

# Managing growth in medium-sized organic businesses: Implications for local orientation and resilience building

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## Abstract

This article explores how locally oriented organic businesses adapt to handle crises during a growth process to build resilience, how these businesses maintain the local orientation when growing and what the implications are for the relationship between territoriality and organic production. We explored four cases of organic businesses in Sweden, Norway, Germany and Austria. The cases can be described as Values-based Territorial Food Networks. All cases experienced challenges and crises during their growth processes and sought to provide stability and flexibility in order to deal with change. The restructuring process required internalising learning into their organisations, using diversity in a strategic way and forming long-term partnerships within their

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value chains. While organic certification was never at stake, the meaning of 'local' shifted in some of the cases.

#### KEYWORDS

adaptive capacity, local food, organic value chains, resilience, Value-Based Territorial Food Networks

## INTRODUCTION

Various social and environmental challenges emerge from the development of the global food system. The large environmental impacts of current food production are coupled with public health and food security issues associated with food consumption (Tilman & Clark, 2014; Willet et al., 2019). As a response to this, both local and organic food systems claim to remedy some of these challenges and thus are niches that have grown for some time (King et al., 2010). Such food systems can be described as Values-based Territorial Food Networks (VTFN). VTFN is an overarching concept encompassing local food systems, civic food networks, alternative food networks and short food supply chains (Reckinger, n.d.). Overall, values hold together the manifold alternatives to mainstream food systems, including interrelated sustainability values. In addition, these values are put into practice, as in the case of organic production. 'Territorial' is used to underline that these initiatives consider some kind of 'placebasedness' as a central part of their identity (Reckinger, n.d.).

The most recent societal challenges, in the form of the COVID-19 pandemic and the war in Ukraine, intensified the public debate on how to enhance more region-based and values-based (e.g., organic) food chains (Loker & Francis, 2020). On the local, regional, national and European levels, civil society organisations and politicians emphasise the need to strengthen supply chains for local food (food policy councils, transition towns, slow food, green parties, etc.; Renting et al., 2012). However, local market initiatives are often not scalable (Mount, 2012). Thus, it is imperative to develop an understanding of how such food systems can grow to serve more consumers and to include more producers and processors without losing sight of the values underpinning them.

Since the emergence of the organic sector, there has been a strong segment with a local market orientation—joining two desirable aspects of food supply, namely, sustainable production methods and geographical and/or social proximity (Kebir & Torre, 2012). To contribute to the sustainable transformation of food systems, local organic food organisations are challenged to develop and spread—that is, survive and scale up—without compromising their motivating principles (Blay-Palmer et al., 2013). One way to be able to scale up is to introduce mechanisms typical for conventional food value chains: branding (to tell a story of authenticity), certification schemes (to be able to trust the products) and retail (to connect with a large number of consumers) (Mount, 2012). Indeed, scaling up often involves partnering with a strong market partner, such as a retailer, and/or to create new alliances, clusters or hubs (Beckie et al., 2012; Clark & Inwood, 2015; Roep & Wiskerke, 2012). Locally oriented retailers can be critical in the expansion of local food systems (Trivette, 2019). Thus, scaling up can be achieved by introducing intermediated distribution channels (Ostrom et al., 2017). However, market alliances can also bypass the conventional retail system to safeguard a local organic approach (cf. Milestad et al., 2017). For example, organic box schemes collect, pack and distribute produce directly to consumers (Ostrom et al., 2017). Thus, while there are national and internationally oriented organic producers, as well as non-organic

locally oriented producers, this article focuses on businesses and initiatives with a combined local and organic orientation.

The role of trust is often pointed out in local food chains and in supply chains where value-added products (such as organic) are distributed (Bloom & Hinrichs, 2010; Trivette, 2017). When food businesses scale up, Stevenson and Pirog (2008) argue that trust between organisations becomes more important than personal trust. Another important aspect is the formation of strategic partnerships (Stevenson & Pirog, 2008), which become important in value chains containing more actors than only producers and consumers (cf. Legun & Bell, 2016).

