy for Golden Circle that impacted on the company’s ability to clearly articulate to its supply chain partners what the change process was attempting to achieve and what contribution their supply partners could make to its success.

I think that Golden Circle embarked down the supply chain route without really having a strategic plan as to what they really wanted to do with that process. Its sort of developing as it goes and I am not really sure whether we’re going to make a big enough difference in the overall scheme of things. (CR1)



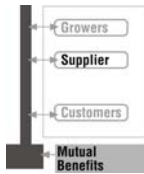
The long-term nature of the relationship between Golden Circle Limited and Amcor had resulted in good communications channels being established between the Account Managers and their purchasing counterparts. Historically, communication at the senior management level was usually in the context of contract negotiations and focused on price and performance specification rather than strategic issues.

There are long term relationships there; there has been the friendships and all that sort of stuff, but the actual real understanding of what you’re doing impacts on the next guy and so on has been quite low. The quality of the information transfer between us and our partners has been very, very poor. (SM1)

Sometimes it has been said that the communication between Golden Circle and Amcor senior management has been poor. That has been addressed where there has been a lot more communication happening now and this project bought a lot of that to the fore. (CR2)

The problems associated with the poor quality of information, especially in the areas of accuracy and timeliness, were being addressed through the ‘lean supply chain’ projects.

The quality of the information flow six months ago was poor. The projects that have come out of this present process have provided a far clearer picture of the situation today; I think its improved dramatically in the last few months and there is still room for improvement and I put that on both sides too. (CR4)



The workshops that were held in November 2003 and February 2004 were attended by members of the senior management team from both Divisions of Amcor. These workshops were a good opportunity for the potential mutual benefits arising from collaboration to be identified and explored.

The outcome of these activities was a better understanding of each other's business and a willingness to build a more substantial relationship between the two companies at both the operational and strategic levels.

A lot of times supplier relations are predicated on the basis of 'well I want something and I want it off you' and vice versa. Whereas this one I think is really looking at a business process and looking for opportunities and its predicated on the basis that if we can reduce costs across the whole supply chain ultimately everyone benefits. It's very important to get the stakeholders involved and you get them to understand the value in the project for themselves. There's a lot of learning that they can take away and then apply to their own businesses and other business relationships. (SM2)

We expect to develop a more efficient supply chain. Anything we can do to streamline the supply chain is an advantage to both businesses. I think being focused on efficiency is a reasonable initial stance but I would like to see continue on to get more of a focus on innovative packaging. I think there is a reasonably high level of both anticipation and also excitement in what could be achieved. (CR1)

We have done the full walk around their plant to learn and understand their business better; understand what our business means to them. It's been very good. (MM3)

The project has been a great entrée to all the key players at Golden Circle. We understand all the dynamics and the issues they're confronting as a business and that's got to benefit us in our ability to be a progressive and innovative supplier and to maintain that position. (CR3)

A group from Golden Circle are to visit our Product Leadership and Innovation facility in Melbourne to see what we do and the services the facility can offer. (CR2)

In summary, the successful engagement of Amcor staff in the 'lean supply chain' project demonstrated that the Golden Circle Supply Chain and Operations team had the capacity to develop closer relationships with their major materials supplier. Two factors impacted on the development of more collaborative relationships. The first of these was overcoming the historical adversarial climate that had existed at senior management levels. Obviously a more collaborative relationship would take time to establish.

The information flow is good and very open until we get to a certain point where it's about committing the real costs and the real potential savings; they seem quite

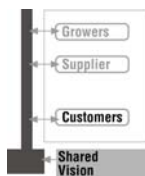
reluctant in putting that out there based on history no doubt. I suppose it's a cultural thing and I am trying to reinforce to them that's not what we're about. (MM3)
This whole process is about getting supply chain improvements as opposed to 'Amcor can you come in and take 10% off your price'. That reflects a mature relationship and one that can continue to develop into a more strategic relationship where we can be partners in business as opposed we'll supply at that price. (CR3)

The second factor was the ability of Golden Circle staff to commit sufficient time to the development of these relationships.

I would like to see some more wheels hit the ground. The focus has shifted within Golden Circle to changing their business quickly and they weren't capable of putting the resources in pushing it (the 'lean supply chain' project) along. The appointment of the new Supply Chain manager will improve the focus and I think the communication will ramp up significantly. (CR3)

6.2.3 Relationship with its customers

Woolworths Limited is Golden Circle's largest retail customer accounting for approximately \$150 million of sales per year. For Golden Circle, engaging its customers in the 'lean supply chain' project and the activities of its Customer Loop was essential if it was to achieve its objective of being a customer focused business. An important component of the Customer Loop was the presence of representatives from Toll Holdings who were responsible for the logistics interface between Golden Circle and Woolworths. By including these representatives in the interview process the views of a second tier supplier on the 'lean supply chain' project were able to be captured.



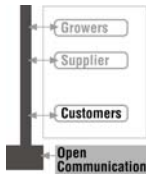
As with Amcor, the initial reason given by members of the Customer Loop for their involvement in the 'lean supply chain' project was because Golden Circle was a major business partner and they wanted it to survive and prosper as a company. However there were undertones in their responses that were different to those experienced during the interviews with members of the Grower and Material Supplier Loops.

In the case of Woolworths the undertone was that of a responsibility to provide Golden Circle with a clear indication of its own supply chain strategy and what Golden Circle needed to do in order to align itself with this strategy.

Our General Manager was very keen to have someone involved because we've changed our whole strategy going forward and a lot of that involves much closer relationships with our suppliers and therefore I think he could see benefits to both parties. Basically educating them on our requirements in terms of what we will need in terms of delivery into our distribution centres. Keeping them in the loop to where we're going and it's just a relationship type of exercise. (CR7)

On the other hand, the representatives from Toll were more concerned about not being included as a full partner in the process.

I think we have a fairly good relationship; as a customer-supplier relationship. At the moment we're not considered, in my view, a partner in the process. They are partnering with their customer because the customer is very demanding and very powerful. We are seen as a commodity business in relation to them as a partner. They are obviously doing a lot of things that effect their suppliers but they are not talking to us about it. (CR5)



Again as with Amcor there were concerns about the lack of trust between chain partners that inhibited the free flow of information in commercially sensitive areas.

I was frankly nervous and concerned that within the organization there was a sense of naivety about sharing information. I don't think Australian retailers seemed as ready for a complete open book and I think it had the effect of us not being completely taken advantage of any more than the rest of the manufacturing industry. (SM3)

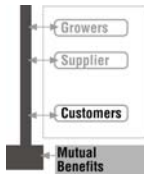
I think the meetings have been fairly average. Woolworths were fairly open but the meetings didn't involve people from Woolworths that were running Project Mercury.⁷ (CR5)

However this inhibition did not extend to the transfer of operational information.

I think the Woolworths manager has been one of the main drivers. He has provided a lot of data. From the customer loop side of things the communication is definitely transparent and the quality of the information is good. We can see the amplifications through the whole supply chain. You can definitely see the need for change. (MM4)

The quality of the information shared was very good; from both sides of the coin – what we supplied them and what they were able to get off their systems. (CR7)

⁷ Project Mercury is a Woolworths Limited initiative aimed at reducing costs in its supply chain through better alignment, reduced inventories and improved logistic and warehouse management.



All members of the Customer Loop could see the benefits of working together to improve the efficiency of the supply chain.

The project has opened the door for everyone across the supply chain to share data, share communications, share ideas with the end goal being to have a sustainable supply chain. If we can work on a lean supply chain all the way through it reduces the inventory that they have to hold in their own warehouses which are another cost obviously and it improves our customer service to Woolworths. (MM4)

They are our biggest customer in Queensland. We're keen to understand their business and see where we can help them. (CR5)

The main reason we were involved is that Golden Circle was looking at the whole supply chain from end to end in terms of improving their own processes and quite rightly we should be involved as one of their major customers in their whole improvement project representing the customer's interest. Golden Circle's a well known brand and a very valuable brand to Woolworths being an Australian company and all that goes with it. So it's in our interests, from a customer's viewpoint that Golden Circle remains very viable and profitable. (CR7)

The involvement of the retailer in the 'lean supply chain' project did not continue after the February workshop. The reason given for this was that Golden Circle was conforming to Woolworths' delivery requirements and there were no apparent benefit to Woolworths arising from any further direct involvement in the project.

Golden Circle doesn't have, according to the data I have collected for this project, any real problem in meeting performance targets in terms of delivery in full on time to quality. I think their real problems are at the other end of the supply chain. Unless there were real benefits for Woolworths going forward there's no need to replace me on the project team. We've done what we were asked to do or needed to do at this stage. But things may change. (CR7)

In summary, the Golden Circle staff involved in the Customer Loop were having some difficulty in establishing collaborative relationships with other members of this segment of their supply chain. Golden Circle was an important but relatively small company as far as Woolworths was concerned which was evident from the apparent lack of commitment displayed by Woolworths' senior management to the 'lean supply chain' project. On the other hand, it was Golden Circle senior management that was not prepared to develop a closer relationship with Toll.

The concern about the capacity of Golden Circle to commit adequate resources to the ‘lean supply chain’ process of developing closer relationships with its chain partners was also raised by members of the Customer Loop.

It doesn’t look good when you’re sitting there and you have given up your time and all of a sudden Golden Circle people are just coming in and out. I understand that they may have had pressing things to do but it didn’t leave a very good taste in my mouth. (CR6)

Another concern that was raised in the interviews and which I had observed during the February workshop was the lack of engagement in the process on the part of the Sales and Marketing team. To a large extent this lack of engagement was due to the presence of a “silo” mentality that existed within Golden Circle as discussed in Section 6.1.2, and there is the possibility that it impacted on the relationship building process within the Customer Loop.

I think there are some guys that just turn up; there are some people in Sales I thought were unprofessional in the way they approached it and their negativity. (CR6)

6.2.4 Summary: Golden Circle’s collaborative capacity

The capacity of the supply chain partners to capture these and other opportunities in the future would depend on their willingness to cooperate and their capacity to collaborate. Drawing on the literature, successful collaborative supply chain relationships are built on a strong foundation of mutual trust and commitment, the key antecedents of which are the presence of a shared vision and goals, openness and mutual benefits. These key antecedents formed the framework that I used for the analysis of the interview data. A summary of the results of this analysis is presented in Table 6.2.

The data collected in the interviews indicated that Golden Circle’s intent was to develop closer, more collaborative relationships with its chain partners than had existed before the ‘lean supply chain’ project began.

From my standpoint its important that we develop good relationships with our key suppliers and customers; if our customers and suppliers don’t understand where we are going its going to difficult for us to get there because we need them to work with us as a partner in our future. (SM5)

Table 6.2 Golden Circle's supply chain collaborative status (May 2004)

Key Determinants of a Collaborative relationship	The 'ideal'	The 'reality'
The presence of:		
A shared vision and goals	A clearly defined, articulated and agreed vision for the partnership. Clearly defined and agreed goals for the partnership	Poorly defined and articulated vision for the partnership. Clearly defined short-term goals for the partnership
Open communication	Free exchange of information relevant to achieving the vision and goals of the partnership both at the strategic and operational levels. Multi-level communication links between the partners.	Free exchange of operational information where available. Limited exchange of strategic and financial information. Progress made in establishing multi-level communication links.
Mutual Benefits	Clearly identified benefits resulting from collaboration. A process for the equitable sharing of such benefits	Direct benefits identified for Golden Circle Indirect benefits identified for suppliers Limited benefits identified for customers

The process of developing more collaborative supply chain relationships was initially inhibited by three factors, the absence of a clear strategic vision, a history of adversarial relationships surrounding contract negotiations and the inability of Golden Circle to allocate dedicated resources to the relationship building process.

6.3 Did Golden Circle fit the model of a collaborative learning organization?

The picture of Golden Circle as an organization that emerged from the data was that of a traditional, grower-focused cooperative that was poorly equipped to compete in a complex and global food market characterised by conditions that Huyett & Viguerie (2005) describe as characteristic of *extreme competition*.

Organizations that thrive in such times are what Senge (1990a) describes as 'learning organizations' – organizations with the ability to learn and adapt faster than their competitors. According to Limerick *et al.* (2000) such organizations are characterised by

the presence of metastrategic management⁸, flexible structures and empowered collaborative individuals. Further they claim that inter-organizational networks and strategic alliances are core business for such organizations.

The interview data show that Golden Circle had not developed its corporate vision beyond that of servicing the needs of its supplier/owners, particularly pineapple suppliers, in terms of a market for their fruit at a price that would sustain their farm enterprises. The supplier/owners of Golden Circle faced an identity crisis and a conflict of interest in their dual roles as supplier and shareholder. This inhibited the grower dominated board and a compliant senior management team in developing a more appropriate vision and enabling strategy for the company as its competitive environment changed. In this respect the senior management team adopted what Kotter (1996) refers to as a managerial planning role rather than the strategic leadership role that was required of a learning organization.

A consequence of this managerial approach was the design of an organizational structure that inhibited systems thinking, openness and collaboration, which are three of the cornerstones that define a learning organization (Senge 1990a).

Further, the interview data confirmed that Golden Circle traditionally operated as a series of functional silos. This was particularly so in regard to the Sales and Operations Area where there was misalignment that resulted in excessive inventories of finished goods.

The final building block that defines a learning organization is a culture of continuous improvement. Senge (1990a) claims that *organizations learn only through individuals that learn* (p.139) – a process of *personal mastery* within an environment that promotes collaboration. The autocratic management style adopted within Golden Circle promoted

⁸ Limerick *et al.* (2000) define metastrategic management as a *model of strategic management that integrates the processes of vision and identity management with the more customary processes of strategic design and implementation* (p.143).

a culture of compliance, reactivity and complacency rather than one of continuous improvement. A culture that preserves the *status quo* is said to inhibit innovation and corporate renewal (Kotter 1996).

Finally the interview data show that Golden Circle was an insular and inwardly focused organization. Its relationships with its major supply chain partners were traditional buyer-supplier relationships described by Cox (2004) as *adversarial collaborative relationships* that are characterized by *extensive operational linkages and relationship specific adaptations but where each partner seeks to maximize their individual appropriation of value* generated within the partnership (p.353).

In mid 2004, my conclusion was that Golden Circle exhibited very few of the characteristics of a learning organization, a conclusion supported by a member of the senior management team.

Historically, we probably haven't been a strong learning organisation; we haven't been open-minded about actually absorbing and learning from other organisations and adopting new practices. (SM1)

Consequently, after an extended period of complacency, when financial disaster loomed in 2003, Golden Circle was ill-equipped to cope with it and the board had no alternative but to sanction the radical transformation process that it did.

Establishing a sense of urgency had been identified as an essential ingredient in overcoming inertia and complacency within a company (Kotter 1996; Hamel 2000). In the case of Golden Circle the financial disaster that loomed in 2003 provided the catalyst for the board to act.

Schein (1992) declares that change designed to turn around a mature company that is facing a crisis involves *unfreezing its past ways of thinking, feeling and doing things* (p.329).

In the six months from November 2003 to May 2004, the board of Golden Circle, accepted the resignation of the long-serving Managing Director, appointed an interim Chief Executive Officer to lead the turn around process, approved the 'lean supply chain' project, developed the six 'pillars' that would guide the development of a strategy for the future and announced the appointment of a permanent Chief Executive Officer to develop and implement a reconstruction strategy for the company.

The initial focus of the turn around strategy was to focus on cost reduction within the Supply Chain and Operations Area which became the Operations loop of the 'lean supply chain' project. This focus on cost reduction was supported by financial data that clearly demonstrated that operating costs had increased at a faster rate than sales revenues over the past five years (Golden Circle 2004).

Schein (1992) observed that organizations that were going out of business often discovered to their surprise, high levels of motivation and commitment among their employees. This was the situation within the Supply Chain and Operations Area – a situation that was exploited by the Area's General Manager to instigate a process that would develop a culture of continuous improvement that would underpin its effective and sustainable performance.

The key to this cultural change was the empowerment of individuals within a framework that supported innovation and cross-functional teamwork but demanded discipline, responsibility and accountability. This framework was based on the Toyota problem solving process and Deming's 'plan, do, check, act' which forms the basis of individual and organizational learning (Senge 1990a; Liker 2004).

The management team played a vital role in establishing the credibility of this process by articulating a credible vision for the company and the contribution that staff within the Supply Chain and Operations Area could make, opening up the communication channels, encouraging initiative and providing support. In these ways the management team was creating an environment that could facilitate learning by overcoming the fear

and anxiety associated with change (Appelbaum & Reichart 1997; Schein 2002; Senge *et al.* 1999).

Again, within the framework provided by the 'lean supply chain' project, Golden Circle was addressing the issue of engaging its major supply chain partners in its efforts to become an efficient, world class customer focused company. This was recognition by the Board and senior management that Golden Circle's insularity, along with its adversarial relationships with its chain partners, was unsustainable.

The inter-organizational workshops conducted in November 2003 and February signalled Golden Circle's intention to form more collaborative relationships with its chain partners in order to leverage its own sources of competitive advantage off those of its partners (Hamel *et al.*, 1989; Spekman *et al.*, 2002).

The first steps in developing closer collaborative relationships within the Golden Circle value chain were taken with the establishment of cross-organizational project teams. These teams set out to identify mutually beneficial opportunities in a climate of openness and cooperation.

The success of these chain initiatives would depend on the levels of trust and commitment they generate between the chain partners (Morgan & Hunt, 1994; Spekman *et al.*, 2002). There are worrying signs emerging that Golden Circle had experienced difficulty in providing the resources necessary to sustain these collaborative initiatives across the entire chain – a problem highlighted in the literature (Barratt 2004; Lambert & Cooper 2000).

In terms of my model of organizational learning in the context of a food industry supply chain (Figure 6.1, p.65) Golden Circle, early in 2004 was not a learning organization nor did it seek to learn from its chain partners in an effort to improve its competitive performance.

None of the factors that nurture and enable organizational learning were well established within Golden Circle. As a result its capacities to create knowledge, collaborate, absorb and execute were inadequate for a company that was competing in a rapidly changing commercial environment. The change processes being instigated within the Supply Chain and Operations Area were addressing these issues.

In Section 7 I report on the progress made by Golden Circle in the implementation of its transformational change process over the 12 months from May 2004 to April 2005.

Section 7 Golden Circle as it evolved (May 2004-April 2005)

Golden Circle Limited recorded a further loss of \$19.5 million in 2004. However, while there were continuing operational and balance sheet issues,⁹ the company recorded an operating profit of \$7 million in the last six months of the year.

This improvement was largely bought about by an increased focus on cost control and the benefits of sustained improvement programs in the supply chain and operations area which has resulted in marked improvements in gross margins (Golden Circle 2005, p.2).

In February 2005, the bBoard announced that Babcock and Brown, an Australian investment bank, had invested \$50 million in Golden Circle Limited in the form of convertible notes. The purpose of the note issue was to write down debt and allow the capital expenditure that was necessary under the restructuring plan for to allow the company to proceed to a public listing in three to five years time.

A listed Golden Circle will provide shareholders the ability to access the value they have in Golden Circle and allow the company to more easily access capital in the future (Golden Circle 2005, p.6).

A consequence of external capital raising was a restructuring of the bBoard to comprise a majority of independent directors and a non-grower chairman that was approved by the shareholders at the Annual General Meeting in April. This was a significant event in the history of Golden Circle.

They haven't conceded control or ownership of the company but they have conceded ownership of the board and it gives us a commercial board with a commercial focus and I mean that is a huge cultural change. There are so many opportunities out there and if you have a partner with deep pockets I think that they will take Golden Circle to a level we've never envisaged. (G1)

Other growers that I interviewed about this time agreed.

Well whether we like it or not it had to be done. We are just too heavily in debt. I believe listing has always been on the cards. Golden Circle has to be run as a professional company and the reality is that it requires a more diversified level of expertise on the board. (G3)

⁹ The 2004 Financial Statements recorded a write-down of the brand names associated with the Original Juice Company of \$7million; this follows a write-down in the value of goodwill of \$6.1 million in 2003.

Well we're relatively comfortable with the whole thing. My focus is to get the company floated and get our equity out of it. I think there is certainly a future for Golden Circle and that future will be as a shareholder not as a supplier. (G4)

This Section reports on the progress being made in this respect by the Supply Chain and Operations Area in particular through improvements in its learning orientation and its collaborative relationships with its major supply chain partners. The major source of data on which this report is based are the interviews conducted with representatives from the four 'loops' of the 'lean supply chain' project that were conducted in March-April, 2005. Additional data were obtained from informal conversations with Golden Circle staff and the project consultant. I also attended the two 'lean supply chain' Review Workshops held in May and November and a 5-S¹⁰ training workshop organized for operations staff in September 2004. My recollections and observations of these activities were recorded in my journal.

7.1 The learning orientation of Golden Circle Limited

The interview cohort from within Golden Circle was expanded in the second round of interviews to include two additional appointments to the Supply Chain and Operations Area and three operations staff. The latter respondents were included to capture a 'shop floor' view of the change process and its outcomes.

7.1.1 A grower/director perspective



Both respondents commented on the improved performance of the senior management team and the results that were stemming from it.

I think the senior management team has functioned well. The CEO is not scared to seek somebody else's advice and bring somebody in from outside who's professional and use their brains to come to the right conclusion. The company has had a \$7.5 million profit in the last 6 months which is good. (G2)

¹⁰ 5-S is a 'housekeeping' program that is an integral part of the lean thinking process. The 5S program is designed to create a neat, clean and orderly workplace that promotes pride and efficiency.



While not commenting directly on the culture within Golden Circle, the respondents had noticed that confidence levels had risen and as a result sales had increased and costs were being contained. These were outcomes that couldn't have occurred without a change in how things were being done within the company.



From a director's point of view the most important improvement in the structures and processes within Golden Circle was the improvement in quality of the financial information available to the bBoard and management.

We know exactly the costs of each sku (stock keeping unit) and we are now going through the process of deleting those that are not profitable and/or not of strategic value. That information wasn't available to us 12 months ago and we couldn't make those sorts of decisions. Consequently the bBoard members have confidence in the senior executives and the quality and accuracy of the information they are getting. (G1)

In summary, the grower/directors were confident that the changes they had instigated over the past 12-18 months, particularly with respect to the changes in the senior management team, the endorsement of the 'six pillars' that formed the basis of the reconstruction plan, and the successful recruitment of an equity partner, had provided a solid platform for the revitalization of Golden Circle. The financial results delivered in the last six months of 2004 supported this point of view.

7.1.2 A senior management perspective



By June 2004 when the General Manager, Sales and Marketing resigned, all but one of the original management team that had existed 12 months ago had been replaced. The new leadership style adopted by the team encouraged cross functional collaboration, a more open approach to communication and within the Supply Chain and Operations Area, a more inclusive decision making process.

When you go through something like we did the year before, it definitely takes some soul searching and reflection. There is no doubt that the senior management

team is functioning better. We are really more organized; we have a creditable forward plan. There is still a bit of the silo mentality within the wider company. We are still working to get stronger links between supply chain operations and marketing. (SM1)

It was obvious from this statement that the new senior management team had moved swiftly to address the problems of it lacking experience, focus and teamwork that were evident in the first round of interviews. It was also obvious that the composition of the new board was going to increase the pressure on senior management in terms of leadership, professionalism and performance.

I think it's going to have an enormous impact. I think the degree of professionalism that will be introduced and also the degree of independent focus will probably change the company strategy quite dramatically. (SM2)



Significant changes had occurred in the culture of Golden Circle over the past 12 months. Greater efforts were being made to communicate openly within the company. There was a significant improvement in the empowerment of individuals, particularly within the Supply Chain and

Operations Area with the refinement and expansion of the Process Enhancement Projects.

It definitely is a different place from that autocratic style of management. We have got far more involvement, they know what they are trying to aim for, we have routines in place to measure that each month, they have been recognized for their wins. The hard part at the moment is quantifying all the ideas and prioritising them because we have hundreds and hundreds of them. (SM1)

There was a culture of fear but now people are quite comfortable about speaking out. So I think the culture is one of 'can do'; it's one of involvement and it's one of excitement – there's quite a lot of excitement. (SM5)



On a company-wide basis the most significant change noticeable in its processes was the dramatic improvement in the quality of financial reporting system. The impact of this improvement was evident in two ways: the

bBoard and senior management were in a better position to make strategic decisions about the company's product portfolio; and the line managers were better equipped to make operational decisions.

Our financial reporting systems have improved dramatically. Primarily it's because of the calibre of the people that we've got working on the finance team now really

understand the sorts of information that our managers and the bBoard require to actually run the business. (SM2)

The major area that was still in need of improvement was identified as improving the coordination of activities between Operations and Sales. While there had been an improvement with the appointment of a new General Manager, Sales and Marketing *we are still working to get that link to where it could be.* (SM1) This possibility has been enhanced by the appointment of a new ‘order to shelf’ manager who reports jointly the General Manager, Sales and Marketing and the General Manager, M Supply Chain and Operations.

The greatest upheaval in structure and processes occurred within the Supply Chain and Operations Area. The lessons learnt from the ‘lean supply chain’ project that had concentrated on pineapple were being applied to other operational areas.

The ‘lean supply chain’ project was really a pilot and if you go back in time a lot of this stuff was not really mentioned in this business where now I think that it has been a key part of the change that has been going on. The work that we did internally, the value stream set up, all the problem solving, there was a bit of an initiative already in the operations area but I think they are all related – that way of going about things. (SM1)

The activities within the Supply Chain and Operations Area were reorganized into seven value streams which corresponded to the major category lines. Cross- functional teams had been established within these streams to identify and conduct Process Enhancement Projects.

A position of Manager, Continuous Improvement was created and filled in July 2004 to oversee the enhancement project process. By April 2005 this process had been refined to place more emphasis on monitoring the progress of individual projects and the incorporation of the project outcomes into the relevant Standard Operating Procedures.

Within the Supply Chain and Operations Area where we used to have functional silos we are now focusing on value streams, seven of them; we have cross-functional teams working under each of those and common measures to monitor departures in operations with respect to quality, service, cost and people. We have KPI review meetings that allow you to understand key things that are happening across the whole Supply Chain and Operations area in two hours per month. They highlight problems that have to be addressed and identify wins as they occur. They

are a serious investment in time but they are focused meetings – progress against target and there're not talk fests. (SM1)

With all the cross- functional problem solving groups there is a structure; we use the proper tools like 'root cause analysis'; we use Pareto charts to identify the 'big hitters'; we measure the outcomes and we don't close out the project until controls have been put in place to make sure that it's not coming back at us. The methodology assists in prioritizing potential projects, maintains involvement in the improvement process and delivers the results. (SM1)

The success of this reorganization within the Supply Chain and Operations Area was evident in the major contribution that improved operational efficiency had made to the turn around in the company's profit position in the last six months of 2004 and the continued improvement in the first quarter of 2005.



A significant amount of work had been done by the senior management team in what was described as *putting the meat on the bones of the business plan and developing a clear set of KPIs that are company-wide KPIs and not just KPIs for particular sections.* (SM5). The presence of a credible

business plan provided line managers with measurable targets on which to focus their efforts.

Our three year business plan is quite thorough and there is still more work to be done on the longer term plan. There is no doubt that people know what's going on generally far better than they did before – people know what's going on and they know what to aim at. (SM1)

However concerns were raised about the lack of emphasis being placed on the development of a long term competitive strategy.

I think one of the problems that we have had even though there's been a lot of good things going on, is that our strategy going forward has been quite insular and sort of inward looking. Lots of time it is centred around new facilities, raw materials inputs and the like rather than focusing on how we are going to be competitive into the future. I really do think we're going to have to move up to the next level of our strategy. (SM2)



The level of optimism was improving, particularly in the Supply Chain and Operations Area on the back of improved performance outcomes, active participation in the Process Enhancement Projects and the introduction of a

process of public affirmation and appreciation for their efforts. The issue of staff being over stretched was identified as a continuing problem.

We are seeing changes in results which certainly help motivation. There is a lot more optimism in Operations than you would have found 12 to 18 months ago. Customer complaints are coming down, the mechanisms are in place to improve our service levels, there are some excellent results in controlling our costs and our safety record is the best in the history of the company. (SM1)

I think there have been some positives over the last 6 months and that gives people a little bit of optimism in the future. But they're still working way too hard. (SM2)

We recognize the achievements of the different teams by presenting Certificates that are counter-signed by the CEO. It's an opportunity for him to see some of that lower level positive stuff and for us to give that positive affirmation back to people. We are working on an incentive scheme for middle management which will create a better environment where you know you can put in targets, deliver on those targets and receive an incentive. At the moment we haven't got that for the whole operation. (SM1)



For a company that historically did not have a culture of investing in its people, the turn around in this aspect over the past 12 months had been impressive. As well as the formal courses for supervisors and operators that had been introduced and expanded there were opportunities for staff to become involved in the process enhancement projects that were a part of developing a culture of continuous improvement.

Line managers were actively involved in the Process Enhancement Projects in the roles of champions, mentors or monitors. The appointment of the Manager, Continuous Improvement was a clear indication to staff that the company was serious in its commitment to staff development and training.

We have invested a bit of time and money in trying to work out how we can get the right skills into place. Last year we kicked off a Diploma in Frontline Management for team leaders and supervisors. We are starting another program for operators so they can pick up the basic skills in quality and maintenance; we have a pilot this year and over the next three years we will have a few hundred go through it. Then we also have at the more senior levels, the planners and buyers, who are working at the APEX type courses to improve their own supply chain understanding (SM1)

In summary, the perceptions of the senior management team concerning the changes in the learning orientation of Golden Circle over the past twelve months were that the

nurturing environment was more supportive of learning and the enabling factors were being developed, particularly within the Supply Chain and Operations Area.

7.1.3 A middle management perspective

Six middle managers were involved in the second round of interviews. One of the initial respondents had left Golden Circle. Of the three new respondents, two had been assigned important operational roles while the other had been appointed Manager, Continuous Improvement.



There was agreement among the middle management team that the leadership style adopted by the senior management team had changed from being autocratic to being more open and inclusive. Under the influence of the senior management team, middle management was also changing.

The CEO is very clear and trying to create an environment where everybody can succeed and the likes, so from my point of view, I think I came at a good time; we are all of a like mind and very focussed on what we are trying to achieve. (MM5)

The pace of change is increasing and I think that's been fairly exciting and I think there's a fair bit of excitement about that out on the floor as well. Our General Manager very big on positive reinforcement and he's tried to push that onto his managers as well. He often quotes to us that for a manager to be seen as reasonable and fair, he needs to give twelve positive reinforcements for each negative and I think that he lives by that. Yeah, it's pretty good environment out there at the moment. (MM2)

As a management team we are very much joined at the hip, we talk about the same things at the same meetings be they safety, service, quality, cost, people, irrespective of the area it's in. We are really trying to prevent that silo type mentality from coming back; we are of like mind on that, we listen to them and try to make sure none of that stuff occurs and I think its obviously one thing for us to sit around the table and talk like that but the key to it really is for the message to filter down to the people that report to us, that the example we are showing demonstrates that we are serious about getting rid of that sort of stuff. It is probably still evolving but it is proving effective. (MM5)

The change in leadership style had clearly impacted on the culture, structure and processes of Golden Circle.



The changes in culture that were evident in early 2004 had continued particularly in open communication, teamwork and empowerment.

Communication's gone very well. From the time that we got in financial trouble, our General Manager took the initiative and started running group sessions with large numbers of people out in the factory to let them know where we're at and try and stop the rumours you know and that initiative's been carried on pretty much from that point onwards over the last 12-18 months. (MM2)

The culture, from an operational point of view has definitely changed a lot. There's still a fair way to go but a lot of that I think is attached to training; making sure everybody is on the same wavelength as to what we're trying to achieve, but definitely most people I'd consider feel though they can participate a lot more, put their points forward a lot more, challenge as processes a lot more and I think that they feel that management are a lot more open to their input and what they say. Outside of the operation side of the company I don't think...it hasn't changed at the same level. (MM1)

We've got a good mix of new and old employees. I think that helps sort of change a lot of the old mindsets and how the old Golden Circle used to operate and they have certainly adopted the lean way of thinking as a better way because we have that hybrid mix. (MM6)



All the respondents commented on the improvement in the information and reporting systems within Golden Circle, particularly the improvement in the financial data available to them. Two areas of concern were identified – that the system was not integrated which resulted in duplication of effort and that the Sales and Operations planning process was not efficient which was impacting on customer service and inventory levels.

The guys in the finance section are very focused on giving production people the measures that they need to run the business. (MM2)

We have put into place better data gathering and analysis processes but the system is not integrative and able to generate reports as a business system should. (MM1)

The whole process of demand planning, scheduling and customer service is in the throws of being restructured at the moment and that has resulted in some instability and uncertainty. (MM4)

While the company continued to be structured along traditional functional lines, the reorganization of the Supply Chain and Operations Areas along seven value streams was seen as having a positive impact on communication, collaboration and performance.

Working in value streams has enable us to make sure that everybody in that process understands what's happening at all the different levels and in my view that's been a very good tool that makes everybody understand where key figures are and where the progress is happening. (MM1)

The refinement of the process associated with the formation and operation of cross-functional teams had improved the focus and accountability of the Process Enhancement Projects while addressing issues associated with resource allocation and performance recognition.

The introduction of teams has been absolutely crucial. The reviews create the forums and the opportunity to actually recognize both individuals and teams that has been successful. I mean there's nothing better than being able to recognize a team as being successful – the enthusiasm is infectious and that has come about through the lean process if you like – it's a real cornerstone. (MM5)

A couple of things that were created and planned for is that we now have stronger accountability...sort of the measuring with a good set of key performance indicators and the other thing is we're measuring by value stream now. The reviews do several things, it's a communication device, it's an auditing device and also it's an accountability device and a learning device as well. (MM6)



The development of the business plan had provided a clear direction for the company in the short term that had allowed middle management to align their key performance indicators with those of the company.

There's a much more clear direction on what our performance indicators are. For everyone to know exactly where they stand, be aware of the situation, the future strategy, it gives us the opportunity to plan to achieve those. (MM7)

The one exception to this was the interface between Sales and Operations where there appeared to be a degree of confusion and misalignment.

Well first thing that needs to be done is just...in my consideration is that we just need to have an alignment of what's the business objectives, the direction that we're heading in and the responsibilities, whether it be cross- functional teams or whatever that might be, but the responsibility of where each person is going, each person is spending his driving force but at the moment everybody's just out there on their own little sort of platform trying to get this done, get that done, get this done, get that done, whereas as I say it's just a...not an aligned sort of direction at the moment. (MM4)

The cause of this misalignment could have been due, in part, to an incomplete understanding and/or a reluctance to embrace the principles of ‘lean thinking’.

There is a lot more focus from senior management on total supply chain efficiency and it would be fair to say that as a result of the ‘lean supply chain’ program that’s now flowing over into other parts of the business. However I think that some of them have still got a way to go to have a full understanding of what that means. (MM1)



The consensus among middle managers was that morale had improved mainly as a result of there being more certainty within the company as to its future. This air of optimism was due to the improved operating position of the company and the recent securing of an equity partner. The demands that the change process was having on staff was again raised as an issue that had been recognized.

Morale is improving but I still think that there are a lot of people working too many hours. Overall people’s belief in what we are doing and is it going to be successful or not – I think that is continuing to improve all the time and you know the recent Babcock and Brown decision has announced by the Board has shown that they are on top of things and the things that they agreed six months ago and management promised that this thing was going to happen and because almost to the day that is being delivered on I think that gives people more confidence and it will definitely continue to improve morale. (MM5)

Three factors were identified as being responsible for maintaining the motivation among staff in the Supply Chain and Operations Area – the high level of communication, the development of teamwork and the recognition of individual and team achievements by senior management.

I’m a lot more motivated. I see how I fit in the whole process...with the management process. I feel I know what part I play and how I fit in and generally it gives me a sense of being part of the team. It (the awarding of certificates etc.) makes you think that Golden Circle...they do give a darn about their people and they do know that their people are the driving force of this company to be successful and therefore, you know, we are recognising that. (MM7)



The importance of training, both formal and informal, had been recognized as crucial to the change process when it began. The initiatives introduced in early 2004 had been continued, expanded and embraced.

We are spending a lot of money and a lot of effort on developing the people that we have here. In the last round of enrolments we actually called for people to volunteer and there was a screening process, an interview process that they went through and there was a lot of people put their hand up for it. They can see that it's gaining momentum and there are some benefits coming out of it so they're keen to get on board. So I think it was good that the first round was so successful that it set the ground for those people that followed. (MM2)

There were two new developments with respect to the staff development process. The first was that more attention was being placed on the development of the capabilities of middle management and the second was the higher level of involvement of middle managers as mentors and coaches for the process enhancement teams

However within the operations they've definitely been working on providing support; all the management of the operations team are working with an outside consultant on personal development and there has been allowances made for a few of us to structure the way that we work to make it a little bit more friendly but it hasn't got outside of our group too much. (MM1)

Working with the different levels of the organisation from management right through to the operators to teach and coach and facilitate people to solve problems and maximise results by way of giving them tools, one would be management by fact, and things like that to try and get the job done. (MM6)

In summary, the middle management respondents confirmed the view of the senior management team that the learning environment within Golden Circle had improved and efforts to develop the learning enablers were effective as demonstrated by the marked improvement in operating performance in the latter part of 2004. Nevertheless, it was becoming apparent that changes in the learning environment and the presence of learning enablers were not uniform across Golden Circle.

7.1.4 The company's learning orientation – a shop floor perspective

Two of the three operations staff interviewed had been employed at Golden Circle for periods in excess of 10 years while the other respondent had joined the company in 2002. The following extracts from their interview transcripts document their insights on the change process.



The changes in leadership style and focus were evident to people on the shop floor.

Well there's been a big change in management. We're now focusing on training people down the line to be more aware and try to be more involved in trying to change our ways. (O1)

The current management team have really supported passing on the information to get down to the people that are doing the work in the factory. (O3)



The changes in management style were impacting on the culture within the Supply Chain and Operations Area. There was a breakdown in the 'silo' mentality, operators were given opportunities to participate in decisions that affected their work areas and increased levels of responsibility.

The Area supervisors did it on their own; they didn't talk to the other coordinators. But we've changed that a lot. We now move everyone around so we've got an idea of how to run everything – we know what's going on in other areas. (O1)

There has been a lot more responsibility handed down the line. I have been given more responsibility and I am more involved in decision making. I have been more involved with cost figures in the past 12-18 months. (O2)



The changes in culture were reinforced by the introduction of work teams and the formalization of the methodology associated with the Process Improvement Projects.

The formation of teams has been very, very important. It's good that the higher management are actually involved in what we are doing and it gives us an opportunity formally to suggest what we can do to improve certain parts. (O1)

Now everything is planned to be done within the 'plan do act check' cycle and everything involves teams to get the involvement from everybody on the floor, we have opportunities to be involved; we communicate a lot more but there is still room for improvement. (O3)



The improved levels of communication were effective in providing operational staff with a clear indication for the need for change and their role in the process.

A lot of the changes are really a result of the loss that occurred a couple of years ago so people can see why they had to make the changes. (O2)

We are all trying to make the company go in the direction where we all want it to go for the improvement of the company. (O1)



The changes implemented had a positive effect on operational staff morale and motivation. They had been challenged by the opportunities presented to them and they had responded enthusiastically. Management at all levels had reinforced their commitment to change by being more visible on the shop

floor and recognizing the achievements of the various work teams.

I am enjoying it (my expanded work role) because every day I'm learning a lot more about how the company runs and how we are going and I am not just stuck on the line. I think morale is good. Everybody sounds happy I know I'm happy; we've done the 5-S training, we've done the safety leadership; it's a safe place to work in. (O1)

People want to be involved because they want to make a difference, well I certainly do. I want to do well for the company and I want to be part of making a difference. I want the challenge. Its pushing me to learn more things and to get better at what we are doing. (O3)

When we succeed we have a barbecue sizzle. Its just to say thank you and I think everybody appreciates that because they know that management recognizes what we're doing. They also make a Certificate and we put in up on our board down there in the area so everybody can see it. (O1)

They are ecstatic about someone from senior management has come down to tell them that they have done a good job and it is needed to sustain the effort being put in. It also encourages other groups or areas to perform. (O3)



The success that had been achieved in the Supply Chain and Operations Area could not have occurred without the formal and informal training programs that had been instigated by management and taken up by operational staff.

One of the advantages of going on a training program is that its good to get a brush up on things plus because the courses involve people from different areas to get to hear what is happening in other areas, what are their issues and how they are dealing with them. (O2)

Training is invaluable, it is enabling us to multi-skill and up-skill the teams. We are trying to promote from within. We have to make sure that we have the right training processes in place so that we get the best out of everybody. (O3)

In September 2004 I was invited to attend a 5-S training day being conducted for operational staff working in the cordial value stream. This 5-S training initiative was a 'pilot to prove' project and the intention was to roll out the program to the other value streams on its completion, evaluation and refinement. The group undertaking the training were a cross-functional group of operators, maintenance staff and supervisors. My attendance at this session allowed me to observe the level of involvement and commitment of the participants in the process and provided me with an opportunity for informal conversations with them and the newly appointed Manager, Continuous Improvement.

The participants were actively involved in the workshop which involved a process of planning, action observation and review. The process was inclusive, the communication was open and progress was evident. For example, the workplace had been reorganized, unwanted equipment removed, labels placed on equipment, workplace areas defined, bays painted and operating processes documented. Out of a total of 37 workplace improvements identified two weeks prior, 22 had been completed which was a good indication of the group's commitment to the process of change and improvement.

There are a lot of good people here and I am trying to get my team to take responsibility and show initiative but this is proving to be a slow process due to the residual effects of the previous top down directive management style. For example, they find it difficult to shut the line down if something is out of order or unsafe. The appointment of the new GM has made such a difference. (Workshop participant, 06/09/2004)

These extracts and observations confirm what both senior and middle management were saying about changes in the learning environment and the enabling factors that promote learning within the Supply Chain and Operations Area of Golden Circle. In the opinion of these staff, they are better informed, they are more involved, they are more

empowered, they are better trained and they are more motivated. As a consequence the operational performance had improved over the past 12 months.

7.1.5 Summary: Golden Circle’s learning orientation, April 2005

In Table 7.1 I have presented a summary of the progress made by Golden Circle in improving its learning orientation. While the groundwork for the changes had commenced in late 2003, the process accelerated in 2004, particularly after the appointment of the Manager, Continuous Improvement.

The evidence provided by the respondents clearly indicated that Golden Circle had made significant progress towards becoming an organization that nurtured and enabled learning but this progress had been largely confined to the Supply Chain and Operations Area.

Table 7.1 Golden Circle’s status as a learning organization (April 2005)

Organizational Learning	The ‘reality’ May 2004	The ‘reality’ April 2005
Nurturing Factors		
<u>Leadership that is</u> empathetic proactive inclusive reflective unified	<u>Leadership that was:</u> coercive reactive directive complacent disparate	<u>Leadership that is</u> supportive proactive inclusive corrective cooperative
<u>Culture supportive of:</u> the individual teamwork experimentation empowerment	<u>A culture that was supportive of:</u> paternalism functionality conservatism control	<u>A culture that is supportive of:</u> the individual teamwork experimentation empowerment but not practised company wide
<u>Structures & Processes supportive of:</u> open communication collaboration continuous improvement	<u>Structures & Processes that were supportive of:</u> functional silos restricted and incomplete information flows productivity not efficiency	<u>Structures & Processes that are supportive of:</u> open communication collaboration continuous improvement but not applied company wide
Enabling Factors		
<u>Shared vision</u> The presence of a vision that is credible and achievable	Absence of a credible vision for the future; ‘what’s good for the growers is good for Golden Circle’	The adoption of the ‘6 Pillars’ as the basis of the reconstruction plan for the company The development of a comprehensive 3 year business plan. The absence of a long term strategy
<u>Motivation</u> The presence of supportive culture and the appropriate recognition	A climate of fear and the absence of an appropriate recognition and reward	The presence of supportive culture and the appropriate recognition and rewards system

Part III

and rewards system	system	but not applied company wide
<u>Capabilities</u> The presence of appropriate skills to participate effectively	Absence of appropriate recruitment and staff development systems; insular and lacking a training culture	Outside recruitment to fill skill gaps Instigation of operational skills training but not applied company wide

Several factors had contributed to the progress that had been made. The most significant of these was the adoption of the ‘6 Pillars’, on which the Golden Circle reconstruction plan was based, by the board in early 2004 which broke the historical grower orientation of the company as being ‘Australian Owned and Australian Grown’. This along with the appointment of a new senior management team had laid the foundation for a radical change in the culture of Golden Circle.

The opportunities that arose from the change in corporate culture were grasped within the Supply Chain and Operations Area for two reasons: the Area had been identified as an underperforming part of the company that would need to be transformed if the company was to survive – costs had to be brought under control and productivity increased; and the General Manager had already initiated a process of continuous improvement based on the principles of ‘lean thinking’.