Many locally oriented organic initiatives exhibit hybridity as they grow—they interact with the conventional food system in multiple ways at the same time as they develop their local markets. It is not either or but a diversity strategy (O'Neill, 2014). While some authors fear that conventionalisation (e.g., Buck et al., 1997; Campbell & Rosin, 2011; Darnhofer et al., 2010a; Guthman, 2004) is inevitable when using the marketing channels of mainstream retailers, there has been some conflation between the argued undesirable uptake of conventional production logics and the professionalisation necessary to develop successful initiatives and businesses (Best, 2008).

This article analyses the trajectories of four locally oriented organic businesses in Sweden, Norway, Germany and Austria that went through a period of growth. As the organisations grew into medium-scale businesses or co-operatives, they faced challenges and crises in their development pathways. They did not only survive as individual businesses but also managed to improve their value chain embeddedness. However, the implications for their local orientation differed, partly depending on how they framed this from the start. The businesses were able to buffer against crises and adapt to changes. This is analogous to resilience. We use resilience thinking to frame the analysis and to draw conclusions about how the initiatives managed crises and challenges during their growth processes. The main questions that guide this research are, therefore: How do locally oriented organic businesses adapt to handle crises during a growth process to build resilience? How do businesses maintain a local orientation when growing? What are the emerging implications for the relationship between territoriality and organic production?

## THE RESILIENCE PERSPECTIVE

Our hypothesis is that resilience thinking can help understand why and how the organic businesses—within their respective value chains— managed to tackle the significant challenges encountered. Resilience thinking 'can enable researchers to comprehensively describe and explain' the dynamics of a food system case (Sinclair et al., 2014, p. 380). Also, resilience-related concepts, such as diversity or flexibility, are more useful than just separating between short and long value chains when conceptualising food systems (Smith et al., 2016). In particular, we use the adaptive cycle (Gunderson & Holling, 2002) to illustrate the trajectories of each case. We also use other, more recent work from the social-ecological resilience literature to frame the analysis of the four cases (e.g., Biggs et al., 2015; Walker et al., 2004), adding to the growing literature on food systems' resilience (Ashkenazy et al., 2018; Darnhofer et al., 2010b; Hendrickson, 2015; Himanen et al., 2016; Hodbod & Eakin, 2015; Macfadyen et al., 2015; Meuwissen et al., 2019; Schipanski et al., 2016; Sinclair et al., 2014; Smith et al., 2016; Tendall et al., 2015; Toth et al., 2016).

When it emerged, resilience thinking was a new way of conceptualising the dynamics of ecosystems and natural resource management (Holling, 1973). Since then, the use of the concept has been widened to include the analysis of social-ecological systems such as food systems, urban areas or the general economy (cf. Gunderson & Holling, 2002; Macfadyen et al., 2015). Resilience

means that a system can absorb change and reorganise after change while retaining essentially the same functions and structure (Walker et al., 2004). Carpenter et al. (2001) suggested that resilience in social-ecological systems has three defining characteristics: the amount of change a system can undergo while maintaining its functions and structures, the degree to which a system is capable of self-organisation or reorganisation and the ability to build and increase capacity for learning and adaptation. Adaptive capacity is the ability of actors to cope with change and dynamics (Gunderson & Holling, 2002) and will determine if resilience can be built (e.g., Fazey et al., 2007; Himanen et al., 2016). Thus, it emerges from management practices and decisions made. A social-ecological system, such as a food value chain or a food initiative, with low adaptive capacity is more vulnerable to disturbances (Adger, 2006).

Learning is a significant factor when building adaptive capacity and social-ecological resilience (Davoudi et al., 2013). Thus, if actors and organisations learn (by social learning), there is a high probability that they will increase their adaptive capacity (Fazey et al., 2007). This is connected to the ability to understand the system that actors are managing. It enables actors to manage changes and feedback from the system (Biggs et al., 2015). Other factors that are often mentioned to be conducive to adaptive capacity are diversity, flexibility, social networks and trust (Elmqvist et al., 2003; Meuwissen et al., 2019; Walker et al., 2006).

Resilience thinking is based on the premise that systems are dynamic rather than stable (e.g., Walker & Salt, 2006). The adaptive cycle (Figure 1), a heuristic model first described by Holling (1973, 2001) and later elaborated by Gunderson and Holling (2002) illustrates this dynamic with the help of four phases of development: the exploitation phase (also referred to as the growth or r-phase), the conservation phase (also referred to as the K-phase, when accumulation takes place), the release phase (when the system collapses, also referred to as the  $\Omega$ -phase) and the reorganisation phase (renewal of the system, also referred to as the  $\alpha$ -phase). Long periods of relative stability and accumulation (short arrows in the figure) alternate with shorter periods of change (long arrows in the figure). The release of resources in the  $\Omega$ -phase creates opportunities for innovation and reorganisation. If the new r-phase is fundamentally different from the previous one, the system has transformed into a new system (cf. Folke et al., 2010).

Himanen et al. (2016, quoting Folke et al., 2010) describe food systems that are able to persist, adapt and transform under conditions of uncertainty as resilient. Smith et al. (2016) suggest that the elements of resilience that are most relevant for food systems are diversity, responsiveness, and cohesion, where diversity is the variety of actors, skills, institutions, ideas, and functions; responsiveness is how quickly the system can respond to crisis or pressure; and cohesion is the interaction between parts of the system in the form of networking, relationships and communication (p. 49). In this vein, a locally oriented value chain for food will improve feedback management due to the shorter distance between actors and thus system resilience (Toth et al., 2016). To explore this further, this article looks at four real-life cases of locally oriented food businesses and value chains to see how they adapt to handle crises during a growth process, how the businesses maintain local orientation when growing, and what the implications are for the relationship between territoriality and organic production.

## METHODS

The cases we present here were initially part of the studies undertaken within a research project where over 20 case studies of growing mid-scale businesses or initiatives for organic food were undertaken in 11 different countries<sup>1</sup>. The bulk of data collection was carried out during 2014 and

updated during 2020/2021. All cases had in common that they (a) represented mid-scale organic businesses or initiatives in their respective countries, (b) had grown considerably since establishment and (c) sought to add value to their products by adding on quality aspects in addition to adhering to the EU regulation for organic production. Such quality aspects could include the localisation of production and consumption, animal welfare, regional development, social justice, or a combination of these. We selected four cases that based their business proposition on ‘locality’ as an additional quality to organic and that offered sufficient data to perform a resilience analysis. These businesses are located in central and northern Europe (Table 1). While the case studies represent different types of organisational setup, they can all be described as VTFN as defined by Reckinger (n.d.).

*Upplandsbondens* is a farmer-owned co-operative based in the Swedish province Uppland, north of Stockholm. There are no employees, and the board consists of farmers. The main product is organic beef. The co-operative was established in 2006 as a result of poor market possibilities for organic meat in this region. Upplandsbondens has about 100 members in Uppland (almost all organic beef producers in this area), and also a number of farmers north of Uppland who uses the services of Upplandsbondens to bring their meat to market. The objective of Upplandsbondens is to negotiate the best price for its members in relation to the buyers (slaughterhouses and wholesalers) and to rear, slaughter, process and sell its meat in the province of Uppland. The meat that fulfils these criteria of Local Food Systems (Reckinger, n.d.) carries the Upplandsbondens brand. However, the main sales channel is on the national scale: slaughter in or outside the Uppland province, processing and distribution to supermarkets all over Sweden under the organic brand of a nation-wide conventional retail chain.

*Røros Dairy* is located in the town of Røros in the eastern part of southern Norway. The dairy produces a range of fresh products made from organic milk and is the only organic dairy in Norway. It was founded in 2001 as a private limited company by a co-operative of regional organic farmers, a regional food organisation, TINE Norwegian dairies, the Røros municipality and Innovation Norway. The dairy has 64 employees. From 2001 to 2013, all organic milk was supplied from regional farmers, while in 2020, they supplied only one-third of the milk processed. The rest is supplied by organic farmers outside the region. The local orientation is expressed in the use of local and ‘pure’ ingredients and in the production of traditional products based on rich culinary traditions and handicraft. Røros Dairy produces more than 50% under licence for one major retail chain in Norway, while the rest of the production is sold under its own brand on the national market.