The principles of ‘lean thinking’ are consistent with those on which organizations that nurture and enable learning to occur are based. Evidence that learning had occurred and that it could be sustained had been provided by the Process Enhancement Projects methodology. The discipline imposed by the process of project identification, justification, implementation, auditing and sign-off had begun to develop a culture of continuous improvement based on management by fact, individual responsibility and team accountability. The Process Enhancement Projects had proven to be an effective way of creating new knowledge, applying that knowledge to achieve process improvement and incorporating any explicit knowledge gained into the company’s Standard Operating Procedures. In addition, the cross-functional team-based approach adopted in both the value streams and the enhancement projects had been an effective means of transferring tacit knowledge. The outcomes associated with this improved capability to create, absorb and apply knowledge was evident in the return of Golden

Circle to profitability in late 2004 on the back of *sustained improvements in the Supply Chain and Operations Area* (Golden Circle, 2005, p.2).

The fact that the adoption of 'lean' principles throughout the company had been slow could be attributed to the lack of urgency within other areas of the company¹¹ to appreciate the need for change or a lack of understanding of what the process of 'lean thinking' involves. However the success experienced with the Supply Chain and Operations Area had caught the attention of influential members of the senior management team and this could result in a change in attitude towards the adoption of 'lean thinking' across the entire company.

When you start doing something different, management start hearing all these different lean principles and the way we're operating more in teams rather than individuals and so on and after a while the results start month by month to improve, that's when it starts to spark a bit of more interest. The CEO and the CFO have started to come to our quarterly reviews; they're interested and want to understand it. (MM6)

7.2 Golden Circle's chain relationships

In May 2004, the third workshop involving the participants in the 'lean supply chain' project was convened to review the progress that had been made by the cross-organizational project teams that had been commissioned to undertake a collaborative approach to cost reduction within the Golden Circle supply chain. There was full representation from all the suppliers involved in the project but the representatives from the retailer, Woolworths Limited did not attend.

My impressions of the outcomes from this workshop in terms of building relationships between members of the supply chain are summarized below:

1. Golden Circle senior staff took the opportunity to inform other participants of the progress that was being made internally to overcome its financial crisis. This involved a presentation by the Interim CEO and three of the General Managers on the strategic intent of Golden Circle and major initiatives within the Sales and

¹¹ Sales revenues had grown by an average of 12.5% over the past 5 years from \$263 million to \$414 million which could partly explain the lack of willingness of the Sales and Marketing team to engage in the change process.

Operation Areas. This was a good exercise in open communication, but the senior staff (with the exception of the General Manager, Supply Chain and Operations) left after their presentations. This, coupled with the continual comings and goings of middle management staff during the day, gave the impression that they were not fully focused on the workshop or its outcomes.

2. The absence of the Woolworths representatives confirmed what their representative had said in the first round of interviews - that Woolworths could not see any further benefits from their participation in the 'lean supply chain' project outside communicating their 'essential enablers' that they required all their suppliers to comply with by January 2005. My interpretation of this was that Woolworths was not interested in taking its relationship past its current preferred supplier relationship and were content to manage this relationship through the existing links between its Buying Department and Golden Circle Sales and Marketing staff.
3. The relationship between Golden Circle staff and the grower/shareholders was in a state of flux because of wider company issues associated with raising capital. However, Golden Circle staff had been involved in extensive consultations with growers in the development of a strategic plan for pineapple which had at its core a quality based payments system. This system was endorsed by growers for full implementation in July 2004. The process involved with the development of the pineapple plan indicated a new phase in the relationship between Golden Circle and its pineapple suppliers – one based on open communication, professionalism and mutual benefits. The General Manager, Supply Chain and Operations indicated that this was the model he would like to develop with other suppliers.
4. Packaging input costs were identified as an area for potential cost savings yet the initiatives placed on the table indicated only minor reductions in cost. Much of the discussion centred around forecast accuracy and its impact on packaging inventories and the alignment of their IT systems. However there were signs of a more collaborative relationship development with the proposed visit of Golden

Circle staff to Amcor's Product Leadership and Innovation facility in Melbourne to discuss possible innovative packaging options.

5. Throughout this workshop the 2nd second tier suppliers made little contribution to the discussions which gave the impression that they had been invited out of courtesy rather than for their strategic value.
6. The concept of a 'supplier association' as a vehicle to promote continuous improvement that would evolve out of the current 'lean supply chain' project was discussed and agreed to in principle. While the process of identifying possible projects was completed my impression was that there wasn't a great deal of commitment to the concept shown at this stage, either through a failure to understand the concept of a supplier association or an inability to specify its benefits.

The follow-up 'lean supply chain' workshop that was scheduled for August 2004 was postponed on several occasions and was finally held in November 2004. The reasons given for deferring the workshop were associated with the priority being given to the internal restructuring of Golden Circle and the finalization of its business plan. This was further indication of the difficulties Golden Circle was experiencing in dedicating sufficient resources to the development of its supply chain relationships.

The main purpose of the November workshop was to review the progress being made by the inter-organizational project teams and to push forward with the establishment of the Supplier Association Pilot program. Again, there were no representatives from Woolworths and the General Manager Supply Chain and Operations was the only member of the Golden Circle senior management team to stay for the entire meeting.

My impressions concerning the success of this workshop in progressing the relationships between Golden Circle and its supply chain partners and thus *aligning the skills and knowledge of the whole supply chain* (SM1) were:

1. The CEO and other Golden Circle staff took the opportunity to inform their supply chain partners of the progress being made on the development of the

business plan and on the internal restructuring process. From a relationship building perspective this process demonstrated that Golden Circle now had a strategy for moving forward, reinforcing the important role its supply chain partners had in this strategy and its commitment to open communication.

2. The report from the Customer Loop confirmed the *status quo* in terms of Golden Circle's relationship with Woolworths. *The primary focus of the Customer Demand Chain Group within Golden Circle is to ensure alignment with our customer's current and future requirements.* (SM1)
3. The report on the activities of the Grower Loop indicated that communication between Golden Circle and its pineapple growers had improved especially as a result of the introduction of the quality based payments system. Early indications were that the system was producing the results in terms of improved fruit quality and better processing efficiency.
4. Reports from the Materials Loop indicated that cost savings in the order of \$500,000 per year were being generated as a result of projects to down-gauge cans and reduce the number of packaging variations. *These results have been achieved six months ahead of schedule as a result of good communication and cooperation* (CR2). Further progress was reported on the integration of information systems and common measures of customer service performance. These outcomes indicated that Amcor was becoming more engaged in the 'lean' process.
5. Again the contribution of the 2nd Tier suppliers to the discussions occurring within the workshop was minimal. This confirmed their status as 'commodity suppliers' in the Golden Circle supply chain in contrast to the partnerships that were being developed with key suppliers such as growers and Amcor.

The case made for the formation of a Supplier Association Pilot was based on Golden Circle's wish to align their various supply chains with their seven internal value streams to create a source of differentiation with their retailers that would not be easy for competitors to replicate.

The adoption of the Lean Supplier Association through the alignment of key suppliers to the Golden Circle business plan and the integration of their skills and

capabilities into the Golden Circle Supply Chain will create a process model that can be used to drive and deliver new business initiatives. A key aspect of this process is a change in the relationship between Golden Circle and the growers and the (packaging) material supplier. (SM1)

The discussion that followed was dominated by Golden Circle and Amcor representatives. It led to the identification of three critical areas for further collaboration – new product innovation, the provision of more accurate and timely information exchange and more involvement of suppliers in the Golden Circle restructuring process.

The outcomes of this workshop signalled a change in the ‘lean supply chain’ project insofar as its scope had been extended to involve all of Golden Circle’s value streams and not just pineapples, and that the focus of its external relationship building had been narrowed down to its fruit suppliers and Amcor.

A further workshop to review the progress of the Supplier Association Pilot was scheduled for March 2005 but it was not convened. Instead the General Manager Supply Chain and Operations issued a ‘report card’ that outlined the activities of the four Supply Chain Loops and the Supplier Association Pilot. This was an effective communication strategy to keep their supply chain partners informed of progress across the range of project initiatives but it also indicated that the benefits associated with regular face-to-face meetings between the supply chain partners may have diminished.

In the period March-April 2005, I conducted the second round of interviews with members of the Golden Circle supply chain so I was able to obtain a more detailed perspective on the changing nature of Golden Circle’s relationships with its supply chain partners.

7.2.1 Relationship with its growers.

In 2004-5 season there were 166 growers contracted to supply 75,000 tonnes of pineapple to Golden Circle for processing. Of these 166 growers, the 20 largest supplied approximately 50% of the contracted supply. The size of individual contracts varied from 5 to 5,600 tonnes. These figures demonstrate that the impact of the changes being

implemented by Golden Circle would vary between growers, depending on the importance of their supply contract to the viability of their farm enterprise and the importance of Golden Circle dividends to their total business revenue.

We have some growers out there that say we're there and we can actually make money at the existing price for pineapples; they're a minority but they see opportunities but I think it would be fair to say that the majority of the grower base is disillusioned. (G1)

The bottom line with everything is money. Two things define how growers accept change, the first is a price increase and the second is a dividend which means the company is performing to the standard they said they could perform to. (G2)

I think people are getting a bit snarly about the fact that there's always plenty of money for everything else but there is never enough money for raw material, for pineapple. (G4)

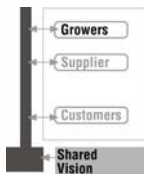
The inability of Golden Circle to declare a dividend in 2004 for the second year running had a negative impact on the relationship between Golden Circle and its supplier/shareholders.

A lot of growers are disappointed. They're not happy because we, the Board and management promised them that the changes we made in 2001 were going to give them a better life and it didn't. In quite a few instances it's caused people to say – I'm out of here; it's time to go. (G1)

The introduction of the quality based payments system for the 2004-5 season as part of the Pineapple Plan, added to the tension in the relationship between some growers and Golden Circle.

The industry has been very happy to accept a quality based payments system. The thing that we're not happy with is the payment structure for daily forecast accuracy. The annoying part is that the system was supposedly funded by the extra money that was made from Golden Circle's operational efficiencies but it is being funded partially from the growers' inability to make the hurdles. (G2)

The criteria attached to the quality based payments system are what you need but some people aren't happy with the hurdles that they have to jump. I've listened to a few people talk at various meetings and I think a lot of people don't appreciate why there's actual money attached to those criteria. There is a general feeling that they should be able to do what they want. (G3)

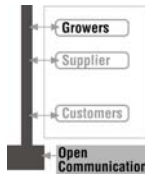


It was a common view among growers that it was in their best interests that Golden Circle returned to profitability as soon as possible and that the

quality based payments system was part of that process. However the longer term issue of securing a long term supply of domestically grown pineapple had not been addressed.

Growers have had to realize that near enough isn't good enough. On this return crop we are delivering a better product to Golden Circle than we have for the past 15-20 years. Finally we are getting rewarded for the effort you put in for the quality of pineapples supplied. (G3)

Most of our grower base is in the latter years of their working life and many of them don't have plans to hand the farm on. The whole focus of the Pineapple Plan is to focus on a 5-10 year strategy for those who want to continue to grow pineapples. We won't be able to continue with the existing model. We are looking at different options, maybe one is that we start to organize a specific larger grower group and we work quite closely with them setting it all up. (SM1)

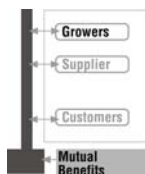


There was a discrepancy in the views expressed by the various respondents with respect to the openness of the communication process associated with the development, introduction and refinement of the quality based payments system.

The Pineapple Plan wasn't something that we just went out there and announced, we have actually worked with them and we've taken on board and suggested improvements as we've gone through the process; so that worked pretty well. (SM1)

The development of the system was a joint venture basically. There have been a number of meetings over quite a long period of time trying to develop this supplier payment program and we're in stage 1 at the moment. I'm quite happy with the way things have gone recently; it's been very minimum change to be dead honest. We are finally delivering fruit to specification whether growers like it or not. In all honesty you have to give it 12 months to see how it's accepted. The changes will be hard for a lot of people to accept regardless of whether it's good or bad. (G3)

They're so bloody minded about everything and they are not even interested in listening to what you've got to say. They're not prepared to bend to get a better compromise. They think that it's all got to be their way. They've said that the system will be reviewed but I know you can do anything with figures and I just wonder how correct and accurate it will be. (G4)



Although the quality based payments system had been in operation for less than a year, there was acceptance by both Golden Circle and growers that it had delivering benefits.

The quality based payments system has been a huge success. We are \$1.5 million ahead of where we were last year and a very large proportion has come from the

quality based payments system. If you look at the financial returns for any of the growers out there I think you would find that they're probably doing as well this year, or possibly better. There's a small group of growers who are particularly focused on their own needs and not that of Golden Circle, they might be slightly worse off but they would be a minority. The quality of the fruit is better, delivery has been more spread out, so it's been a win all round I think. (MM2)

One of the biggest things that we've learnt from this experience is the necessity to grow fruit to specification instead of what suited us. We are supplying a market that is very competitive and we've got to supply product which quite frankly meets specification that allows every party to make money out of it. (G3)

In summary, it was apparent that the growers had recognized that their relationship with Golden Circle had changed and they were resigned to the fact that for many of them the future as a supplier to Golden Circle was uncertain. A major issue that had been documented in the Pineapple Plan was the necessity for Golden Circle to develop a strategy that would guarantee its security of supply of domestically grown pineapple. One option that had been identified but not yet acted upon was the development of more collaborative relationships with larger growers. Golden Circle staff had demonstrated the capacity to develop close working relationships with such growers in the development of the Pineapple Plan.

What was clear was that the traditional relationship that had existed between growers and Golden Circle (based on their ownership of the company) was at an end.

What our legal advisor said to us was that we needed to get our heads around the fact that the new board will be focused on the company and the shareholders and not the suppliers. (G4)

7.2.2 Relationship with its major materials supplier

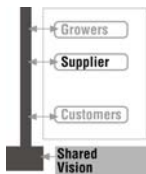
The interview data confirmed the conclusions that I had drawn from my attendance at the two 'lean supply chain' workshops that progress in developing more collaborative relationships with their chain partners had been limited due to more pressing internal matters.

We've had so many things to do- getting our own house in order has been the primary focus. We have spent the majority of our time in two particular Loops – the Grower Loop and setting up the quality based payments system and the internal Golden Circle Loop. Progress hasn't been fast enough in the Customer and

Materials Supplier Loops and they are the two we're about to do a big push on at the moment. (SM1)

There may have been advantages in this delay because it allowed more time for Golden Circle to determine exactly where they wanted to take the 'lean supply chain' project with respect to their chain partners – the formation of a supplier's association. The delay also allowed them an opportunity to refine their value stream concept and its associated methodologies.

We want to set in place an on-going supplier association that is really extending the value stream approach that we have developed internally; we will start plugging in people outside our company so that we have a longer value stream and have the same 'plan, do, check, act' process happening externally. (SM1)



The presentations made by senior management at both workshops had clarified to a large extent what Golden Circle was trying to achieve as a business and the role that they could play in the process was understood by Amcor.

We now have the opportunity through the supplier association to get our suppliers more involved in helping us take costs out of the supply chain. Hopefully that will be a win-win and it will take some costs out for them as well. (SM5)

We're just putting into the new agreement a more structured form of looking at cost saving initiatives. They are a lot sharper on what they need to do to improve their costs to their business. (CR3)

We want to take costs out of each other's business, so we're able to perhaps to focus better on some of those areas because we have got a better understanding of each others business. These days we're able to have a far closer relationship perhaps than what we could have had in previous years. (CR4)

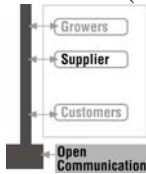
There were signs that the relationship between Golden Circle and Amcor, particularly with the Fibre Packaging Division, was becoming a more collaborative and strategic relationship. Perhaps the best example of this was the prospect of engaging people at various operational levels within Amcor through the formation of cross functional, inter-organizational process enhancement teams.

What we are going to share with them on Thursday is the success we have had here hasn't arisen through our management peers sitting around a table trying to think about how to do this better or how to fix this, but we accredit our success to our teams. So what we are saying to them is that we want to replicate our internal model with them. We want to form cross functional cross company deployment

teams to solve issues. We're going to take the same team charter, the same team deployment approach that we use here- so we're pretty excited about that. (MM5)

I guess that it's a compliment that they considered Amcor to be used as the pilot but it also makes sense if the biggest supplier can create this type of thing well it's easy to flow it down to the smaller businesses they deal with as well. We have got to be very careful in just what projects we choose as the initial projects in the supplier association and insure that all parties have the resources to support the project to get the desired outcomes. (CR2)

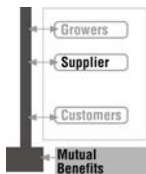
We have done a lot of work as part of the lean supply chain process that builds those relationships at multi-levels in both companies. Its starting to gain momentum at all levels. I think the relationship is becoming more strategic but that does take time. (CR3)



The openness and quality of the information exchange between the two companies continued to improve at the operational level.

We really haven't broken the buyer-seller commercial relationship yet. When we try to get in and understand their operation and gather data they are still very much guarded by the sales guys. But I am encouraged by the prospect of making connections through their operational people that will start next week. (SM1)

Our systems are still not aligned but the exchange and the quality of the information exchanged has improved pretty dramatically over the past 12 months. (CR4)



The cost savings associated with the joint projects undertaken by the Materials Loop of the 'lean supply chain' project had been quantified in the reports of the workshops that were presented in Section 7.2. These positive outcomes were the foundations on which a more long term strategic relationship was being built through the Supplier Association Pilot.

We want to take costs out and operations people are more attuned to that, we are after cost reductions not their margin. We have worked very closely with Amcor Fibre Packaging on shelf ready packaging. So things have followed from the last supplier association meeting we had. They have been fully involved in the process of purchasing our new packaging equipment and examining different types of shelf ready packaging. (SM1)

Our relationship with Golden Circle is progressing on a range of areas and a range of layers too. The benefit is that you get the expert in our business talking to the experts in Golden Circle's business and I am not playing that mediator role. I jump out of that communication link and you get our people talking direct. We're certainly working pretty close with them on a range of projects. They are in the

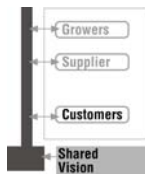
early stages of investing a lot of money in capital improvements and where we've seen that we can make an input into the research that goes into those decisions then we do and I think that contribution has been valuable. We are playing an important role in those areas where we have some expertise. (CR4)

In summary, although progress in developing closer relationships had been slower than planned over the past 12 months nevertheless real gains had been achieved through the joint projects undertaken by the two companies as part of the 'lean supply chain' project. These gains, along with more widely based working relationships, had expanded the levels of trust that existed between the companies to the point where they were willing to participate in more strategic joint initiatives.

7.2.3 Relationship with its customers

Following the decision of Woolworths not to participate further in the 'lean supply chain' project I had no direct access to Woolworths staff and therefore I had to rely solely on the opinions of Golden Circle staff as to the state of the relationship with their major retail customer.

The presence of shared vision and goals



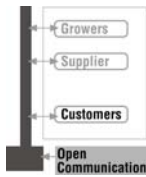
Woolworths had developed a strategy (Project Mercury) that was designed to reduce the costs within their supply chain, especially with respect to transport costs and warehouse efficiency. This strategy had been developed within Woolworths and the expectation was that their suppliers would conform to its 'essential enablers' and freight initiatives.

Our freight is now in the Woolworths Primary Freight System to Victoria and New South Wales. Woolworths National Distribution centre freight re-alignment has been agreed and is being implemented over the next year. Golden Circle has full compliance on four out of the five Woolworths 'Essential Enablers' and will complete the implementation of pallet labelling by the end of April. (SM1)

These developments had long term strategic implications for Golden Circle.

The supermarkets clearly have their own agenda and their own agenda in a lot of cases doesn't include or involve Golden Circle and that is a real worry to us. We do understand the direction they're taking but we seem to be more reactive than proactive. (SM5)

Within the Supply Chain and Operations Area, the reorganization of the Customer Service Team was designed to rectify part of this deficiency.

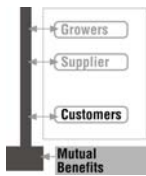


Communication between Golden Circle and Woolworths was excellent in terms of what the retailer expected from its suppliers.

Both Coles and Woolworths are giving us the opportunity. They have opened the doors and supplied us with as much information as we need. They have kept us informed about everything that is happening in their transformation program. They have invited us to all the seminars and everything like that. We haven't been able to participate fully because we haven't been organized internally. (MM4)

However this level of communication did not extend to third parties that may be affected by decisions relating to issues such as Woolworths 'primary freight' initiative.

There haven't been any projects or anything going on that we've been aware of for many months. They haven't involved us in the discussions with Woolworths. (CR5)



There were obvious benefits for Golden Circle to cooperate and conform to the requirements of Woolworths and other major retailers. The reality was that these benefits came at the expense of some of the other chain partners involved in the 'lean supply chain' project.

If you think about the project they started which was all about working together for mutual benefit; now they have brought in a consultant whose primary aim is to reduce transport costs. So there is no talk about benefits or how we can improve things to jointly save costs, it's a simple matter of costs are too high. That's hardly a relationship building strategy. (CR5)

In summary, the development of the relationship between Golden Circle and Woolworths was done outside the structure of the 'lean supply chain' project. It was obvious from the comments made during the interviews that Golden Circle was not in a position to have an impact on its relationship with Woolworths because of its minor importance as a supplier. This situation was not helped by operational deficiencies in Golden Circle's customer service functions. However, the Supply Chain and Operations Area had demonstrated a

capacity to conform to the requirements of its customers in terms transport and logistics requirements.

7.2.4 Summary: Golden Circle's collaborative capacity

In Table 7.2, I present a summary of the progress made by Golden Circle in establishing more collaborative relationships with its partners involved in the 'lean supply chain' project, as at April 2005.

Table 7.2 Golden Circle's supply chain collaborative status (April 2005)

Key Determinants of a Collaborative relationship	The 'reality' May 2004	The 'reality' April 2005
The presence of:		
<u>A shared vision and goals:</u> A clearly defined, articulated and agreed vision for the partnership. Clearly defined and agreed goals for the partnership.	Poorly defined and articulated vision for the partnership. Clearly defined short-term goals for the partnership	Golden Circle had articulated a clearly defined vision for its concept of a Supplier Association and had gained the support of Amcor for a 'pilot to prove' project
<u>Open communication:</u> Free exchange of information relevant to achieving the vision and goals of the partnership both at the strategic and operational levels. Multi-level communication links between the partners.	Free exchange of operational information where available. Limited exchange of strategic and financial information. Progress made in establishing multi-level communication links.	There had been improvements in the quality of operational information exchange. There was evidence of more strategic information exchange between Golden Circle and Amcor. Multi-level communication links had been established with Amcor.
<u>Mutual Benefits:</u> Clearly identified benefits resulting from collaboration. A process for the equitable sharing of such benefits	Direct benefits identified for Golden Circle Indirect benefits identified for suppliers. Limited benefits identified for customers.	Direct benefits for Golden Circle and Amcor from a closer strategic relationship. Direct benefits for Golden Circle, growers and retailers from closer operational relationships. Little benefits for 2 nd Tier suppliers.