*Landwege* is a producer–consumer–co-operative selling a range of local organic foods. The co-operative is an independent organisation with a bit more than 30 member farms and approximately 1000 member–consumers, operating five retail shops in the city of Lübeck in northern Germany with around 146 employees. The co-operative was founded in 1986—in the wake of the Chernobyl accident—as a garage initiative for members only, that is, farmers and consumers coming together selling and buying local organic foods. In the early 2000s, growth started to take off, and Landwege became important for marketing organic products originating in the region. The Landwege brand slogan is ‘Regional! Organic from the neighbourhood’. This refers to what Reckinger (n.d.) calls ‘countering unsustainability (as signified by conventional food after Chernobyl) by familiarity’ in local food systems. In the Landwege shops, local produce is complemented by a full range assortment from an organic wholesaler. The co-operative is accompanied by a foundation with a focus on environmental education issues linked to the region.

TABLE 1 An overview of the four cases analysed, including their understanding of the territorial aspect

Company name	Upplandsbondens	Rørørs Dairy	Landwege	Biohof Achleitner
Country	Sweden	Norway	Germany	Austria
Year of founding	2006	2001	1986	1998 (box scheme)
Legal status	Producer co-operative with 170 members	Private limited company owned by regional organic farmers and other shareholders	Consumer–producer co-operative, 30 farmers, approximately 600 consumers run as retail business	Family business (limited company)
Yearly turnover	2–5 million euros (2020)	22 million euros (2020)	18 million euros (2020)	Approximately 22 million euros (2017)
No. of employees	0	64	146	60 employees in box scheme
Main products	Fresh meats, mainly beef	Rørørs-branded dairy products and dairy products under retailer's own brand	Locally branded dairy products, eggs, vegetables, bakery products; full range via a wholesaler	Vegetables from own farm, full range of products from supplying farms and local food processors, import of fruits
Position in the value chain	Production	Processing	Retail	Production, distribution, wholesale, retail, restaurant
Type of territoriality	Production, processing and selling meat within the Uppland county	Local identity, traditional products from the Rørørs region	'From the region, for the region' for a proportion of the assortment	Local producers and processors, farmers in distant countries with social proximity. Local distribution
Main market channel	Local and national retailers via processors and wholesalers	National retailers	Five supermarket stores	Box scheme, online shop, (plus retail shop and restaurant)
Report reference	Milestad and von Oelreich (2015). Upplandsbondens – Sweden	Kvam and Bjørkhaug (2015). Rørørs Dairy–Norway	von Münchhausen (2015). EVG Landwege – Germany	Furtschegger and Schermer (2015). Biohof Achleitner—Austria (updated 2021)

*Biohof Achleitner* is a family-owned business situated in Upper Austria, Austria. After taking over the farm in 1986 and converting it to organic production in 1990, Achleitner started off with direct marketing of the farm produce and supplying organic shops. The enterprise comprises five different branches: the farm, a box scheme, a restaurant, an organic retail shop and a wholesale (the latter is partly outsourced to another entrepreneur and employs 130 people). The box scheme, being the most important sales channel, sells 10,000 boxes/week within a radius of 100 km and engages approximately 60 employees. The farm employs around 30 people, and the restaurant and retail shop around 20 people. The Achleitner farm produces the core of organic vegetables needed for the boxes on about 100 ha, but the box scheme also buys additional vegetables and other products from more than 100 suppliers, both in Austria and abroad. Achleitner aims to maintain direct interaction and relationship with all supplying farmers and processors. Thus, Achleitner focuses on social connectedness and embeddedness as criteria of local food (Reckinger, [this, issue](#)).

## Data collection and analysis

Data collection was carried out by standardised protocols for all four initiatives, albeit by different researchers knowledgeable of the respective national context and languages. Semistructured interviews included founders and/or managers and other influential actors in the businesses and value chains of each initiative. All researchers used the same interview guideline. In total, 25 interviews were carried out during 2014. Most of the interviews were recorded and transcribed, while others were more informal check-ups on the phone. For Upplandsbondens, four interviews with three key informants (founders, board members, business partners) were conducted. In the case of Røros Dairy, we conducted ten interviews with nine key informants (founders, board members, business partners, former and current managers and a public support institution). For Landwege, five interviews with three key informants were held (CEO, farmer from one of the partner farms, leader of a farm shop). For Achleitner, we conducted six interviews with five key informants (the managing director, the manager responsible for storage and logistics and the one responsible for the customer service department as well as with two supplying vegetable growers).

Documentation and written sources such as home pages, strategy documents, available reports, and so forth, were also analysed to gain a rich picture of each initiative. Each case study was summarised in a report published within the project. These reports provide the main data for the analyses in this article. In addition, we have followed the four businesses closely since 2014 and updated the facts and figures. For each of the cases, we focus on one specific period of growth and challenges encountered during this phase. Thus, the period referred to may differ between the cases.

## RESULTS: THE TRAJECTORY OF THE VTFN

By following the general trajectory of each locally oriented organic business, we singled out one specific crisis encountered in the growth process and how this was dealt with. The aim was to capture the sources of adaptive capacity in each case. We also try to pinpoint the implications the crisis and management of it had on each business in relation to its local orientation and production-specific embeddedness.

## The Upplandsbondens trajectory

The favourable market for organic meat in Sweden was a driving force for the steady initial growth of Upplandsbondens (Table 2), giving them a good negotiation position towards slaughterhouses. The co-operative received financial support from the Swedish Board of Agriculture to develop the brand and to carry out marketing activities to make the brand known in the province (e.g., farmers visiting supermarket outlets). However, in 2013, three events conjured that presented a challenge to the local orientation of Upplandsbondens. First, the market support was cancelled, and Upplandsbondens had to abandon all activities related to local marketing. Second, the wholesale partner for Upplandsbondens-branded meat abolished all its local brands in its portfolio and focused on wholesaling organic meats for a national retailer instead. Third, a meat box subscription scheme based on the Upplandsbondens meats went out of business. The board of Upplandsbondens, with the approval of its members, employed a number of activities to handle the crisis. First, it established co-operation for the Upplandsbondens-branded products with a local meat processor-wholesaler that previously did not sell organic meats. At the same time, Upplandsbondens stayed with the previous processor-wholesaler, selling meat nation-wide through this channel. The partnership with the national processor-wholesaler was of paramount importance for Upplandsbondens, as it was the most long-term partner where personal relationships had developed over time. Both organisations valued organic production. Since the volumes of meat sold via Upplandsbondens increased during this time, the national processor-wholesaler was selling the larger part of Upplandsbondens meat, while the volumes sold under the Upplandsbondens brand were now small. Second, Upplandsbondens started to look for slaughterhouses offering the best price for the Upplandsbondens animals outside of the Uppland province. Since one of the main objectives of Upplandsbondens was to obtain the best possible price for the animals, this route was pursued even if it was a step away from local processing. Finally, Upplandsbondens also started to organise slaughter and wholesaling for like-minded farmers in adjacent provinces of Uppland, especially in places where the co-ordination between farmers was poor and where the infrastructure of Upplandsbondens helped them to obtain better prices and improved logistics. Thus, these farmers could benefit from the work that Upplandsbondens had done to build a functioning value chain, and Upplandsbondens could also offer larger quantities to the national processor-wholesaler since the possible number of Uppland members had been reached. In conclusion, the crisis and the adjustments negatively influenced the local orientation of Upplandsbondens—it could continue to grow and make a profit for member farmers, but not so much via local channels. As of 2021, the co-operation with the regional wholesaler-processor has ended since the two organisations could not agree on the type of organic certification to use. Instead, there is a deepened co-operation with the national wholesaler-processor for both local and national brands.