The evidence provided by the respondents and my observations made at the two 'lean supply chain' review workshops clearly indicated that Golden Circle had changed its strategy with respect to building its relationship with its supply chain partners.

The initial concept of the 'lean supply chain' project was to develop these relationships concurrently and collectively. What had emerged, especially by the November workshop, was that Golden Circle intended to develop its relationships with key suppliers within its internal value stream structure. Furthermore it had engaged Amcor Fibre Packaging in a 'pilot to prove' project on shelf-ready packaging to test this concept.

Progress to date with the pilot Supplier Association project indicated that Golden Circle had demonstrated that within the Supply Chain and Operations Area it had developed its capacity to build collaborative relationships and that these relationships had the potential to impact positively on its competitive position.

There were two examples that demonstrated this point. The collaboration around the development of 'shelf ready' packaging was aligned to the retailers' intentions in this area and therefore had the potential to enhance Golden Circle's value as a supplier. The other example was the involvement of Amcor in providing advice to Golden Circle on its capital expenditure with respect to its compatibility with its 'shelf ready' packaging initiatives.

7.3 Did Golden Circle fit the model of a collaborative learning organization?

This Section documented the progress made by Golden Circle in its transformational change process. In particular I explored whether or not the change process had produced outcomes that were consistent with Golden Circle evolving into an organization that nurtured collaborative learning both internally and with its chain partners.

Pietersen (2002) identified three critical elements of a successful change initiative – a high degree of dissatisfaction with the present state an organization is in, the presence of a clear vision for change and a workable process for achieving change.

The poor financial result posted by Golden Circle in 2003 was the catalyst for the transformational process to be instigated by the bBoard in late 2003 and they had sent a

clear message to the management and staff of Golden Circle that they, as representatives of the shareholders, were dissatisfied with the performance of the company and that it had to be rectified quickly. They had also indicated that the cost of failure to turn the company around would be devastating in terms of loss of equity to shareholders and the loss of employment opportunities for staff.

The interview data indicated that the bBoard had provided a solid platform for the revitalization of Golden Circle by restructuring the senior management team, endorsing the 'six pillars' that formed the basis of the restructuring plan, and the raising of external capital to finance the plan. The question was whether the senior management of Golden Circle had the capacity to articulate a clear vision for change and to develop and implement a sustainable change process?

The preoccupation of the senior management team in 2004 was more focused on the development of a business plan to ensure the immediate survival of the company, rather than on the formulation of a long term vision and strategy for its future. But the message was clear: *we have to be focused on rebuilding profitability and shareholder value to enable the company to proceed to a public listing* (Golden Circle, 2005, p.6).

The emphasis on survival immediately placed the spotlight on the Supply Chain and Operations Area in order to reduce costs. This had two important impacts on the overall change process (that were evident from my observations and the interview data):

- The most important impact was within the Supply Chain and Operations Area itself where the staff, under the leadership of their General Manager had commenced a process of continuous improvement based on the Toyota Production System of lean thinking (Liker, 2004).
- The second impact was within the Sales and Marketing Area where it was obvious that their perception was that the change process had little to do with them, as sales revenues had continued to grow over the past five years.

Schein (1992) and Lakomski (2001) had both observed that differences in culture across an organization often lead to different perceptions of threats to the organization and therefore of the urgency of the need for change. In the case of Golden Circle this situation would have been reinforced by the traditional 'silo' mentality that existed within the company and persisted in spite of the mounting evidence that the disconnection between the sales and operations activities of Golden Circle was a major contributing factor to its poor performance. The latter case was a good example of what Collins (2001) referred to a failure *to face the brutal facts*.

To its credit, the senior management team continued its endeavours to change the culture of Golden Circle by adopting a customer focus, engaging more openly with its suppliers, improving its accounting and management systems, unblocking its communication processes and empowering staff to take more responsibility in their workplace. In doing so senior management were attempting to establish a culture at Golden Circle that Hubbard *et al.* (2001) described as *looking out, looking in* – a process of continuous internal improvement within the context of a company's external environment.

The development of this cultural shift was most noticeable in the Supply Chain and Operations Area and it occurred within the structure of the 'lean supply chain' project. At the core of this cultural shift was the formation and empowerment of teams. Senge (1990b) claims that team formation is a key to organizational learning as teams generate the energy, excitement and confidence necessary for change to occur. Furthermore Kim (1993) asserts that effective teams provide the essential link between individual and organizational learning that is vital for sustained organizational improvement.

The Process Enhancement Project program that had been introduced in 2003 was refined throughout 2004 to provide better focus, implementation, review and adoption. The process, adopted by these cross-functional team based projects, provided two excellent examples of generative or double loop learning (Argyris & Schön, 1996; Senge, 1990a).

The application of root cause analysis (Liker 2004) to the identification of the source of any process problem under investigation ensures that the problem, and not its symptoms, is addressed. Through this process the existing theories-in-action were challenged and if necessary modified.

Through the insistence of management that no Process Enhancement Project was to be closed out until the correct procedures were put in place to prevent the problem reoccurring was a good example of the process developing the team's absorptive capacity – its ability to graft new knowledge onto its existing knowledge base to generate new theories-in-action (Beeby & Booth, 2000; Lopez *et al.*, 2005).

In terms of the Smith & Tosey (1999) F-W-C performance model (see Section 3.2.2), the change process adopted within the Supply Chain and Operations Area of Golden Circle was driven by a clear understanding that a significant improvement in efficiency and productivity was required if the company was to survive its financial crisis. The development of key performance indicators that were aligned to the company's business plan provided a clear focus for the prioritization of the process enhancement projects.

The willingness of staff to become involved in the change process and particularly the enhancement projects was due to several factors. The first of these was the loyalty and sense of family that existed among the staff; second was the opportunity to be involved after being excluded and disempowered under the previous management regime; while the third was the positive reinforcement that they received as a result of their efforts in terms of recognition by management and the sense of personal achievement as a member of a winning team. The importance of maintaining the willingness of staff to be involved was reinforced by this observation made by one of the middle managers.

In any business, culture is driven from the top but improvement is driven from the bottom. (MM6)

The team structure and the provision of in-house and formal training had developed the capabilities of staff. These initiatives, along with the involvement of senior and middle management in the Process Enhancement Projects as mentors and facilitators, helped

overcome learning anxiety which Schein (2002) had identified as one of the most important barriers to involvement in the change process.

If the capacity to execute is a hallmark of a learning organization (Collins, 2001; Hubbard *et al.*, 2002; Liker, 2004) then at least the Supply Chain and Operations Area of Golden Circle was on the way to achieving this status as demonstrated by its operational results in the final six months of 2004.

Limerick *et al.* (2000) claimed that a defining characteristic of a post-industrial organization is its capacity to build and sustain partnerships with other organizations. Such collaboration allows individual organizations and the partnership overall to improve their knowledge base, increase their adaptive capacity, improve information access, and increase opportunities for flexibility, innovation and learning (Barlow & Jashapara, 1998; Bessant & Tsekouras, 2001; Newton, 2000).

The question is, had Golden Circle been able to expand the collaborative capacity that it had developed within the Supply Chain and Operations Area to engage its supply chain partners?

The interview data and my observations at the two 'lean supply chain' review workshops clearly indicate that Golden Circle had abandoned its initial strategy of building more collaborative relationships with its supply chain partners collectively and concurrently in favour of one based on separate business to business relationships.

This change in strategy is supported by other examples in the literature that demonstrate that it is neither feasible nor appropriate for an organization to develop close relationships with all firms across the supply chain (Barratt, 2004; Duffy & Fearn, 2004; Lambert & Cooper, 2000).

The relationships that Golden Circle was developing with its growers and the major retailers were based on coordination rather than collaboration. These relationships were

buyer dominated relationships based more on compliance (quality based payments system, Woolworths Essential Enablers) rather than strategic issues. This explains the dominance of operational and tactical information sharing between them (Barratt, 2004; Bessant *et al.*, 2003; Cox, 1999; Hingley, 2005). Such relationships foster what has been referred to as *efficiency based learning* (Barlow & Jashapara, 1998; Preiss & Murray, 2005; Spekman *et al.*, 2002).

The relationships that Golden Circle maintained with its 2nd Tier suppliers such as transport operators and minor material suppliers were transactional or vendor relationships that were basically price driven (Lendrum, 1998).

On the other hand, the relationship that Golden Circle was pursuing with Amcor, particularly Amcor Fibre Packaging, was evolving into a collaborative relationship that was build on mutual trust and commitment (Morgan & Hunt, 1994; Lendrum, 1998; Spekman *et al.*, 1998).

This relationship had been slow to develop because Golden Circle did not have a clear vision of where it wanted to take the relationship, it lacked the resources to commit to relationship development due to internal priorities and it had to overcome the initial apprehension of Amcor. However, by March 2005, Golden Circle had removed these barriers. It had refined its expectations of what a Supplier Association could achieve and how the concept could be developed based on its learnings from the 'lean supply chain' project and its internal continuous improvement program; it had dealt with many of the pressing internal priorities and as a result had more time and resources to commit to relationship development; it had demonstrated its credibility and reliability through the joint activities undertaken in the Materials Supplier Loop of the 'lean supply chain' project. Through these actions, Golden Circle had established the preconditions that Spekman *et al.* (2002) identified as important to inter-organizational learning.

The importance of the cost reduction projects undertaken in the Material Supplier Loop cannot be underestimated. The relatively easy wins that resulted from these projects built

trust and demonstrated that mutual benefits could result from cooperation without being exposed to the risks associated with collaboration (Cox, 2004; Loenzoni & Lipparini, 1999; Spekman *et al.*, 2002).

In addition, the formation of inter-organizational project teams and the 'lean supply chain' review workshops facilitated the development of multiple interpersonal relationships between Golden Circle and Amcor that were outside the traditional Buying Department-Account Manager relationships. The presence of extensive inter-organizational relationships expanded the opportunities for collective enquiry and dialogue that enhance transparency and trust (Beeby & Booth, 2000; Bessant & Tsekouras, 2001; Wilson, 1995).

In terms of my model of organizational learning in a chain context (Figure 4.2, p.47) Golden Circle had definitely made progress towards this goal by April 2005 but this progress was not uniform across the organization.

Where progress was most evident was within the Supply Chain and Operations Area of the company. The results reported in this Section show that a culture of continuous improvement based on the empowerment of individuals within a framework of cross-functional teams that supports innovation but demands responsibility and accountability was being nurtured. As a consequence, its capacities to create knowledge through collaboration, absorb new ways of doing things into standard operating procedures and execute these procedures had improved and were producing the desired results. These achievements were good examples of what Collins (2001) described as disciplined people applying disciplined thought in a disciplined manner to achieve improved organizational performance.

The impact of the relationships Golden Circle had with its chain partners on its organizational learning was more difficult to ascertain, but the cost reduction projects undertaken within the Grower and Material Supplier Loops of the 'lean supply chain' project had built trust through more open communication, the development of multiple

inter-organizational relationships and the generation of outcomes that were generally mutually beneficial.

While most of the learning generated through these projects can be described as *efficiency driven learning*, the process of closer engagement with suppliers did assist in the development of Golden Circle's collaborative capacity.

Golden Circle's pursuance of the formation of a Supplier Association within the framework of its internal value streams was a good illustration of its improved capacity to learn from its experiences with the 'lean supply chain' project and its internal restructuring initiatives.

The objective of the Supplier Association *to create a supply chain that positions itself in a form that differentiates it from others, adds more value and is not easily copied* (SM1) is similar to the *locus of value* concept put forward by Collins *et al.* (2002) as a means of creating consumer value through maximizing opportunities for shared learning.

The model Golden Circle had adopted for its Supplier Association Pilot with Amcor was evidence that Golden Circle had improved its capacity to absorb new knowledge to generate new ways of building relationships with its chain partners.

Section 8 Golden Circle as it evolved (May-December 2005)

During the last six months of 2005 the new bBoard was consolidating its understanding of Golden Circle as a business and the strategic issues that confronted it, while the senior management team began the process of shifting its attention from its reconstruction plan to that of developing a strategy for the business going forward.

I think there has been certainly an increase in the strategic thought within the senior management team and indeed within the bBoard. They really want to cut to the chase and deal with strategic issues, they are not interested in the sort of information that they feel is the domain of management. (SM2)

An important symbol of the change in focus associated with the raising of outside capital and the appointment of a new bBoard was the introduction of a new corporate logo in July 2005 (Plate 8.1).



Plate 8.1 The new Golden Circle logo

Significantly the new logo dispensed with the words 'Australian Grown – Australian Owned' in a clear message that the company intended to conduct its business differently from the past especially in its relationship with its grower/shareholders.

The process of consolidation was hindered, but not disrupted, by two changes in the senior management team over this period. In June, the General Manager, Sales and Marketing was replaced as a consequence of declining sales revenues and the continuing difficulties associated with aligning the sales and operations functions of the company. In September the General Manager, Supply Chain and Operations, who was the driving force behind the 'lean supply chain' project and the revitalization of the Supply Chain and Operations Area, resigned.

In terms of maintaining the momentum of change within the Supply Chain and Operations Area, the resignation of the General Manager had minimal impact.

If he had left six or twelve months earlier it would have been a bigger impact but by the time he left, the momentum was clearly there, the people on the site were very comfortable and could see the positive outcomes created and the people who took over from him didn't let it drop either. (SM5)

As identified in Section 7, the immediate challenges facing Golden Circle were its continued evolution as an organization that nurtured and enabled learning to occur and the successful engagement of its key chain partners in the process. This Section reports on the progress being made in meeting these challenges.

The major source of data was the interviews conducted in late November, 2005. The two Grower/Directors interviewed in the two previous rounds no longer held their positions on the board. The clear indication that I had received during my informal conversations with senior management was that the board was less 'hands on' than previous grower-dominated boards, therefore I took the decision to not include any new Grower/Directors in the final round of interviews. Nevertheless, I continued to involve the two former Grower/Directors in the interview process and sought their input concerning the evolving relationship between Golden Circle and growers.

The resignation of the General Manager, Supply Chain and Operations led to a review of the composition and structure of the senior management team *that would ensure that we lose none of the great momentum we have going on and see us getting better alignment*

with customer demand and further improve the planning process (CEO, Internal Memo 16/08/05).

The new appointee to the position of General Manager, Supply Chain and Operations (an internal appointment) was interviewed because of his responsibility for the continuation of the transformational process within the Supply Chain and Operations Area.

Additional data presented in this Section were obtained from informal conversations with Golden Circle staff and the project consultant. I also attended the two Supply Chain and Operations Area Performance Reviews that were held in July and November and a Food Value Stream workshop conducted in early November. My observations of these activities were recorded in my journal.

8.1 The learning orientation of Golden Circle Limited

8.1.1 A senior management perspective



By December 2005, only one member of the senior management team remained from that which had been in place when this project commenced. Further, the senior management team had expanded from six to eight with the appointment of a Commercial Manager to oversee ‘strategic transactions’ and the elevation of the Technical Services Manager to the Executive.

The appointment of a new General Manager, Sales and Marketing had improved the collaboration between supply chain operations and sales/marketing. The most obvious example of this was the establishment of two ‘pilot to prove’ company-wide value stream projects in food and beverages.

All in all I think the senior management team, as a team, is functioning pretty well. I think there’s a lot more cross functional activity going on but I suppose to a degree when you’ve still got pretty well the same sort of traditional reporting lines happening, there’s still some work to do on that area. At the moment we’ve got a project going with our value streams which is taking on the whole of business approach to some of our activities and I think that could well be a precursor to looking at some structural changes if they start to kick some goals. (SM2)

The appointment of a Commercial Manager to the senior management team was an indication of the need for it to address the long term strategic intent of Golden Circle as an Australian food manufacturer.

The vision for the company which we set at the beginning of last year was to improve the profitability of the company and move to a public listing in three to five years time. I think the market has overtaken us and we haven't got time to wait so we've incorporated a dual strategy into our strategic plan or vision for the company that involves 'strategic transactions' such as divestment of assets, joint ventures and acquisitions. All of those have become a necessary focus now as opposed to in three years time because of the pressures in the market place. (SM5)

Even with the added expertise of the expanded senior management team doubts remained about its capacity to develop a credible strategic plan for the company.

At the moment we're probably focusing on surviving rather than competing and I think that's where we need to change. There's a clear go forward strategy that we're pursuing. Whether or not it's necessarily going to be enough for us in the long term I think is still up for debate at this stage. (SM2)



The transformation in the culture of Golden Circle had continued in terms of transparency, involvement, empowerment and acceptance of change. However, the rate at which this transformation was occurring varied across the company.

I think it's just a lot more open and transparent now than it was before. People are more empowered but what has happened over the last 12-18 months is that we've had to become a lot more disciplined in those empowerments. Golden Circle is certainly less insular than it was. I still think it's got a ways to go though. We really just need to make sure that we continue to do reality checks but definitely because of the influx of new heads, different heads, into the organisation it's certainly not locked into you know 'this is the way we've always done it' type paradigm. (SM2)

I am really confident that at the operator level and at the Supply Chain and Operations management level there is quite a strong momentum going culturally. Managing by fact, we are actually executing things well and they are delivering results and we are celebrating successes. We have got culture change set fairly firm I think at that level. The cultural change has not been across the whole organization. The new guys in sales and marketing do recognize that it's a good thing so there is actually a lot of in-principle support for it which is good. (SM1)



Although the organizational structure of Golden Circle continued to be along traditional functional lines, an important decision was taken in September 2005 to run company-wide pilot projects based on the value stream model of cross functional process enhancement project teams

developed within the Supply Chain and Operations Area.

We've introduced two value stream teams that are cross functional teams and their main brief is to understand the profitability of our skus across the board and drive changes and make decisions in relation to the skus that are cross functional and give us the best chance of making the right decisions. A person from marketing heads up each of the value stream teams and they're looking at specific projects along the line of the lean philosophy. (SM5)

From a business systems perspective, the capture, analysis and dissemination of information within the company continued to improve with the exception of demand forecasting that was currently being addressed.

The information systems have improved dramatically. We have the information we need. I think the area where we do have a shortcoming in terms of systems would be in our forecasting area. We've clearly recognized this as probably one of our major shortcomings at the moment. (SM5)

In May 2005, the first edition of the Supply Chain and Operations Newsletter was published to provide an update *on a monthly basis of initiatives and wins of the many improvement teams as we work together to supply Golden Circle customers* (General Manager, Supply Chain and Operations). The introduction of the newsletter filled a gap in the communication process between the formal biannual project review sessions.

The six-monthly reviews continued to consolidate their original purpose of team building by providing a whole of supply chain view of the continuous improvement process, an opportunity to share ideas and to celebrate successes.

I think the semi-annual reviews whereby the whole supply chain and ops and hopefully the whole business at a later date, sharing their learnings then everyone comes to the realisation that you know it's not just happening in my area. (SM6)

The continuous improvement process of 'plan, do, check, act' that underpinned the Process Enhancement Projects had become entrenched as a methodology in the Supply Chain and Operations Area as the way they delivered results (Figure 8.1).

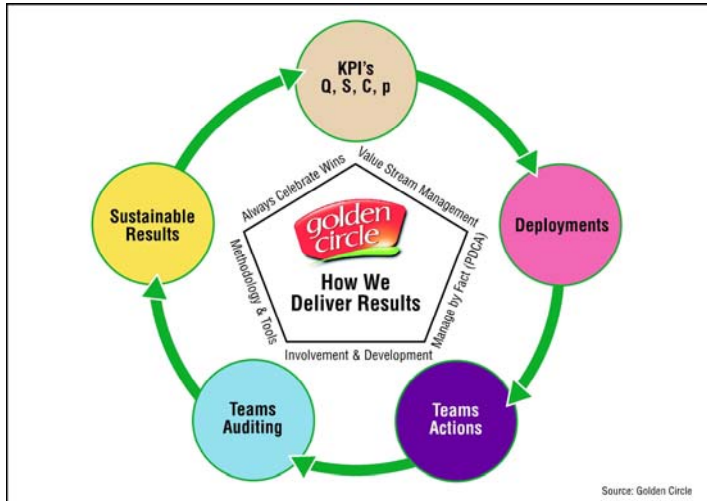


Figure 8.1 The Golden Circle continuous improvement process

This diagram describes what we are actually doing so it's not like sometimes when you have a theoretical diagram; this is actually what we are doing. The key success factors have been the vision of the whole value stream approach, the involvement of people in that approach, the planning and skill development that we have put in place. So the millions of dollars saved are actually achieved through improved performance and clear accountability. (SM1)

The importance of the role of the Continuous Improvement Manager in facilitating and embedding this process was widely acknowledged.

He's an important cog. He facilitates the process and provides support in developing the skills of others to apply the process so that you can get a number of projects happening at the right time. (SM2)



In spite of the reservations concerning the development of a long term strategy for the company, by August the senior management team had developed a vision for the company and its underlying strategic framework (Figure 8.2)

The vision statement *to be Australia's most trusted food and beverage company providing healthier branded solutions* provided a positive direction for the company while the targets outlined in the strategic framework were used by management to set annual outcomes and align projects to achieve them.