## The Røros Dairy trajectory

Røros Dairy ran into a crisis in 2007 due to a number of factors (Table 2). There was a lack of capital for development and growth, there was a lack of qualified staff and the level of professionalisation in management and board was low. Out of sheer luck, an investor approached Røros Dairy and saved it from bankruptcy. He had a lot of experience in board work and competence in economy and administration. To improve the business orientation, he installed a new chairperson for the



TABLE 2 Paths to resilience: The trajectories of the growth processes, crises and adaptation strategies in the four locally oriented organic businesses

	<b>Upplandsbondens</b>	<b>Røros Dairy</b>	<b>Landwege</b>	<b>Biohof Achleitner</b>
(1) Growth ( $r \rightarrow K$ )	Continuous increase of members and sold animals, 2006 onwards; selling with local brand in the region and with retailer's brand nationally	Slow initial growth from 2001; only organic dairy in Norway	From selling food in a garage shop from 1986 to the first shop 1990 with increasing number of members	Steady and fast growth due to box scheme established, and after moving restaurant, farm shop and box scheme to new location
(2) Conservation (K)	Frequent change of market partners	Emerging challenges due to internal management problems	Emerging problems due to insufficient organisational capacity within the initiative	Emerging problems due to insufficient organisational capacity within the family
(3) Manifestation of problems ( $K \rightarrow \Omega$ )	Loss of market support; loss of processor/wholesaler for local brand; loss of meat box entrepreneur	Expensive growth process; lack of capital; lack of qualified staff, management and board members	Organisation (volunteer work, grass-root decision-making) of the co-op cannot manage the increasing volumes; Discontent members leaving	Economic and quality problems when staff could not manage larger quantities
(4) Adjustments taking effect ( $\Omega \rightarrow \alpha$ )	Finding a new partner for local brand; better-paying slaughterhouses beyond the region; selling more animals (incl. from other regions)	Inflow of capital from investor; installing new board and CEO, new board members; new pricing strategy	Change of legal status, management and decision-making structures after intensive discussions	Reduction of staff; outsourcing of the wholesaler branch; improving the internal management; co-operation with another box scheme
(5) Reorganised business ( $\alpha$ )	Differentiated mix of slaughterhouses (aiming for best price for members)	Starting licence production for retailer: 50% of production licence and 50% under own brand	Plans for new shops; expansion of the producer-consumer-co-operative	Focus on the box scheme and related local relationships with other farmers and customers
(6) Evidence of qualitative/quantitative growth ( $r$ )	Stable economic results and reliable business partnerships with national wholesaler/processor	Growth continues with strong local identity	Growth continues with new members and increasing range of products sold; staff training and courses for consumer members	Stable economic results and reliable business partnerships

board and initiated a participatory strategy process by a professional facilitator with all employees. As a result, a new CEO was put in place, especially selected to run a growth process. New board members with complementary competencies were installed, as the original board members were mainly farmers with no or little experience in running a growing business. The board increased the prices of the dairy products to cover the costs and increase profitability. When a retail chain showed interest in buying the dairy, the farmers on the board and the representative from the dominating dairy co-operative in Norway stood against the investor and other board members and refused to sell. The majority of the board members shared a long-term view of the development and argued for the importance of local ownership to secure regional organic farmers' income in the region.

To expand production, Røros Dairy entered co-operation with a large retailer and sold its organic dairy products under the organic brand of the retailer. This co-operation enabled Røros Dairy to increase its own production of traditional products and develop new products under its own brand. The expansion of production and of the range of products was accompanied by a diversification of market channels: Røros Dairy now sells to all retail chains in Norway, hotels, restaurants, catering businesses, Public kitchens, speciality shops and box schemes. When the local organic milk production became too small for the dairy, the organic milk from outside the region was used for licence production, and local branded products were still based on regional milk. The local connection is important to secure local identity and to maintain a premium price of the products (Kvam et al., 2017). The Røros region is known for its many local food companies, for its supportive milieu where actors aim to develop the region in co-operation instead of competition—the dairy is part of this and is very conscious to maintain a close contact with regional actors. For example, the CEO of the dairy organises regular meetings with supplying organic farmers in the region and gives priority to local customers. Turnover and number of employees have increased from 8 to 22 million euros and from 21 to 64 employees between 2014 and 2020. There is a continuous development of new products and relationships, and the dairy is now the largest producer of organic dairy products in Norway.