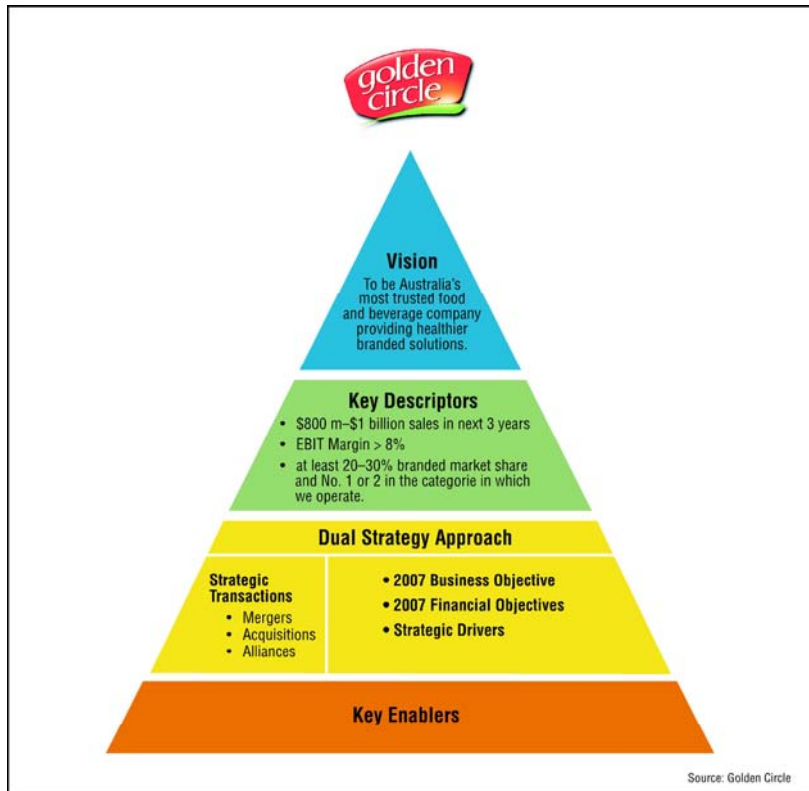


Figure 8.2 The Golden Circle strategic framework

So they just picking some of the targets and measures out of the strategic plan and then roll that down to the various levels in management to make it relevant for what they are trying to achieve. So the team is involved in the budgeting process, each of the plant managers and their direct reports fully understands what the expectations are and have built up the activities that will drive that end result. (SM6)



With the exception of the Sales Area where there had been a considerable amount of disruption associated with the replacement of the General Manager, Sales and Marketing twice within the space of twelve months, morale among the staff at Golden Circle continued to improve.

Morale is pretty good. We have had a lot of wins, not only in reducing costs where we get a lot of recognition for but also just in involvement and the actual capability development of the people and the way they go about things – there is a lot of confidence out there – they know how to win and they have been doing it multiple times so its rather good for morale. (SM1)

Even in the Sales and Marketing Area, there were tentative signs of an improvement in morale following the appointment of their new General Manager and an increase in sales volumes in November 2005 after a disastrous year in which sales had declined by 8 percent (Golden Circle, 2006).

Within the Supply Chain and Operations Area, motivation and commitment to change was being sustained by the successes that they were achieving, the recognition they were receiving and the opportunities that they were being given by management.

I think it is sustainable. It's about emphasizing the positives all the time; it's about encouragement and leadership. I think there is a good leadership team in the Supply Chain and Operations Area who will continue to refine the model and they feel that they can live with it. They have all had a lot of involvement in how it has gone so far so there is a lot of commitment to continue, its not about management direction as such which I think is good. (SM1)

The review days are sensational. It's a chance to review all the projects, see what they have achieved and see the leadership growth in our people. These people two years ago would never have stood up in front of 70 or 80 people and talked about anything let alone a project in this factory. I can give some feedback through the process and I think they get a buzz out of the fact that I am there and genuinely interested. (SM5)

The key success factors identified as essential to maintaining staff commitment to the change process were empowerment, discipline, transparency, and support.

Management is setting the boundaries, the people are coming up with the project and saying these are the deliverables I'm going to get out of this activity and we're just holding them accountable to do what they said that they were going to do and that's a difference, you know it's a totally different mindset to one that comes as a top down instruction and whether we agree with it or not we've got to try to deliver it. They have their timelines and what they're going to do and then management shares in the responsibility of auditing that process so that there's again two way communication and learnings and removal of barriers so that you know you can see where the teams are struggling, support them. (SM6)



Golden Circle's investment in its people continued to grow but again this growth was uneven across the company. This situation is set to be partly addressed with the establishment of a Clerical Framework Project team, designed to improve the performance in the clerical support functions across the company, in early 2006.

We do need to make a conscious effort to make sure that we're developing people across the organisation as best we can but in some areas I don't think we've developed that as much as we should at this point in time. (SM2)

In the Supply Chain and Operations Area, formal training under the Australian Qualifications Framework Certificate had been expanded, 5-S training was progressively being implemented and off-site visits had been made so that staff could better understand the businesses of their suppliers and customers. Crucial parts of the operational staff development plan are the various Process Enhancement Project teams and the role that they play in group learning and skill development through action learning.

The value of this team based action learning process will become more evident as it is rolled out through the company-wide value stream projects.

What we have found work successfully in the supply chain and operations are pilots and just basically focused on a certain area whereby we can support it adequately with resources. I see the core group of five or six people staying constant because they know the process and then they actually become the educators of the next category. I see the educational process as continuous and as more people get exposed to the core group, they'll understand and be able to then apply some of that methodology into the different elements of their business as well. (SM6)

In summary, the interview data indicated that senior management had continued to support the development of an environment within Golden Circle that was supportive of learning. Furthermore there was evidence that the senior management team was actively engaged in involving other Areas of the company in a more collaborative process through the establishment of company-wide value stream projects.

8.1.2 A middle management perspective

A total of seven middle managers were involved in the final round of interviews. The new respondent had responsibility in the packaging area and therefore was in a good position to comment not only on the internal changes that had occurred, but also on the progress being made in the Supplier Association pilot that had been initiated with Amcor Fibre Packaging.



The leadership shown by the senior management team in developing the corporate vision and its underlying strategic framework had provided the middle managers within the Supply Chain and Operations Area with a set of clear corporate objectives around which they could develop their short term operational plans.

When I spoke to you in April there was a fair bit of ambiguity in the direction the company was heading, it wasn't clear, wasn't transparent but I think since then there has been a lot more transparency. Just to see the senior executive team has actually got a plan in place gives a lot more confidence to everybody else because that's the first time that I've seen, and I'm coming up ten years, that the company has had a plan in place. (MM4)

The senior management team was seen as supportive and open in an environment of *regularly increasing workload and the increasing urgency that we need to get things done.* (MM5)

He (the General Manager Supply Chain and Operations) had the ability to be able to get everybody pulling together as a team and not letting anything to get in the way of making sure we got together and acted as a team. (MM1)

Probably it's (leadership) supportive, it's supportive to a degree but yeah probably not quite recognisant of just how much is trying to be done with the few resources in terms of people. (MM5)

Within operations, the traditional barriers that existed between management and the shop floor continued to be broken down through empowerment and capacity building.

There's certainly less division between management and the floor now than there ever was in the past and I think it's reasonably positive. I think it drives home how much things have changed when those people are getting up (at the Reviews) to represent the work area that they work in and how much improvement they've made and I think it typifies the fact that everybody's aiming towards a single goal and it's breaking down some tremendous barriers that we've had in the past. (MM2)



The interview data provided numerous examples the continual evolution of Golden Circle's culture. But the comments reinforced the fact that cultural change was a slow process that requires commitment and perseverance.

The changes in the culture I think are a little bit harder. We're certainly improving the workplace culture but there're still a lot of long term employees and some of the culture's a little bit difficult to break. You know we're simply a vehicle to

move fruit for the growers and try and change that into a food factory culture there's still a little bit of a struggle. (MM2)

We have a long way to go in that because people are not thinking in that culture. They're not thinking continuous improvement; they're not thinking respect for people and all that sort of side of things. In saying that, we've come a long way than what we were in two years, in the last two years. We still haven't got an organization where all the departments are all aligned and meeting the same agenda. (MM4)

The commissioning of the company-wide value stream pilot projects was an effective way of dispersing the cultural change that had commenced in the operations area throughout the company.

We are definitely working on now expanding the lean thinking, lean methodology, continuous improvement type culture and processes that are around it to a wider audience through the value stream pilots. The value streams will definitely be the path forward. The biggest obstacle will be the provision of adequate resources to the priority value stream projects. (MM1)

Even in the Supply Chain and Operations Area the degree of cultural change was variable.

The change in culture is not fully across everyone or all departments. I have just taken over the Food Hall in the last two months and the culture there is very poor. (MM7)

Two factors were identified as facilitating the cultural change that was occurring – the presence of the Continuous Improvement Team that was driving the Process Enhancement Projects and the visits by operational staff to outside companies that gave them the opportunity to observe how other firms were addressing common problems.

So that whole empowerment, engagement element, I don't think the degree to which that happens I think would be as great without the Continuous Improvement Team's involvement. So I think that group has been you know really, really important there. We probably haven't been proactive enough ourselves and getting them across to have a look at some of the things that we're doing and trying to help us where they could. (MM5)

From an Operations point of view we're definitely trying to get people out and have a look around so that their understanding is wider than inside the walls of Golden Circle. (MM1)



While the organizational structure of Golden Circle remained unchanged, the value stream pilot projects have the potential to impact on it as they have had in the Supply Chain and Operations Area.

The value streams are still evolving but they are critical to our success. We were working in too much of a silo mentality and there was far too much waste. The next stage is the full value stream project which we are currently doing. I think that's heading down that path that is going to be critical to Golden Circle's success. (MM7)

Within the organizational structure the 'silo' mentality was breaking down and the communication process continued to improve.

Communication within groups I think is extremely good. Communications between groups (within operations) I think probably could be better. Sales and Marketing guys have pretty much always run as a totally separate team from the manufacturing people. Communication between manufacturing and sales and marketing has always been particularly poor. It's certainly improving now. It's now reached a stage where guys on the floor are looking at working together with marketing people and trying to develop the best cost options for everybody. As far as finance goes, the production guys have always had a fairly good working relationship with the finance people anyway because they have a weekly review. I think that that's always been fairly transparent, at least in last few years anyway. (MM2)

The accessibility of financial information and improvements to the budget formulation process had had positive impacts on the middle managers' understanding of the company's financial position and facilitated their planning process.

Previously you were always reactive, chasing your tail. Whereas now I've got my budget and I know what I have to achieve in '06. Over the next month it will cascade down through my team and we can plan, organize and deploy teams that are necessary to achieve those targets. (MM7)

The major areas of concern were with the reporting systems which were seen to be grossly inadequate across a range of areas.

Our information systems have duplication everywhere and people accept the fact that it takes them three hours to do something that should take two minutes. They accept that information doesn't flow. (MM4)

The business processes probably haven't (improved) and a lot of that really is around...the whole link between you know the business plan, sales and operation plan through to the master production schedules and physical production plans and

MRP runs and all that side of things...just haven't been quite able to nail that. We've been a long way off Class A for sure. (MM5)



The development and communication of the corporate vision and its underlying strategic framework had provided the middle managers in the Supply Chain and Operations Area with a clear set of objectives and operational targets.

They have drawn up the 'triangle vision' which describes what our core value is – to be a trusted and healthy organization. There're key enablers and financial targets so I think they have done a reasonable job. In Supply Chain and Operations we are absolutely following it. (MM6)

Cascading the vision or the priorities of the business down to the floor to get people involved, making people aware and so everyone's striving to achieve the same goal. I use the 'vision pyramid' when I talk to my team and try to get my people to understand and so we're all aligned. We've never had that before. We never had a clear understanding of our strategic corporate vision before and I use it as a reference for most of our communication with my direct reports. (MM7)



In spite of the workloads and capital constraints, the momentum of change had been maintained. The middle managers confirmed that the key success factors at play here were achieving goals, having a disciplined process and providing positive reinforcement.

I think that motivation has been continued as a result of being able to continually post positive results. That really keeps people driving to do better all the time. We have a monthly prize list where people get rewards for good results in different fields but we need to do more in regards to rewarding these people in less formal ways. (MM1)

The momentum has been great. I really do focus on my people. I really do talk them up and give them that boost that they require. We now have a standardized process embedded and we'll just continue to drive it. (MM7)

Conducting audits provides an opportunity to share what people know and what they have seen elsewhere. The CEO audits are critical I think. They love them. They really do. When you see the CEO come over and show interest in what they are doing it's the key, it really is. (MM7)

The guys have come back from visits to other companies and said do you know what we're doing what these guys are doing, we're on the right track in terms of our lean journey. So it made sense to them that what we're doing is the right thing. (MM6)



The formal training programs that were introduced in 2004 were seen as crucial to the success of the change process and they were constantly being evaluated and improved.

I believe we failed initially with the first couple of groups of Certificate training. The selection process wasn't rigid enough, we didn't support the people enough and we didn't apply their learning in the classroom to the workplace enough. We've learnt from the pilot and we're improving it. (MM7)

The issue of training for middle managers was raised on two occasions. This reinforced the concern expressed by senior managers that insufficient attention had been paid to providing staff development across the entire company

We've definitely put the effort in with training at the lower level. Whether or not we're spending the correct amount of money at the mid and higher level is questionable. Particularly from a leadership perspective I think we could do more. (MM1)

In summary, the analysis of the data collected from the interviews with the seven middle managers confirmed that Golden Circle had made progress in the development and consolidation of an organizational environment that encourages and enables learning within the Supply Chain and Operations Area. However, with the exception of initiating the pilot company-wide value streams, little progress had been made in extending this learning environment throughout the company. The indications were that this was going to be a long term process.

8.1.3 A shop floor perspective

The shop floor respondents in the third round of interviews were unchanged from those who had participated in the project eight months previously. All three respondents were enthusiastic about being involved in the change process and proud of their achievements.

Based on my experience over the last three years there's been a lot of changes for the better and one of them has been how people interact with each other. The formation of teams has been very important in that. If you have any ideas at all you just put it forward – like how we can save on labour costs and how we can save any wastage and I am glad to say that this year we had a budget for (casual) labour of \$200,000 and we only spent \$20,000 so that's a lot of savings you know. It makes me feel proud that I can do something and help. I'm just happy to know that I have made a contribution towards that decision. (O1)



The respondents confirmed that they were receiving direction and support from all levels of management.

It's good to see senior management out on the floor, not just tucked away in their little office. That's been a great thing and the senior management coming around to talk to people actually I could be on talking terms with the CEO on a personal level. So that makes me feel that I don't have to be scared of management, I can approach them. They're approachable and I don't know if there're too many places where you can say you know you can talk to the CEO of the company you know and have a chat to them on a personal basis. (O3)

I think my boss in my area is pretty good. They always ask me if I need a hand or you know if I have a problem I can always go up to them and talk about it. (O1)



The process of cultural change was continuing and producing positive outcomes. Teamwork was improving, opportunities were improving, involvement was improving, and consequently morale was improving.

Morale is improving all the time because now people are trying to help each other and you are not just thinking about yourself you think about other people as well. The supervisors and people working on the lines, they have a good rapport. So it's pretty good. (O1)

I went to South Africa with one of the Quality guys and there are more people from the floor going out to the growers and just seeing from their perspective what happens. Previously that would have been seen as a waste of money. In trying to change the way people do their work and what's the norm or culture of the place takes a long time and if you can take someone into another food factory and let them see what happens in other places which is the norm, I think that'd give you more benefit and things will kick off a lot quicker. (O2)

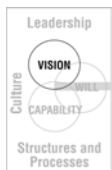
With all the changes that are happening everybody's getting more involved. We're getting the opportunity to run with our own projects. We've been given ownership of a lot of things and we actually have to monitor a lot more things than we normally would under the circumstances. So it has become a lot better place to work at. They let us make our own decisions and obviously if you make a good decision then they praise you and then say a job well done and if you make a mistake in the decision it's not 'you've done this wrong', it's more how we can learn from that mistake. So that's probably the biggest change we've had. Yeah so I think it's changed for the better. (O3)



The team concept and the discipline associated with Process Enhancement Projects had been consolidated within the operating procedures of the Supply Chain and Operations Area. The half yearly reviews had become entrenched as a showcase for the continuous improvement process.

Well we identify new projects as a group based on factual data. So when we have the value stream meetings, we bring our numbers and identify, with the Pareto charts, the top three are, what we try and target and they're the ones that make the big impact into the numbers so we go with those and we decide to form the team, who needs to be in the team and what we need to do. We are give assistance to carry out the projects, given time to do them. We are audited in what we're doing so you know what we say is what we do. (O3)

The half yearly reviews are very important for everybody because they get to showcase what they've been doing for the year or the last six months anyway in their areas and you get to do it in front of a lot of important people who might not know you and it's a chance to interact with them. (O3)



The claim made by middle managers that the development and communication of the corporate vision and its underlying strategic framework had provided them with a clear set of objectives and operational targets was supported by the way the operational staff expressed their opinions on the company's vision and goals.

I suppose my vision for Golden Circle is that it could be a world class food manufacturing plant. (O2)

The company's goals are to firstly with safety is an injury free workplace and I believe that we're trying to enforce a drug and alcohol-free workplace as well. So that's one of the company's goals. The other one is to achieve world's best practices throughout the plant. So there's a lot of work going in to do that to keep up with the rest of the factories. (O3)



The high levels of motivation among operational staff had been maintained by the improved performance recorded in the Supply Chain and Operations Area and the recognition that they had received for the part they had played in it.

They give us certificates and things like that. It's recognition and I think that is good just to say we appreciate what you have done and at least they are doing something to recognize your efforts that you've done really well. You know, you

try to work every day and just knowing that the work that you're putting in there something good is coming out of it and you are actually doing something to help the company and that's a good feeling. I don't mind the extra responsibility. It's good to know that they trust me to get the work done and it's good to get challenged once in a while rather than doing the same things over and over. It's good to see the workplace is changing all the time; to see the improvements and all the goals we are setting are actually coming true. (O1)



The formal training program was being expanded based on the success of the current initiatives that had improved the morale, confidence and skills of operational staff who had been involved.

They are putting a little bit more money for training and things like that – improving people's skills and encouraging people to do certificates. They are starting a new program now where they are trying to improve people in terms of their computer skills. (O1)

From the pine processing aspect I have seen vast improvement with the line leaders in that they've got a lot more confidence because of the training they have been getting. (O2)

I was on the front line leadership course last time we spoke. Since then I have completed it. I am particularly proud of that. Having a nationally recognized qualification makes me feel proud and I thank the company for sending me. It gave me a great sense of achievement. (O3)

8.1.4 Summary: Golden Circle's learning orientation, December 2005

In Table 8.1, I present a summary of the progress made by Golden Circle in improving its learning orientation over the period May–December 2005. Not surprisingly, the most improvement was evident in the Supply Chain and Operations Area where the both the nurturing and enabling factors of organizational learning were consolidated and refined.

My observations and the operational results presented at the two six-monthly review sessions held in July (prior to the General Manager's resignation) and December (three months after his resignation) confirmed the statements concerning a *seamless transition* made by Supply Chain and Operations staff during the interviews. The pride, enthusiasm, camaraderie and commitment displayed by the presenters confirmed what I was being told by respondents.

Table 8.1 Golden Circle's status as a learning organization (December 2005)

Comment [A5]: Rick's comments for improvement

Organizational Learning	The 'reality' April 2005	The 'reality' December 2005
Nurturing Factors		
<u>Leadership that is</u> empathetic proactive inclusive reflective unified	The leadership had become more unified and inclusive. Leadership within the SC&O Area was inclusive, supportive and proactive.	In spite of changes within the senior management team, it had continued to be unified and inclusive. The leadership transition in the SC&O Area was made without any loss in the momentum of change.
<u>Culture supportive of:</u> the individual teamwork experimentation empowerment	A culture of continuous improvement was being established through the formation of cross functional, empowered and accountable project teams.	The process of developing a culture of continuous improvement within the SC&O Area had been consolidated and was being expanded through the establishment of company-wide value stream pilot enhancement projects.
<u>Structures & Processes supportive of:</u> open communication collaboration continuous improvement	Functional silos persisted across the company. Communication and business systems were improving. Within the SC&O Area the process enhancement projects had improved collaboration, communication and performance.	The establishment of company-wide value stream projects were breaking down the traditional functional silo mentality. Improvements were evident in the financial systems but the business process systems continued to be 'work in progress'. The SC&O Area had been restructured along the lines of seven major value streams that related to the major product lines.
Enabling Factors		
<u>Shared vision</u> The presence of a vision that is creditable and achievable	The senior management team had developed a comprehensive 3 year reconstruction plan without articulating a clear vision for the company. Within the SC&O Area a clear focus on cost reduction had been established.	The senior management team had developed a Strategic Overview that included a corporate vision statement and specific short term business objective which allowed line managers and their staff to develop operational plans and process enhancement projects to deliver the desired outcomes.
<u>Motivation</u> The presence of supportive culture and the appropriate recognition and rewards system	Within the SC&O Area the process enhancement projects were delivering results. A recognition and reward system had been introduced.	The Process Enhancement Projects continued to deliver better than expected results that had a positive impact on morale and motivation in the SC&O Area. The recognition and reward process had been refined.
<u>Capabilities</u> The presence of appropriate skills to participate effectively	Within the SC&O Area formal training course had been established. A Continuous Improvement Team had been established to mentor and support the Process Enhancement Projects.	The formal and informal staff development processes were consolidated within the SC&O Area. Planning had commenced to extend training opportunities across the company.

It was obvious that a culture of continuous improvement and the processes to support it had been developed, adopted and maintained across the Supply Chain and Operations

Area in a very short period of time. The decision by the senior management team to instigate the two company-wide value stream process enhancement projects in November was the first tentative sign that Golden Circle was serious about creating an environment throughout the company that nurtured and enabled learning.

I attended the second of three scheduled workshops of one of the company-wide value stream pilot projects in late October 2005. There were six members of the project team representing all areas from marketing through sales, operations, procurement and new product development. The process was facilitated by an outside consultant and a member of the Continuous Improvement Team.

The discussion between the participants confirmed two points that had emerged from the interview data:

1. Golden Circle had traditionally operated as a series of independent functional ‘silos’ each with its own culture and agenda; and
2. There had been little general awareness and understanding of the transformational change process that had been underway in the Supply Chain and Operations Area.

A member of the senior management team who was present at the workshop made it quite clear to the participants that it was now company policy to adopt the value stream approach pioneered by the Supply Chain and Operations group because of its record of delivering planned outcomes via the efforts of empowered, disciplined cross-functional teams.

The outcomes from the value stream project workshops were presented to the senior management team in late November 2005. The majority of the projects recommended by the project teams were approved for implementation early in 2006.

The evolution of Golden Circle as a learning organization had been a slow process but with the commitment shown by senior management and the learnings gained from the

Supply Chain and Operations Area meant that the creation of a company-wide environment that nurtures and enables learning had become a realistic expectation.

8.2 Golden Circle's chain relationships

The most significant feature of Golden Circle's relationship building strategy in 2005 was the abandonment of the quarterly review workshops that involved the original members of the 'lean supply chain' project, in favour of building closer relationships with key chain partners within the boundaries of each of the three chain partner 'loops' – the Grower Loop, the Material Supplier Loop and the Customer Loop.

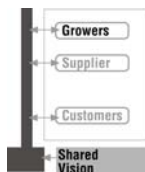
It has stagnated. I think we threw the net too wide. I think it takes a lot of resource just to keep it going and I think there's still great opportunity in there so I'm certainly not walking away from that opportunity but I think people were beginning to say I've given up this time but I'm not actually getting anything out of it. What we're trying to do again is narrow down our focus a little bit. (SM6)

8.2.1 Relationship with its growers

The most obvious change in the relationship between Golden Circle and its growers was the reduction in the frequency of direct contact with the growers by the board and senior management. The grower/shareholders had accepted, perhaps reluctantly, that change had to occur and they recognized that the company would list publicly in two to three years.

In the last six months there haven't been any other meetings where the board has had interaction with the growers. That certainly wasn't the case in the preceding couple of years where the board had gone out to its grower/shareholders three or four times a year and had face to face and in some instances, one on one discussions. So it has changed since the independent board and as a shareholder I hope that they're focusing on what they need to do to make it profitable for us. (G1)

Oh there is no doubt that listing is going to happen and it's got to happen to provide an exit for existing growers under the present climate because no one's got any money. So to achieve an exit we also have to have this company running profitably. (G3)

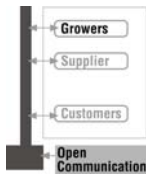


The comments made by growers clearly indicated that there was a conflict between their short term need for cash flow and the longer term need for Golden Circle to return to being a profitable company.

So you've got this balancing act of growers wanting pineapple payments and we've got to make this company look profitable and the argument is that if you don't have pineapple growers you haven't got Golden Circle but you are not going to have Golden Circle if you are paying too much for your raw supply of material and most growers just don't want to know about that. (G3)

This grower dilemma had been recognized by Golden Circle management.

Personally I don't see that things are changing as much as I'd like them to change with regard to growers. I see that a great deal of the grower base appear to be looking very much to the short term because they're an ageing population. There's a handful of younger growers, when I say younger growers they're probably in their 30's and 40's, that I think they're doing the genuine thing and trying to set up what's right for the industry rather than what's right for them in the short term but the rest of the growers I think are out to get whatever they can right now. (MM2)

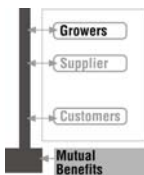


The level and openness of communication between management and growers had continued in spite of the rapid pace of change within Golden Circle.

The relationship between Golden Circle and growers is improving. We are being a lot more open and transparent. Unfortunately lots of times that can be taken as being the bearer of bad news. The reality is that the growers ultimately need to respond to us as their customer just like we have to respond to our customers. We are openly communicating what the environment is really like and a lot of our growers have struggled with that. (SM2)

However the format of face to face meetings with growers had changed to provide a better forum for dialogue to take place.

Well for me I've always had good communication with the grower integration group so I mean that's...really from a communication point of view there was never really any need to improve because I had good communication with them anyway. The grower integration team has been going around to very small groups of growers and they're trying to cover everyone, to keep it very informal so everyone had a chance to speak. (G3)



The quality based payments system had delivered benefits to the majority of growers and to Golden Circle.

The quality based payments system has been effective and actually for the better growers there have been higher payments so it has been effective from that angle and we have seen improvements in performance in our pineapple value stream. A lot of it connected directly or indirectly to the changes in grower behaviour. (SM1)

The quality based payments system has been accepted. It's only good business practice that any other business would have been doing anyway. (G1)

A lot of people are against it but there was a lot of poor quality fruit going down there prior to this quality based payments system. It's achieved its objective. You could nearly guarantee that the guys that are making the biggest noises are the ones who were probably abusing the system the most in the years gone past. (G3)

The grower integration group had initiated a program designed to address the potential problem associated with guaranteeing security of supply of pineapples that were suitable for processing. This program involved the development of a Best Practices Manual and building closer relations with selected growers.

We have funded a project with the DPI which actually gets the growers to work together to work out the efficiencies from a farming perspective, to learn off each other rather than somebody else and we're in the process of extending that program. The initial program was focused on growers that we saw were the key people going forward. The extended program will then include them as the base and plus others that currently make up the top suppliers. (MM1)

They're going to try and develop some grower groups and so they can talk about problems and they are going to distribute the best practices manual at the first meeting. (G2)

In summary, it was obvious that the relationship between Golden Circle and its growers had changed to one that was more like a preferred supplier-buyer relationship. The implementation of the quality based payments system had imposed a discipline on growers with respect to the quality and delivery of their fruit that had not previously existed. Golden Circle was also in the process of renegotiating grower contracts that had a greater emphasis on continuity and reliability of supply.

While the company maintained its commitment to open communication with its growers, it had modified the format of its grower meetings in an effort to improve the quality of communication. Most significantly it had embarked on the process of identifying its better fruit suppliers and building a more collaborative long term

relationship with them as the basis of a sustainable processed pineapple industry in the future.

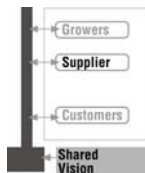
8.2.2 Relationship with its major materials supplier

As indicated in Section 7.2.2, Golden Circle had abandoned its initial objective of the 'lean supply chain' project which was to simultaneously engage all its supply chain partners in a series of mutually beneficial cost reduction projects in favour of building specific relationships with key material suppliers. The shelf ready packaging project it had initiated with Amcor Fibre Packaging Division was the pilot project to test this strategy.

We thought let's keep a narrow focus and get some runs on the board there and get some learnings and then we'll think about expanding to the wider Amcor and the plan was always to go to other key suppliers. (MM6)

The progress of this project had been slow primarily due the inability of Golden Circle to devote enough resources to it; however there appeared to be a renewed commitment to proceed with it using the same process improvement methodology that the Supply Chain and Operations team had developed internally.

(The General Manager) had set up a meeting with Amcor Fibre and also Amcor Can (about 12 weeks ago) and we had a round table session over there at Rocklea and the project was mapped out. It certainly stagnated for the first 4-5 weeks purely because of workload, we have a lot going on here at the moment and resources are tight. However we re-built that about 3 weeks ago and it's off and running. The pilot has about another 8-9 weeks to run and I think we will meet that alright. (MM8)



The relationship between Golden Circle and Amcor was improving at the divisional and operational level through the shelf ready packaging project.

The relationship with Amcor has improved dramatically. They have engaged very positively with Golden Circle to help both Amcor and Golden Circle improve efficiencies. (SM5)

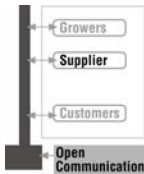
You've got multi-level relationships and I think it's opened up the people to be a bit more inclusive of what we've got to offer and I think the shelf ready packaging has

really been almost a leadership within the industry. So you know it's a lot more proactive and involved with the supplier on a lot of fronts. (CP3)

Of interest were the differences in expectations between the two companies in respect to innovation, particularly in can packaging.

What we haven't seen from Amcor enough is innovation for example if cans are under so much pressure what can Amcor do? I think that's where Amcor with their resource base and their overseas knowledge and connections I think should be probably assisting us more in innovation and helping us set some direction that we can go forward in partnership rather than just focusing on the normal business. (SM6)

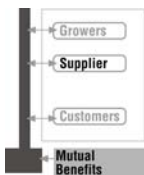
There are limited opportunities for us to change their thinking but we've worked pretty well together with them in order to take some of the costs out of the supply chain. There is not a lot of innovation in the can industry and Amcor itself is not a leader in that particular segment. (CP1)



There was an obvious improvement in the openness and quality of the information exchange between Golden Circle and Amcor over the past seven months. The communication linkages had extended throughout both organizations and the type of information exchanged had progressed from predominantly operational to, in cases such as the development of shelf ready packaging, to that which is more strategic.

I can comment on our supplier association with Amcor and it's been fantastic. From when we had our first supplier association meeting with Amcor and 12 months later it's a completely different flavour I think anyway in terms of the meetings. It's very, very open, very honest. We talk about the issues in a very open and honest and mature way and I don't think it's as closed and defensive as it maybe was in the past. (MM6)

We have got closer relationships with Golden Circle now, probably on all levels from General Manager down to machine operator. There is a lot of development work going on. It's changed significantly from what it was two or three years ago. We are playing a key role in some of those moves forward – shelf ready packaging is the obvious one. (CP4)



The direct benefits arising from the higher degree of collaboration between Golden Circle and Amcor were acknowledged by both companies. More importantly, both companies recognized that the real benefits from closer collaboration laid in the learnings associated with the process and the potential for the transfer of these learnings to other areas of their businesses.

What we chose to do with the shelf-ready generic carton with the long life cordial line is a rather easy product as you say but it can also form a pretty good basis to expand the project into other areas as well. Some of the learnings will be transferable to us because one of the major learnings from it is really the business relationship. (CP2)

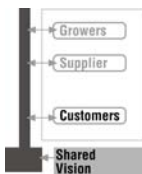
We've shown them the process, given them a look at the documents that we follow and then they've turned around and said yeah it looks great, let's give it a go and hopefully they'll be able to get some learnings and apply it in their own organisation as well. (MM6)

In summary, the early indications are that the shelf ready packaging project, in spite of its slow start, was meeting Golden Circle's expectations with respect to it being a vehicle by which it could build a more collaborative relationship with one of its major chain partners. There were two clear indicators that a more collaborative relationship has been established.

The first indicator was the obvious improvement in the quality of information being exchanged and the diversity in contact points that had been established between the two organizations. The second indicator was the willingness of Golden Circle to share with Amcor both the tacit and explicit knowledge it had acquired through its internal process enhancement projects and the joint application of this process in the shelf-ready packaging project.

8.2.3 Relationship with its customers.

While no representatives from Golden Circle's major retail customers took part in the third round of interviews associated with this project, the Golden Circle respondents were asked to comment on their perceptions of the relationships that existed between Golden Circle and their customers and what impact their customers were having on the changes that were occurring within Golden Circle. These comments were supplemented by my observations at review meetings and comments recorded in the *Supply Chain and Operations News* (see Appendix C).



Both major retail chains continued to pursue strategies designed to reduce their supply chain costs. For example, Woolworths *supply chain revolution*

had already *delivered \$3.2 billion in cumulated savings since it was launched amid widespread scepticism in 2000* and was expected to deliver *a further \$4.5 billion from 2005-2008 financial years*.¹²

For a medium size food manufacturer like Golden Circle, it is difficult to develop collaborative relationships with the major retailers because of their relative size and the resulting imbalance in market power. In such cases, the relationship between companies like Golden Circle and the major retailers is predicated on their compliance in meeting their customers' needs.

It's difficult just getting an audience with the supermarkets full stop. They very much set the agenda. They're quite open about it. Be in shelf ready packaging by August or you're no longer there. So they do set the guidelines. They are 65% of our retail business. (SM6)

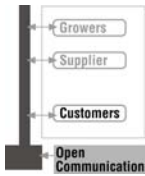
As reported in Section 7.2.3, Golden Circle has complied with Woolworths 'essential enablers' and had embarked on a project to improve the efficiency of its 'order to shelf' process.

However Golden Circle is facing a strong challenge in meeting its customers' needs in terms of product innovation and the threat posed by the introduction of private label canned pineapple and vegetables.

I think the moves we have gone into addressing the need to be a private label supplier have been quite positive. I don't think we have quite grasped how big an impact that will have on us particularly in the fruit and vegetable area, Golden Circle sticks to traditional values – reliability, consistency, there is not a lot of froth and bubble to it. I don't believe that we are not up to date where the edge of the consumer demands and retailer demands are. (MM8)

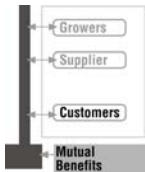
This perception was supported by comments made at the food value stream workshop I attended in late October 2005 by people who had recently attended the company's Product Range Review with Woolworths. The message for Golden Circle management was that compliance with a retailer's operational requirements is essential but not sufficient on its own to guarantee the organization's continued preferred supplier status.

¹² Gluyas, R., 2005. Criterion – Woolworths, *The Australian*, March 1 2005, p.25



Given the nature of the relationship between Golden circle and its retail customers and the focus of the retailers in reducing their supply chain costs, it was no surprise that there was good communication between the companies with respect to operational information that was designed to improve coordination and alignment.

As part of collaboration they're being more transparent with their data. They're sharing their demand forecasts, their promotional plan. (MM4)



There were positive signs that the customer service personnel at Golden Circle were recognizing the potential benefits that could accrue to Golden Circle as a result of the retailers' initiatives to drive costs down throughout the supply chain.

We've treated the essential enablers as a compliance cost. If you treat it as a strategic plan then it's going to cut costs. If you use the learnings from them and you use them to start to push back through your own business then you should be using the same methodology in driving out the costs in your own supply chain and how you extend onto your suppliers as well. (MM4)

In summary, although the retailers had not been directly involved in the change process being undertaken by Golden Circle, particularly in the Supply Chain and Operations Area, it was becoming evident that there was a shared objective between the firms to reduce costs throughout the supply chain. This realization, particularly by members of the Sales and Marketing Area, that what the retailers were attempting to do with their own supply chains was similar to what Golden Circle was doing with its Supplier Association, was one of the factors driving the company wide value stream projects and the increased levels of collaboration within Golden Circle

8.2.4 Summary: Golden Circle's collaborative capacity

Throughout 2005, Golden Circle pursued its strategy of developing more collaborative relationships with its major supply chain partners on a one-on-one basis rather than on a collective basis.

While some doubts were expressed about the commitment by Golden Circle to the development of the Supplier Association after the resignation of the General Manager, Supply Chain and Operations, the progress made in 2005 appeared to allay those fears.

In Table 8.2, a summary of the progress made by Golden Circle in establishing a more collaborative relationship with one of its important supply chain partners, Amcor is presented.

Table 8.2 Golden Circle’s supply chain collaborative status (December 2005)

Key Determinants of a Collaborative relationship	The ‘reality’ April 2005	The ‘reality’ December 2005
The presence of:		
<u>A shared vision and goals:</u> A clearly defined, articulated and agreed vision for the partnership. Clearly defined and agreed goals for the partnership.	Golden Circle had articulated a clearly define vision for its concept of a Supplier Association. They had gained the support of Amcor in ‘pilot to prove’ project.	Golden Circle had developed a shared vision and goals with Amcor Fibre Packaging within the context of the shelf ready packaging pilot.
<u>Open communication:</u> Free exchange of information relevant to achieving the vision and goals of the partnership both at the strategic and operational levels. Multi-level communication links between the partners.	There had been improvements in the quality of operational information exchange and evidence of more strategic information exchange between Golden Circle and Amcor.	The quality of the operational information had improved and tacit and explicit knowledge was being exchanged. Golden Circle had established multiple communication links with Amcor Fibre Packaging;
<u>Mutual Benefits:</u> Clearly identified benefits resulting from collaboration. A process for the equitable sharing of such benefits	Direct benefits for GC and Amcor from a closer strategic relationship had been identified.	Direct benefits were evident from collaboration in the form of reduced packaging formats and inventory levels plus enhanced reputations resulting from packaging innovation. A new long term contract had been negotiated that explicitly defined the sharing of benefits arising from collaboration.

Comment [A6]: Consider adding 4th column

This data illustrates that Golden Circle had been able to utilize the skills and processes it had developed in building collaborative relationships within the organization in building external partnerships. The initial success of the pilot-to-prove project with Amcor Fibre Packaging demonstrated that Golden Circle had continued to develop its collaborative capacity. The payoff from this was evident in the improved efficiency of the supply chain through the reduction in packaging formats and inventory levels. More importantly, the

shelf-ready packaging project demonstrated Golden Circle's capacity to collaborate with its chain partners to deliver additional value to its customers.

The fact that Golden Circle had demonstrated its capacity to develop a collaborative relationship with one of its major chain partners provided a strong indication that the process by which this was done could be the template for building similar relationships with key growers and other material suppliers.

8.3 Did Golden Circle fit the model of a collaborative learning organization?

At the beginning of this Section I made the observation that the period from May to December 2005 was predominantly a period of consolidation for Golden Circle. Kotter (1996) warns that such periods of consolidation during a transformational change process can lead to a situation where *critical momentum can be lost and regression may follow* (p.133). Further, Kotter identified the importance of building on short-term gains and supportive leadership as key components of a successful consolidation phase.

The question I address here is: Has Golden Circle been able to maintain, or even increase, its momentum towards becoming a collaborative learning organization during this period of consolidation?

A central theme of this research has been that knowledge creation within an organization is a result of collaborative learning by members of the organization (Isaacs, 1993; Kim, 1993; Senge, 1990a) and that creating new knowledge *depends on tapping the tacit and often highly subjective insights, intuitions and hunches of individual employees and making those insights available for use and testing by the company as a whole* (Nonaka, 1991 p.97).

Hurley (2002) claims that the major challenge in creating a learning organization is to shape a culture *where people take the initiative to learn and innovate as if it was their company* (p.278). Evidence of cultural change within Golden Circle that support the

development of organizational learning can be found in each of the three levels of culture identified by Schein (1992).

At the level of *artefacts*, the changes in Golden Circle's organizational structure and processes being brought about through the adoption of the value stream philosophy were clear indications that cross functional project teams were to be its operational norm in the future.

At the level of *espoused values*, the development of Golden Circle's corporate vision *to be Australia's most trusted food and beverage company providing healthier branded solutions* was a clear indication of the company's intent on becoming a more outward looking company rather than one that was focused on the well-being of its supplier shareholders. This new focus was reflected in its new corporate logo.

At the level of *basic underlying assumptions*, the continual development and application of the methodology associated with the process enhancement projects had developed a culture of continuous improvement in the Supply Chain and Operations Area. This culture was being sustained by the support shown by management, capacity building through action learning, mentoring by the Continuous Improvement Team and the motivation provided by their ability to deliver project outcomes. There was enough evidence provided in the analysis of the interview data that Golden Circle had maintained its momentum to create an environment that nurtures organizational learning. The evidence also pointed to the continued development of the key enablers of learning in an organization.

For example, the efforts of the senior management team in defining a credible vision for Golden Circle within a strategic framework provided line managers with specific performance targets and measures. In turn, these performance targets and measures were used to identify specific improvement projects across the Supply Chain and Operations Area. As Moran & Brightman (2001) point out, providing people with specific targets

clarifies focus, identifies milestones and offers opportunities to celebrate successful achievements, thus increasing individual and organizational commitment to change.

Explicit evidence that learning had occurred as a result of the transformational change initiatives that had been undertaken so far, especially in the Supply Chain and Operations Area, can be seen in its improved performance in its key indicators – customer service levels, work safety record, quality management and process efficiency as typified by the following statements:

Lost Time Injury Rate fell from 13 to 8, our best ever safety result; improved overall equipment effectiveness (OEE) making better use of our assets; reduced internal failures; \$9 million savings against budget. The take home message is that focusing on a common goal, measurement and engaging your people in the continuous improvement process does deliver results. (Supply Chain and Operations News, January 2006, p.1)

The amount that we've actually banking from our improvement projects, and will be rolling up into our standards for 2006, is \$4.3 million. Each project we've done we've got better at. (SM6).

The importance of the plan, do, check, act cycle of continuous improvement (Figure 8.1, p.143) to the success of Supply Chain and Operations Area, is a good example of what Senge (1990a) refers to as theory-in-practice matching espoused theory.

The success of the Supplier Association Pilot with Amcor Fibre packaging was evidence that Golden Circle had improved its capacity to build collaborative relationships with a major chain partner (a capacity Limerick *et al.* (2000) identified as a defining characteristic of a post-industrial organization). This relationship was built on the foundations of trust and commitment that were established during the original cost reduction projects sponsored under the 'lean supply chain' program in 2004.

The most significant aspect associated with both the development of more collaborative relationships internally (through the company-wide value stream projects) and externally (through the shelf ready packaging project with Amcor) was the capacity of members of the Supply Chain and Operations Area to apply the learnings from their process enhancement projects to other situations. These examples are clear indications that

Golden Circle had continued to develop its capacities to collaborate, to learn, to absorb and to execute. These, in turn, are the hallmarks of a learning organization (Bessant & Tsekouras, 2001; Liker, 2004; Senge, 1990a; Spekman *et al.*, 2002).

Part IV The Way Forward

This dissertation has documented and evaluated, over a two year period, the transformational change process undertaken by a major Australian food company, particular in its Supply Chain and Operations Area.

For any organization to change, it must accept the need for change; identify priority areas where change will have the biggest impact; design and implement a change process; anchor the changes in its standard operating procedures, and, most of all it must develop an organizational culture that incorporates a passion for continuous improvement (Hamel, 2000; Kotter, 1996; Schein, 1992). In effect the organization must become a learning organization (Liker, 2004; Lopez *et al.*, 2005; Nevis *et al.*, 1995; Senge, 1990a; Senge *et al.*, 1999).

In Section 1, I described the financial crisis that engulfed Golden Circle in 2003 and precipitated the transformational change process within the company. At the centre of this change process was the Supply Chain and Operations Area because of the vital importance of reining in operational costs for the immediate survival of the company.

In Sections 6, 7 and 8, I documented and evaluated the change process that was designed, implemented and extended throughout the Supply Chain and Operations Area in 2004 and 2005. The outcomes of the change process were evaluated against a model that I had developed from the literature, linking the key elements that establish an environment that nurtures learning within an organization and the key elements that enable learning to occur with the focus on improved performance.

The other area of interest in this study was the effect of Golden Circle's attempts to build closer relationships with its key chain partners had on the outcomes of the internal change process. In Section 3, I discussed the strategic importance of collaborative relationships between supply chain partners as a source of competitive advantage for the chain as a whole and for the individual organizations involved. Collaborative

relationships enhance the flow of tacit and explicit knowledge between chain partners and increase opportunities for joint innovation and learning (Barlow & Jashapara, 1998; Bessant & Tsekouras, 2001; Hamel *et al.*, 1989; Newton, 2000).

Throughout Sections 6, 7 and 8, I documented and evaluated the process that personnel within the Supply Chain and Operations Area of Golden Circle adopted to develop closer relationships with its supply chain partners. The outcomes of this process were evaluated against the three key indicators of the presence of a collaborative relationship.

In Section 9 I discuss the outcomes of the transformational change process undertaken by Golden Circle in the context of my research problem and research questions that were identified in Section 4. I then examine the adequacy of my conceptual model as an instrument that could be used to monitor the evolution of learning within an organization and between supply chain partners; discuss the contribution my research has made to theory; and outline the implications of my research for other groups such as government agencies, businesses and organizations. Finally I identify some issues for further research.

Section 9 The contributions made by my research

The basic problem addressed by my research was, **how can an Australian food manufacturing firm become more globally competitive?** Senge (1990a) and Fullan (2001) have argued that organizations which thrive in uncertain operating environments are organizations that learn and adapt faster than others in their field. Such organizations are referred to as learning organizations. This research examined the processes and outcomes of one organization's efforts to transform itself into a learning organization. Their organizational change process was centred on the adoption of the principles of lean thinking and the development of collaborative relationships with their major value chain partners.

Specifically, this study addressed three research questions:

1. How has the change program influenced the organization's ability to acquire knowledge?
2. How has the change program influenced the organization's ability to improve its performance by utilizing knowledge?
3. How has the organization's collaboration with its key chain partners enhanced its ability to acquire and use knowledge?

9.1 The key lessons

In this section each of the research questions is addressed and the key lessons that emerged from the research are identified.

9.1.1 Has the change process influenced the organization's capacity to acquire knowledge?

Strata (1989) and Hamel (2000) stress the strategic importance of knowledge and the capacity of an organization to generate new knowledge as a source of competitive advantage. For an organization to generate new knowledge, it must create an internal

environment that nurtures individual and shared learning – an environment that is shaped by its leadership, its culture and its structures and processes (Locke & Jain, 1995; Preiss & Murray, 2005; Schein, 1992).

The conclusion I reached based on the analysis of the data collected in early 2004 was that Golden Circle exhibited very few characteristics of a learning organization. However, 12 months later there were clear signs that the internal environment, particularly within the Supply Chain and Operations Area, had evolved to become one more supportive of learning: leadership had become more inclusive, supportive and proactive; a culture of individual responsibility and team accountability was emerging; and the Area's organizational structure and processes had been modified to promote open communication and collaboration. By December 2005, an environment that nurtured learning had been consolidated within the Supply Chain and Operations Area and was beginning to spread throughout Golden Circle with the establishment of the three company-wide value stream pilot projects.

It was a similar story with respect to the emergence of the key factors that enable learning to occur: the presence of a shared vision, a willingness to be involved and the presence of the capabilities to be involved. Over the two year period, the staff within the Supply Chain and Operations Area had established a clear focus on reducing costs; and their motivation was being sustained by the success they were achieving, the recognition that they were receiving and the training and support that was available to them.

The keys to this transformation were:

4. The presence of a skilful leader in the General Manager of the Supply Chain and Operations Area who was able to articulate and galvanize support for the change process;
5. The formation of cross-functional teams that were empowered, responsible and accountable for the change process; and

6. The presence of a structured framework that identified, resourced and monitored the process enhancement projects that were at the core of developing a culture of continuous improvement.

Sveiby (2001) describes learning as a knowledge-building process by which individuals acquire the ability to act. Further, Senge (1990a) claims that successful organizational learning is based on team learning and the presence of a shared vision.

The discussion in this section indicates that the change process implemented in the Supply Chain and Operations Area of Golden Circle had enhanced its capacity to learn and hence its ability to act.

9.1.2 Has the change process influenced the organization's capacity to improve its performance by utilizing knowledge?

Collins (2001) states that *sustained great results depend upon building a culture full of self-disciplined people... who engage in disciplined thought and who then take disciplined action* (p.142). The Process Enhancement Project team concept introduced in 2004 and refined in 2005 was the vehicle chosen by the leadership group within the Supply Chain and Operations Area to build such a culture (see Figure 8.1, p.143).

Each cross-functional project team was established with a 'charter' to improve the performance in a clearly identified process that was directly linked to one of four focus areas of the organization – people (for example a reduction in the Lost Time Injury Rate), customer service (for example an improvement in Overall Equipment Effectiveness), quality (for example a reduction in Customer Complaints) and direct costs (for example a reduction in Inventory Levels).

The process associated with the selection of which enhancement project proposals would be funded was transparent and based on the project's feasibility, its potential benefits and its degree of difficulty in delivering its potential benefits. Central to this process were two principles of lean thinking – root cause analysis and management by fact (Liker, 2004).

The progress of each of the projects was monitored by an external audit team that consisted of managers (often senior managers), supervisors and peers. No project team was decommissioned until its goals had been achieved and the improvement measures had been incorporated into the appropriate standard operating procedure so that the initial problem did not recur. While the outcomes from many of Process Enhancement Projects resulted from adaptive learning (refining current theories-in- action), there were examples of generative learning (establishing new theories-in-action), particularly in 2005 when the processing lines were reconfigured.

In 2005, there were 176 project teams established across the seven value streams in the Supply Chain and Operations Area. At the Review Days held in July and December, representative project teams presented their results, many of which had exceeded their expected outcomes (see Appendix C). Perhaps the most tangible result was in the reduction in operating costs in the Supply Chain and Operations Area.

Comment [A7]: This is a copy of the SC&O Jan 06 newsletter which summarizes the Review session

According to the Golden Circle Annual Reports (Golden Circle, 2004; Golden Circle, 2005; Golden Circle, 2006) the cost of sales had declined from \$307 million in 2003 to \$302 million in 2004 and further to \$268 million in 2005. This 12.7% reduction in the cost of sales was driven by the 21% reduction in expenses associated with the Supply Chain and Operations Area (General Manager, Supply Chain and Operations, 2006, pers. comm., 23 March).

The results were directly responsible for greater interest being shown by Senior Management in the change process being implemented within the Supply Chain and Operations Area which led to the establishment of the company-wide value stream pilot projects in late 2005.

The key success factors associated with the ability of staff within the Supply Chain and Operations Area to convert their enhanced capacity to learn into this improved performance were:

5. The introduction and continual refinement of an operational improvement process that was directly linked to the organization's Key Performance Indicators - a structure that provided focus and discipline;
6. The involvement of senior managers in the operational improvement process as mentors and auditors - an involvement that provided support, encouragement and recognition;
7. The recruitment of the Manager, Continuous Improvement - an appointment, along with the establishment of the Continuous Improvement Team, which provided a dedicated resource to the operational improvement process and staff development; and
8. The availability of external funding from the Food Chains Program - funds that were used to resource process enhancement projects at a time when the organization was facing a cash flow crisis.

The capability exhibited by staff within the Supply Chain and Operations Area to absorb and effectively use the knowledge generated within the work groups and cross-functional process enhancement teams is recognized as one of the defining characteristics of a learning organization (Collins, 2001; Hubbard *et al.*, 2002; Liker, 2004). What's more, they were in the process of transferring the knowledge that underpinned the development of these capacities to collaborate, learn, absorb and execute to other parts of the organization and their chain partners.

9.1.3 Has the organization's collaboration with its key chain partners enhanced its capacity to acquire and use knowledge?

Hamel *et al.* (1989) claimed that companies that set out to get the most out of their partners are those that set out to learn from each other. Further, Lorenzoni and Lipparini (1999) claimed that their empirical research demonstrated that *lead firms were making serious efforts to create an interacting platform with selected partners in which knowledge and information are generated and transferred* (p.332).

Golden Circle's efforts to engage its supply chain partners in its transformational change process through its 'lean supply chain' project was a clear attempt by the company to

leverage its own sources of competitive advantage off those of its supply chain partners (Hamel *et al.*, 1989; Limerick *et al.*, 2000; Lorenzoni & Lipparini, 1999; Spekman *et al.*, 2002).

Historically the relationships that existed between Golden Circle and its supply chain partners, while long standing, were what Lendrum (1998) would describe as vendor relationships that were dominated by limited information exchange, poor alignment and minimal levels of trust. The development of inter-organizational trust is a key prerequisite for the transfer of knowledge between partners (Barlow & Jashapara, 1998; Beeby & Booth, 2000; Spekman *et al.*, 2002).

The process adopted by the management in the Supply Chain and Operations Area was to engage its supply chain partners through three cross-organizational project 'loops' that involved its growers, packaging materials supplier and a major retail customer respectively.

The focus of these 'loops' was cost reduction, which provided a potential benefit for all the chain partners facilitating partner buy-in to the change process. It also offered the potential for short term wins that consolidated commitment to change. In addition, the process established multiple sources of inter-personal relationships that expanded the opportunities for collective inquiry and dialogue that built trust and transparency (Barlow & Jashapara, 1998; Beeby & Booth, 2000; Bessant & Tsekouras, 2001; Kanter, 1994).

However, in two of the three cases (the Grower and Customer Loops) the activities centred around compliance rather than strategic issues. This resulted in the dominance of operational and tactical information sharing between the organizations involved (Barratt, 2004; Bessant *et al.*, 2003; Cox, 1999; Hingley, 2005).

The cross-organizational activities of these loops contributed to the improved performance of the Supply Chain and Operations Area. For example, the development of

the Quality Based Payments system dramatically improved the quality of the fruit intake and therefore impacted positively on processing yield and efficiency.

In the case of the Materials Supplier Loop the outcome was different. The trust between Golden Circle and Amcor (particularly its Fibre Packaging Division), flowing from their joint cost reduction projects, served as a catalyst for the development of a more collaborative project that would create additional value for their customers - the retailers, in the form of shelf-ready packaging.

This collaborative project adopted the Process Enhancement Project model that had driven the change process with the Supply Chain and Operations Area of Golden Circle - disciplined people, engaged in disciplined thought and taking disciplined action (Collins, 2001). This process involved the transfer of both tacit and explicit knowledge between the partners which resulted in the enhancement of their capacity to create customer value (Collins *et al.*, 2002).

That the Supply Chain and Operations Area was able to form a collaborative relationship with only one of its chain partners over the two year period of this study reinforces claims that the development of collaborative relationships requires a sustained investment of time, resources and managerial skill (Fearne & Hughes, 1999; Kanter, 1994; Lambert & Cooper, 2000; Morgan & Hunt, 1994; O'Keefe, 1998; Spekman *et al.*, 2002).

The key lessons that emerged with respect to the impact the development of closer relationships had on Golden Circle's ability to acquire and use knowledge were:

1. The 'lean supply chain' project and the establishment of the three supply chain partner 'loops' provided an excellent forum for constructive dialogue and cooperation between the supply chain partners;
2. The exchange of information was mainly operational and tactical - resulting in improved quality of inputs and better alignment that complemented the process

improvement being undertaken within Golden Circle and contributed significantly to the reduction in operating costs; and

3. Opportunities for more collaborative relationships proved difficult to identify and establish - despite the fact that the development of the relationship with Amcor Fibre Packaging demonstrated that Golden Circle could transfer the knowledge it had gained from its internal collaborative projects to those that involved compatible chain partners.

There were two critical factors that facilitated the improvement in the relationships and therefore the flow of information between Golden Circle and its chain partners:

3. The availability of funds (provided by the Food Chains Program) for the development of the 'lean supply chain' project, the funding of the workshops and the engagement of expert facilitators to guide the process; and
4. The experience gained by the staff in the Supply Chain and Operations Area in developing an effective process that had encouraged internal commitment to cross functional collaboration.

In summary, the transformational change process adopted by Golden Circle had a positive impact on its ability as an organization to learn, particularly in the Supply Chain and Operations Area. The change process also had a positive impact on the Area's performance in terms of the improved operational performance exemplified in a 21% reduction in operating costs over the two year period. The change process also had a positive impact on Golden Circle's ability to build and sustain relationships with its main supply chain partners. While the majority of these relationships remained focused on improving operational alignment to reduce costs, Golden Circle had developed a more strategic relationship with one of its important input suppliers.

9.2 The contribution to knowledge

While the process of organizational change is well documented in the literature there are few empirical studies that document the implementation of such a process and its outcomes. This study contributes to filling this gap by linking the process of

organizational change to the development of the organization's capabilities to create, absorb and utilize knowledge to improve its competitive performance. Further, this study illuminates the impact that the organization's relationships with its chain partners had on the transformational process and its outcomes.

The cornerstone of this study is the development, from the literature, of a conceptual model of organizational learning in the context of a value chain. This model provided the framework for my analysis of the study; it has three distinct components:

1. The key factors that nurture an environment that supports learning – leadership, culture and the organization's structures and processes;
2. The key factors that enable learning to occur – a shared vision, motivated people and capacity building; and
3. The nature of the relationship existing between the chain partners that was influenced by their common vision, the presence of mutual benefits and the degree of open communication.

With respect to the key factors that nurture an environment that supports learning, the results presented in this study provide empirical evidence that supports the validity of this component of the model with respect to the Supply Chain and Operations Area of Golden Circle. Of crucial importance was the presence of strong leadership that had the capacity to articulate the need for change and to drive and sustain the change process. The key to this success was the change in organizational culture to one that embraced the concept of continuous improvement.

There was initial difficulty experienced in obtaining organization-wide buy-in to the transformational change process. The presence of these difficulties supported Schein's (1992) observations concerning different sub-cultures that exist within an organization and the impact these have on the rate of organizational change.

The longitudinal nature of this study provided detail of how this culture of continuous improvement was developed through the establishment and development of cross

functional teams. It also documented how the existing organizational structures and processes were modified to support it, initially through the restructuring of the activities within Supply Chain and Operations Area into seven category-based value streams.

With respect to the key factors that enable learning to occur within an organization, the results confirm the importance of the existence of a common vision, motivation and capacity building. By conducting interviews at three levels within the organization (senior management, middle management and operations) at three times over a two year period, I was able to document how shared commitment to these key factors was developed and executed.

However, the interview analysis identified one important enabling factor not explicit in my conceptual model – the importance of adequate resources being available to implement the change process. If, as Schein (1992) claims, organizations only undertake fundamental change when their survival is threatened, then it would seem obvious, in hindsight, that in such a period of crisis organizations would be limited in the level of resources – human, physical and financial, available to be devoted to the change process.

The results from this study clearly indicate that the success of the transformational change process was dependant on the availability of external funds (initially from the Food Chains Program and then from the equity capital injection in early 2005) and the appointment of the Manager (Continuous Improvement) and his team. In Figure 9.1, I have modified my conceptual model to recognize the importance of stressing the availability of adequate resources as an enabling factor of organizational learning.

The results of the study indicate that the three key factors that were identified in my conceptual model as defining the level of trust and commitment, and therefore the nature of the relationship that existed between partners in a value chain, was soundly based. The interview data did not indicate any other major factor that impacted on the relationships in this case.

Comment [A8]: Insert Figure 9.1 here

The data did confirm that the nature of the relationships was, in the majority of cases, what Lendrum (1998) would describe as a preferred supplier, where information exchange was focused on improved alignment and operational efficiency. This study documents how the formation of the three supply chain partner 'loops' by Golden Circle facilitated the improvement in its relationships with its supply chain partners through more proactive cross-organizational engagement and open communication.

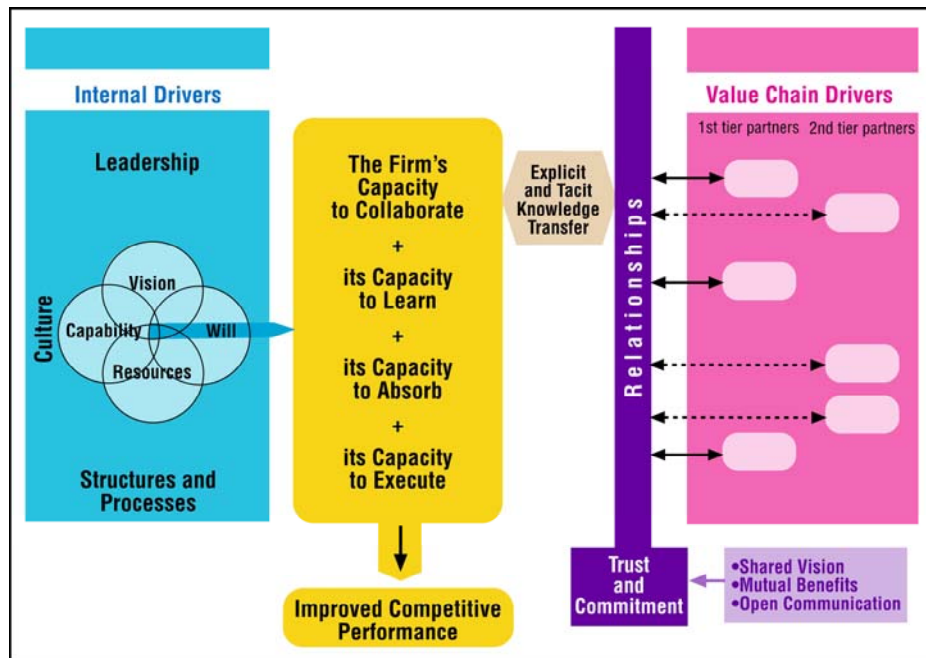


Figure 9.1 A revised model of organizational learning in a chain context

The data also highlighted the difficulties associated with the development of more collaborative relationships with supply chain partners. Two difficulties, in particular, stood out:

1. The importance of having a clear strategic vision and the supporting internal environment before engaging supply chain partners in collaborative initiatives (Cann, 1998); and
2. The impracticality of engaging in multiple collaborative relationships simultaneously (Barratt, 2004; Cox, 2004; Lambert & Cooper, 2000).

This study has already made two contributions to the literature: the flagging of organizational learning as an issue that needed to be addressed by Australian agribusiness firms that were operating in a rapidly a changing global environment (Dunne, 2004); and the preliminary results of this study as the first empirical longitudinal study undertaken on organizational learning in the context of a food industry value chain (Dunne, 2006).

9.3 The contribution to management practice

The most common criticism of single case studies such as this is that the results are not capable of generalization (Scandura & Williams, 2000). However in the area of organizational learning where empirical studies are few, a single case study can provide valuable insights on the impact of a change process on the development of the learning and absorptive capabilities of an organization. This particular case study also provided an opportunity to examine the process of intra- and inter-organizational learning.

The lessons drawn from this study can be instructive to managers contemplating implementing a transformational change process in their organizations with the objective of improving organizational performance. A particular strength of this study was that the data were collected over a two year period and involved multiple respondents from different levels of the organizations involved. This approach provided insights concerning the change process as it unfolded and allowing the documentation of the reaction of the different players to the various aspects of the change process.

9.3.1 The management of organizational change

This study confirms that the process of organizational change is difficult to achieve, takes time, requires dedicated resources and is achieved at a differential rate throughout the organization. The specific lessons that can be drawn from this study are:

1. The critical importance of the presence of a change champion who is passionate about the need for change, the managerial skills to formulate a strategy to drive change and the personal attributes to motivate people to collaborate in the

- development, execution and continuation of the change process. The General Manager Supply Chain and Operations was such a change champion;
2. The change process must be directed towards achieving specific measurable outcomes. While the overall objective of the change process within the Supply Chain and Operations Area was the reduction in operational costs, key performance indicators in terms of the working environment, customer service, quality management and direct costs that underpinned the delivery of this objective were developed and used to focus the Process Enhancement Projects;
 3. The change process must be embedded in a culture of collaboration, empowerment, responsibility and accountability if it is to be sustained. The management system developed around the Process Enhancement Projects established the discipline that provided integrity in project selection, group ownership of the process and its outcomes and pride in their achievements;
 4. The change process must be supported and resourced appropriately. The change process undertaken by Golden Circle was an investment in its future and required dedicated resources, both financial (funding of the Process Enhancement Projects) and personnel (the appointment of the Manager, Continuous Improvement and his support team) if it were to be successful; and
 5. The successful outcomes must be publicly celebrated if the change process is to be accepted and diffused across the organization. The public celebration of the Process Enhancement Projects' achievements, the six-monthly reviews and the involvement of senior management in both these activities provided a strong endorsement of the change process being undertaken within the Supply Chain and Operations Area.

These lessons are not particular to the circumstances or the environment in which the transformational process was undertaken by Golden Circle. However it is recognized that the implementation of these lessons would be difficult in some situations, for example, where individual operational units are not autonomous (such as individual branches of a large organization), or where performance accountability is difficult to measure or enforce (such as in public sector educational institutions).

9.3.2 The management of inter-organizational relationships

This study confirms that the development of collaborative, as opposed to cooperative, relationships between chain partners is a difficult, and in some circumstances an unnecessary objective, as reported by Barratt (2004) and Lambert and Cooper (2000). However the study demonstrates the advantages that result from building a level of operational trust between supply chain partners in terms of improved communication, better alignment and enhanced efficiency.

There are several lessons concerning the management of inter-organizational relationships that emerge from this study:

1. There is a need to have a set of clear and mutually beneficial objectives that are directly related to the building of closer chain relationships. While all of Golden Circle's chain partners had a vested interest in the continued viability of the company, there was a degree of confusion initially among the chain partners concerning the strategic direction of Golden Circle and their role in this emerging strategy; and
2. There is a need for the lead organization to demonstrate its commitment to changing the nature of the existing relationships with its chain partners. Golden Circle did this by being willing to share openly with its chain partners the seriousness of its financial problems, to engage in a dialogue with them to explore opportunities and to commit resources to resolve these problems.

9.3.3 The management of government funded projects

The 'lean supply chain' project which forms the basis of this study was funded under the Australian Government's National Food Industry Strategy (NFIS), therefore it is appropriate that some comments are made about the contribution public funds can make to a transformational change initiative such as this.

The 'lean supply chain' project was funded as a demonstration project because it was the first application of the principles of 'lean thinking' to an Australian agribusiness food

chain. As a demonstration project, the funding agency was keen to extract the lessons from the 'lean supply chain' project and disseminate them for the wider good of industry and the community.

Thank you very much for the paper (Dunne, 2006). It's really helpful as we capture the lessons learnt from our projects. I'll look forward to the expanded version. We will be getting a group together in late July to review and discuss the lessons learnt and to determine the way forward. (Managing Director NFIS Ltd., 2006, pers. comm., 1 June.)

In this respect, this study contributes to the evaluation of the effectiveness of this government funded program. Of particular value has been the longitudinal nature of this evaluation as this has enabled deeper understanding of the factors that shaping the outcomes of such projects, an understanding that is more difficult to achieve through the more traditional evaluations conducted at the conclusion of a project.

As reported earlier, the NFIS funds were crucial to the success of the change process within the Supply Chain and Operations Area of Golden Circle for the following reasons:

1. The funds contributed to providing resources for the Process Enhancement projects at a time of severe cash flow shortage within Golden Circle;
2. The funds contributed to engaging experts in the field of lean thinking that provided the project with credibility both within Golden Circle and among its supply chain partners; and
3. The funds assisted in facilitating the development of the pilot Supplier Association concept between Golden Circle and Amcor Fibre Packaging.

The 'lean supply chain' project also demonstrated the need for flexibility in the terms of the contract associated with such projects. For example, the initial contract specified activities to be carried out over a two year period, but the relevance of a Supplier Association was not appreciated when the initial project was formulated and it was necessary to amend the contract to accommodate this shift in focus which turned out to be critical in developing the collaborative relationship between Golden Circle and Amcor Fibre Packaging.

My final observation concerns the value of demonstration projects as an instrument of change. As this study has shown, demonstration projects can provide examples of how individual companies (and in this case their chain partners) have undertaken specific projects. However this case illustrates two deficiencies in the use of demonstration projects as instruments of change: the importance of the impact of specific individuals involved (for example the General Mmanager Supply Chain and Operations) on the outcomes of the project, and the importance of the interaction between an organization's collaborative, learning, absorption and execution capabilities on project outcomes – capabilities that are organization specific. These observations confirm that the outcomes of single case studies are not often capable of being readily duplicated.

The second deficiency relates to the nature of demonstration projects themselves. While demonstration projects can identify the key factors associated with the success, or failure, of a particular project, funding agencies typically commission one demonstration project on a particular theme. For example the 'lean supply chain' project was of interest to NFIS because it set out to demonstrate the impact of the adoption of lean thinking principles on the operational efficiency of a food industry supply chain. The results of this study have identified that the NFIS funding was critical to its initial success by providing the resources that were necessary for the change process to be implemented at Golden Circle. It would be unusual for NFIS to fund another project that built on the lessons learnt from the 'lean supply chain' project. As a result there is a funding void that may inhibit other firms from adopting the lessons emanating from demonstration projects.

However in their defence, demonstration projects do provide examples of what can be achieved given a particular set of circumstances; they can identify key issues that need to be managed; and they can provide insights as to how these issues can be resolved.

9.4 Opportunities for further research

The basic premises that underpinned this study were that if an organization was to develop an internal environment that nurtured learning and provided the key ingredients

that enabled collective learning to occur, both internally and with its supply chain partners, then its organizational performance would improve. The results reported in this study lend support to the validity of these premises. The most obvious extension of this study would be to apply my revised conceptual model of organizational learning (Figure 9.1) to other firms within the Australian food manufacturing industry to test the general applicability of the model and attempt to identify the relative importance of its components.

A second opportunity for further research exists in a more detailed examination of how the internal structures and culture of an organization impact on its capacity to evolve as a learning organization. In this study Golden Circle's traditional functional organizational structure, coupled with the differences in the variation in leadership, culture and processes that existed within each of the functional areas, inhibited the progress being made towards Golden Circle as a whole becoming a learning organization. This study would have been more complete if the time and resources had been available to involve personnel from the Finance and Sales and Marketing Areas in the data collection process.

A third opportunity for research exists in a more detailed understanding of the relationships that exist between supply chain partners and the impact of the nature of these relationships on the transfer of tacit and explicit knowledge between organizations. The results from this study confirm that it is difficult for an individual organization to establish strategic relationships with any individual chain partner, but it is possible to establish and maintain cooperative relationships with multiple chain partners that result in enhanced chain alignment. The question this raises is – to what extent are collaborative relationships that involve the transfer of proprietary knowledge between chain partners essential to the competitiveness of the Australian food industry?

While this study has identified several opportunities for future research, it also confirms one of the most important factors that inhibit such empirical research – engaging relevant respondents from the organizations involved. The reasons for this are varied but

include doubts about the benefits to their organizations and issues of confidentiality. In this study my access to personnel within Golden Circle and from its major chain partners was facilitated through my involvement with the agency that funded the 'lean supply chain' project. But even with this level of influence, I was not able to gain access to the senior levels of management within the retail chain partner which prevented me from gaining a bi-lateral view of the nature of the relationship between the retailer and Golden Circle.

Nevertheless this study has provided an in-depth evaluation of how one particular organization has developed its capability to learn and apply this knowledge to improve its competitive performance. This has in turn, provided the basis for the development of a model of organizational learning that may well have potential applications across a range of organizations or industries. It offers support for and contributes to the key lessons embedded in the literature on organizational learning and its impact on organizational change. Crucially for those with a commitment to the centrality of education in the knowledge economy of the 21st century, it reinforces our obligation to create an environment that nurtures and enables learning to thrive.

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APPENDIX A

Invitation to join the Food Chains Program Advisory Board



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Associate Professor Tony Dunne
Department of Natural & Rural Systems Management
University of Queensland
Gatton College, QLD 4345

Dear Tony

I am writing on behalf of Rob Robson, Harvest Fresh Cuts, to invite you to join a small committee overseeing the roll out of a programme funded under the National Food Industry Strategy. Rob is the committee's chairman and a member of the newly appointed National Food Industry Council.

The \$102m National Food Industry Strategy is a 5-year initiative, based on an industry-government blueprint designed to support the growth of a sustainable, innovative and globally competitive Australian food industry. National Food Industry Strategy Ltd, headed up by Jim Kennedy, will deliver most of the funded programmes. The Committee you're invited to join would oversee the activities of the \$10.4m Value Chain Programme. The programme funds grants to support leading edge chain management projects and capability building initiatives targeting the food industry and professional supporters and advisors.

The focus of the Committee's year-one activities would be on the capability building initiatives and learning network. These will be based on the foundation work undertaken by AFFA and lessons and achievements of the Food and Fibre Chains Programme.

We are keen to have you on this committee given your business experience and familiarity with the strategic issues surrounding the programme. Involvement would not be time consuming, including around 4 relatively short, focused meetings per year in Brisbane. An initial meeting will be held in Brisbane on Friday 6 September from 2 to 5pm at the Port Office Hotel Board Room, Edward Street.

Please telephone me on 02-6270 8807 to discuss this invitation or contact Rob Robson on 07-3879 3388.

Yours sincerely

Fiona Cornwell
Value Chains Programme Manager
National Food Industry Strategy Ltd

6 August 2002

APPENDIX B

Examples of Interview Guides

Research Project: Organizational Learning in Food Value Chains

Benchmark Interview Guide: Senior Manager -GC

Personal Background

Could we commence by you telling me a little of your professional background – how long you have been with the company, your previous employment and responsibilities

Organizational Culture

Could you tell me a little about the culture of Golden Circle and its core values?

Is the organization's culture what you would like it to be? If not, what changes would you like to see?

Would it be difficult to bring about these changes in your organization's culture?

Organizational Structures, Processes and Procedures

Does the present structure of your organization encourage collaboration?

Does the present structure of your organization provide sufficient opportunities for staff input into the decision making process?

Do your organization's processes provide your staff with the opportunity to experiment?

Are your organization's procedures transparent?

How important is staff development and training to your organization?

Is there a formalized system of staff appraisal in your organization?

What is the system of employee remuneration operating in your company?

How would you describe your organization's internal communication system in terms of:

- *Informing staff about the performance of the organization*
- *The right information getting to the right people in a timely fashion*

Aspirations

Why is Golden Circle undertaking this particular project?

Who instigated the project?

How important is this project to the future of your organization?

Is this project a part of a larger change initiative within your organization?

If so, could you tell me a little about the initiative, what is driving it and what you expect to achieve from it?

What indicators will you use to measure the achievement of these objectives?

Organizational Capabilities

What are the major obstacles that you see may prevent you from successfully implementing this project?

What steps do you intend to take in order to minimize the effects of these potential obstacles?

Organizational Commitment

What additional resources has your organization committed to this project?

How were the reasons behind this project communicated to the staff involved?

How did you muster support for this project from the staff involved?

Are the staff involved supportive of the project?

Chain Relationships

How important is the cooperation and collaboration of your chain partners to the success of this project?

What steps are you taking to engage your chain partners, at a senior management level in this project?

How would you describe your organization's relationships with its chain partners in this project in terms of:

- *The degree of collaboration*
- *The quality of information transfer*
- *The presence of a win-win orientation*
- *The degree of formal and informal contact*
- *Shared vision and aspirations*
- *Similar organizational values*

Leadership Profile

Could you describe for me your leadership style?

What would you consider to be your strengths as a leader?

One of the enduring management clichés is that people are the most valuable asset a firm has – would you like to comment on that?

Motivating staff is a perennial management issue, how do you motivate your employees particularly in a climate of uncertainty and change?

Mid-Term Interview Outline: Middle Management

Could you describe for me the changes that have occurred over the past 12 months in terms of:

1. the leadership style
2. the culture of Golden Circle
3. Its structures and processes

What is the most important task senior management should focus on in the immediate future?

Has the level of cooperation between the different sections of Golden Circle improved over the last 12 months?

In your opinion, what has been the staff's reaction to the change process being implemented at Golden Circle? (staff alignment with the vision –to be a leading food and beverage company in the Asia Pacific)

Have any specific changes been implemented in how “things are done around here” to maintain your staff's commitment to the change process? (the effect on staff motivation)

Have any specific support measures been provided for staff to assist them in coping with the changes being implemented? (improving the capability of staff to accommodate a changed working environment)

Has the change process been successful so far? (bottom line benefits as well as changing the culture of the organization)

Has there been more contact between you and your major suppliers – growers, AMCOR, CHEP (building social bonds)

Has the quality of information shared between Golden Circle and its major suppliers and customers improved? (quality of information transfer)

Has there been more joint planning occurring between Golden Circle and its major suppliers and customers? (strategic v operational)

How the move towards a more collaborative relationship with suppliers and customers impacted on the performance of your particular area? (outcomes)

Final Interview Outline: Suppliers

FOCUS: – inter-firm relationships

The lean supply chain project commenced with GC's intention of developing closer more collaborative relationships with its major supply chain partners:

1. Has this happened?
2. How would you describe the current relationship with GC?

Have you a clear idea where Golden Circle is heading with its change process and how you can contribute to that change?

Do you think that your firm has influence the way in which GC now operates?
Examples?

What is the level of communication like between your company and Golden Circle? Has it improved? Where can it get better?

Is the information more of a strategic nature as opposed to operational?

Was there any benefit in the meetings that were held with all suppliers present?

Is the concept of a Suppliers Association feasible?

Can you describe for me what has been involved in the pilot project between GC and AMCOR Fibre Packaging?

Has it been of benefit?


How do you think the project will develop? Has this any implication for other suppliers?

How has the Quality Payments System worked for your firm in the last 12 months?


If we were to start all over again what could GC have done to make the engagement with your firm better?

APPENDIX C

Example of Supply Chain and Operations Newsletter



Supply Chain and Operations News



Jan 2006

A look back by John Zillmann

In wrapping up 2005 it was great to take a moment at the recent Supply Chain and Operations end of year review to reflect on the wins some of the teams had over the last 6 months.

It has been a demanding year of change with many positive results. Your efforts in an environment of reduced sales and inflationary pressures has certainly assisted Golden Circles 2005 results and are greatly appreciated. The take home message is that focusing on a common goal, measurement and engaging your people in the continuous improvement process does deliver results. It is no quick fix and has demanded persistence and considerable effort from the majority of you.

You should be aware by now that our 4 focus areas are People, Customer Service, Quality and Cost. The activities your teams participated in over the course of the year delivered the following cumulative results.

<p>People</p> <ul style="list-style-type: none"> • Lost Time Injury Rate Falling from 13 to 8.1 - our best ever safety result. • Upskilling as a result of Certificate Four in Front Line Management, Certificate Three in Food Processing, Certificate Two in Engineering Production, Lean programmes, Apprenticeship opportunities, Travel opportunities and New equipment. • A clear career path for wages employees • A renewed focus on skill retention through increased permanent employment opportunities. <p>Customer Service</p> <ul style="list-style-type: none"> • Improved Overall Equipment Effectiveness (OEE) making better use of our assets to deliver customer requirements. • A good balance of pine pack coverage. 	<p>Quality</p> <ul style="list-style-type: none"> • Reduced internal failures. • Improved trend on Customer Complaints in the last half of the year. <p>Cost</p> <ul style="list-style-type: none"> • \$9 million savings against budget of which approximately \$4 million has directly come off our cost of goods. • Materials reformulations and costdowns > \$3.5 million to help offset the impact of those materials whose prices increased. • Reduced inventory levels. • Approval and implementation of various capital projects. <p>2006 targets and activities for the above focus areas are being finalised with each of the Departments and will be communicated in January.</p> <p>Thanks for your efforts over the past year. I look forward to seeing you exceed your 2006 goals.</p>	<ul style="list-style-type: none"> • A Look Back • Good to Know • Central Workshop Facility • Training Overview 2005 • End of Year Reviews • A visit to Uncle Toby's • Anuga Trade Fair
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good to know

The 16th December 2005 held the first 'Good To Know' (GTK) session in the Live Auditorium.

Kym Vercoe our Marketing Manager will be conducting these Good To Know sessions on a monthly basis from now on. We encourage all to attend to come along and see what's happening in the market place. As well as where are we heading with our brand.

The presentation 'Eye on Australia' is all about what is happening in the market place, what the consumers want. How the market place is changing, generally looking at the mood of Australia. As well as what are the consumers thinking.

Look out in the next edition for more information about the 'Good To Know' Session. Details regarding the timing for the next session date and time will be released shortly. See you at the GTK Session.

End of year reviews

by Diane Leist

With the 6th of December fast approaching the Lean Department saw a stampede of volunteers all clamoring to get the opportunity to present at the end of year reviews. Unfortunately the spaces are numbered and not all the teams can present, so in one case it came down to drawing straws to see who the lucky team would be.

The weeks and days before the presentations were fraught with excitement and nerves as the teams all spent time polishing and perfecting their presentations. I think that many an hour was spent in front of the mirror at home getting it just right.

The big day arrived.....finally! We had twelve groups presenting this time round, some old hands that had presented before as well as many first time presenters. Everyone gathered, you could practically hear them going over their speeches in their heads, just one more time.

John Zillmann gave the introduction and reminded us that the purpose of the reviews is to enforce team building along the whole supply chain, idea sharing, learning and to celebrate the teams successes. Also where our focus is, on our people/ teams, the process and delivering / exceeding on planned improvements.

First cab of the rank was the Grower Integration team, Jon Carmichael, Nigel Todd, Tim Wolens and Jodie O'Connor lead the charge we looked at the achievements. The 1st July was the start of the Fruit Timing, Pineapple Contract Fulfillment Bonuses are underway. The alignment of production practices to GCL requirements launches the Best Practices Manual an Australian first. Innovations setting world's best standards, the completion of the pineapple detopper harvester and reducing on-farm production costs.

Looking forward to 2006 will focus on further development in pineapple QBPS, fruit size profile, progression of the fruit supply timing and contract fulfillment bonuses and pineapple mixed bins. The completion of the pineapple planter plant material collector.

Quality Based Payment System (QBPS) was introduced into beetroot, a new sampling and rejection system. They also launched the Sustainable Beetroot Project. The southern citrus suppliers now come under the umbrella of the team.

Materials Integration team with Andrew Wadey, Matt Berkeley, Suzanne Snape, Dougall Lodge. The team walked us through the inventory GC produced and purchased, raw and packaging inventory summary. Logistic Services have had no LTI's in 2005 the last was 688 days ago. We looked at the vendor breakdown of BOM materials. Project 2006 will look at freight inbound and outbound, electricity across all business

units and long term motor vehicle fleet management.

Cordial was presented by John Storey and Vinnie Singh, they gave us a summary of their results for the year so far. We then looked at the efforts of the Hit Squad. The challenges for 2006 will be the new 2 & 3 litre hot fill bottles, shelf ready packaging and the line 1 upgrade.

Carbonated soft drinks where next Peter May and John Souter, gave a run down on their Quality, Cost, Service and People. Then John gave us a brief of 'The Tinnies' who looked at the cause of the dents in the cans. The team started with a clean and tag and are currently arranging quotes for different inverters. The team will also be part of a trip to CUB to investigate other options of can transfers and twists. The team is also collaborating with Amcor to investigate this issue. At this stage they are still working towards a solution.

Bill Nolan gave the overview for the Sugar Plant. Bill took us through the work they have put into Quality, Cost, Service and People, with a particular emphasis on cost.

Tetra pak was introduced to us by Alice Kapaith, John Cozzi, Gavin Blank and Mark Williams here we looked at the Errornauts down time caused by operator error, 'Mixed Nuts' product delays. They walked us through the process step by step from the data collection to the analysis of the problem, then what measures were put in place to overcome. They have been able to show consistency and stability. John Fitz then gave us a run down on Quality, Cost, Service and People for tetra pak.

Eco-efficiency Paul Prendergast and Nathan Nykvist showed us the KPI's for water use, KL of water per tonne of production. We saw how we compared against other AFGC manufacturers. 2006 will see the introduction of a tertiary treatment plant.

Pineapple gave us the Chop Chops, Jim McKimm, Ari Cheng, Dusan Gilvar, Ashley Hanns, Matthew Clark and Greg Punter. The Chop Chops fitted a direct infeed chute to 6 & 7 Bingham ginacas and reduced labour by one person from the trimming area at the same time a target of less than 10 minutes downtime per day. Then Greg (Professor) Punter gave us a brief on the Juice Extraction Project.

Other Fruits with Michael Doughty and Martin Jakubukia we had a run down of the Quality, Cost, Service and People. There was also the beetroot pre grader that came on line in September. We also saw the innovations by employees with better use of equipment and to make a safer work place. Well done Warwick Berry.

Jason Brady and Terry McGarry went through the hot topics of Quality, Cost,

Service and People on behalf of the Food Hall. Terry Clayton gave a short brief on the new Zacmi Piston Filler that was installed in September and the Douglas Packer that is currently being installed.

Ricky Brehaut stood up for beetroot and ran through the year so far. Kevin Norris gave us an overview of the safety leadership team, and the step by step approach in helping to address issues such as pine rash, sprains, strains, cuts and lacerations.

Last but not least Roger and his band of merry men, David Coy, Doug Stephens, and Smur aka Jason Dowsett. Here they showed us the improvement in distribution. We saw the good work in safety, the challenges in just getting the goods to the customer's door.

We all look forward to the mid year reviews in 2006, the quality was outstanding, well done to all those that had the courage to present.



Vinnie, Ali, Kevin, Ashley and Dusan chat about the reviews



Vinnie, Peter and John enjoying a coffee



Ricky and his best friend Jim



Afternoon tea break



At 10pm on...

Central *workshop* facility

The central workshop facility saw a new face on the block, the newly designed workshop benches. Keeping in line with Lean Manufacturing Principles the suggestion was made to close in the under sides of the work benches. Thus creating better storage place for tools and equipment as well as removing clutter and unnecessary items from the workplace.

The first suggestion was to enclose the three sides with sheeting and have one opening as access, this would have then created a problem in accessing the equipment stored underneath. With a little "plan, do, check act" applied they came up with a practical solution to a messy problem. Instead they added sail track and created a curtain around the work benches which allows easy access

from all sides and still protects from dust.

Now the central workshop facilities are sporting new workbenches, with the new logo and are adopting a new attitude for success. Working towards a new and improved work area!



View of the old work benches



Andrew Clark and John Hemming working at one of the new workbenches

Training overview 2005

by Steve Hutchins

It has been a hugely successful year for staff development and training in Operations at Golden Circle. Management highlighted People as one of the four key priority areas for 2005 and followed through by supporting and resourcing the establishment of a leading edge training and development program.

First workshops were held to develop a clear vision of the skills needed to achieve Golden Circle's strategic aims. This vision was mapped to competencies from the Australian Qualifications Framework.

The result is a Leadership and Operations Skills program supported by the Queensland and Commonwealth governments which awards graduates with accredited, nationally recognised qualifications and the skills to actively participate in the exciting process improvement projects and challenges ahead.

The first group of sixty employees are due to complete Certificate 2 Engineering Production in March 2006 with twenty progressing to Certificate 3 Engineering Production. Another sixty trainees are then starting the program to continue the good work. Special thanks to Supervisors and Mentors for supporting the trainees.

The Leadership Program had forty-six graduates this year being awarded certificates presented by CEO Steve Morrow. A new group of twenty is planned for 2006.

In the new year the focus will be turning to our administrative areas with the establishment of a Clerical Framework Project Team. The team will first build a vision for

clerks at Golden Circle then establish a skills framework and training needed to support the vision.

2006 promises to be another busy year for staff development and training at Golden Circle.



John Penney receives his certificate from Steve Morrow and Lewis Percock



The group of Level 2 & 3 trainees in 2005



A visit to Uncle Toby's

by Jevon Turner

During late November Simon Taylor, Trevor Lee, Tony Druce, Ben Crennan and myself Jevon Turner visited the Uncle Toby site in Albury, Victoria to see their operations, for the purpose of bringing ideas back to Golden Circle.

The group's first impression of the site was the high presence of

security, with entrance through a single gate via security, with swipe card access and high camera coverage.

The processing areas were well laid out with plenty of room for operators and was well lit. Colour coding had been used to designate areas, storage and safety items. Modern technology had been well used through out the plant, including the use of robotics to minimise manual handling, and finished products were conveyed overhead removing the need of forklifts in the productions areas.

Evidently it is clear that Golden Circle is following the same path in introducing a

lean production environment, and visiting Uncle Toby's gave the group an opportunity to see potentially what can be achieved at our site.



Ben Crennan, Jevon Turner, Simon Taylor, Trevor Lee, Tony Druce

Anuga trade fair

by Peter Swain

Tony Scanlan and I recently had the great opportunity to attend this trade fair in Cologne, Germany.

It is held every two years and is the premier world event focused on new and upcoming product concepts. Cologne is an interesting city and sitting on the banks of the Rhine River the scenery was a great backdrop for the event.

The convention itself is huge with 14 halls (generally 2 levels) of displays from countries all over the world. Luckily we were told to take a good pair of walking shoes, which we really needed.

The trip was a hectic 6 days; we flew in on Friday 7th October after 26 hours on a plane and then spent the next 4 days walking our feet off from 9am in the morning to 5pm in the afternoon.

The biggest opportunity that we saw for Golden Circle was the huge growth of 'Healthy Beverage' concepts from fruit/vegetable blends (including Beetroot) with or without vitamins to Soy/fruit blends. An enormous range of energy beverages were also on display which was to be expected as they first originated in Germany.

We had some good discussions with our main trading partners and several development opportunities were discussed with a major formulation company based

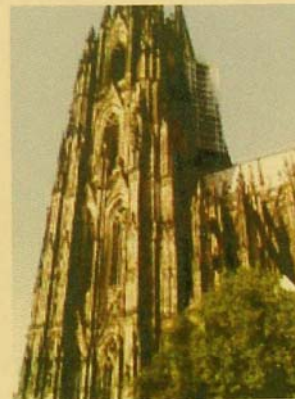
in Germany and these discussions are still ongoing.

Given the number of people that attend these events it was not unexpected to bump into some old acquaintances, one being Andrew Mitchell our old GM Sales & Marketing.

Tony and I felt it was certainly worth the trip as it helped us to target where the development opportunities lay for Golden Circle and incorporate these ideas into our Marketing plans for the coming year.

On the last day I did managed a small amount of some sight seeing and some extra sleep before flying back home at midnight on the 13th and have included a couple of pictures of the town and the main tourist attraction - the Cologne Cathedral. Construction of the gothic church began in the 13th century and took 632 years to complete. Apparently it was the only building of significance that was left standing after the bombings in WWII. Tony had left earlier the same day but returned via Japan so that he could conduct some business in Japan with our International Sales Manager, Simon Burgess.

In all it was a very interesting and rewarding trip but certainly tiring.



from the editor

Please contact the Lean Office on ext. 1644 or 1188 (situated next to Factory Services) for future stories and communication topics. All 'budding journalists' welcome!