## **The Landwege trajectory**

Landwege grew from a privately organised initiative in a garage to a small food community with its own store in town (Table 2). Member customers and people working for the food initiative increased, and volunteers provided a significant amount of the work needed. However, with increasing volumes, the different understandings of the group of members concerning the further development of the initiative became challenging for the organisation. Owing to this ambiguity about the strategy, the daily decision-making for the alternative food store was impeded. For example, while one of the founders believed in grassroots initiatives and separation from the mainstream food sector, new members and farmers supported a development where the assortment was enlarged by bringing in produce from organic wholesalers. Some members left the initiative due to what they considered a 'trend of commercialisation'. Landwege turned into a formal co-operative at the end of the 1990s and changed management and decision-making structures after intensive and partly externally facilitated discussions among the different member groups. While the work of volunteers is still part of the business model, two CEOs and an executive board now run the co-operative. The board consists of nine members, of whom there are three farmer members. Only after a lengthy period of substantial restructuring, it was possible to plan for new points of sale and to increase the range of products. Growth was not only related to increasing volumes

but also to processing structures, which became part of the Landwege supply chain (bakeries, dairy, meat processing, etc.) and widened the range of products. The growth process has been based on financial investment (expansion of shops and range of products) and significant organisational changes (management, increasing staff, and internal reorganisation of procurement, storage and marketing). While in its early stages, Landwege had been managed on a voluntary basis, gradually—but always based on members' discussions—the management team professionalised in terms of staff management, ordering, logistics, storage, accounting, internal processes and marketing. For new investments, Landwege raised funds from the members who acquired shares and received a dividend. Local products remained an important feature for Landwege with its own brand. Local is defined as the area surrounding Lübeck (maximum of 100 km). However, Landwege also sells organic products from other parts of Germany and other countries supplied by an organic wholesale business. As of 2021, Landwege operated five shops in the region of Lübeck, and turnover had increased from 2.5 million euros in 2012 to more than 18 million euros in 2020. Each shop shows a large map from the surrounding area that presents the locations and types of local member farms. All products of these farms are marked with the co-operative's characteristic label 'R!' that represents the regional embeddedness and the implementation of Landwege's slogan 'From the neighbourhood!'

## **The Biohof Achleitner trajectory**

The Biohof Achleitner started as a family farm and transformed into a larger, medium-sized business (limited company) over the years (Table 2). The farmers started with on-farm sales and delivery to organic shops (which later turned into a wholesale business) before they launched an organic box scheme in 1998. Biohof Achleitner added bread and dairy products from other processors to its assortment as well as produce from other growers in the region and even imported organic fruits from southern Europe. The direct exchange with each supplier, even distant ones, remained an important quality. In 2002, after the farm area had been severely flooded, Biohof Achleitner separated the farm from the distribution units. The family built a new marketing, sales and distribution centre for its wholesale and box scheme and established a restaurant and a retail shop at the new premises. A period of rapid growth followed until 2008/2009 when Biohof Achleitner was not able to cope with the fast pace of growth anymore. Quality management deteriorated, and customer support became inadequate. To manage this crisis, Biohof Achleitner outsourced the wholesale branch to a specialised organic wholesaler. The business was partly restructured, and approximately one-third of the staff was laid off. The remaining staff could focus on the core of the business, the box scheme, and learn to grow with sustained quality in operations (e.g., taking care of customer wishes and complaints). There has been a gradual professionalisation of the business—from a family farm expanding into new distribution channels to a family-run business with many different professions in the staff. For the founder, the meaning of local or territorial was both socially constructed via relationships, as well as in terms of a defined area of operation. The box scheme aims at sourcing and distributing the bulk organic products within a radius of 100 km. However, Biohof Achleitner also maintains long-term relationships with more distant suppliers. Instead of growing in terms of geographical space, the network is expanded. Over time, close co-operation evolved with another box scheme, also farm-based, in a neighbouring region. In addition, since 2020, Achleitner has been one of seven family-based organic businesses in the association 'Bio-Freunde' ('organic friends' or 'friends of organic') that implements sustainable economic development. Within the region, Achleitner is part of a dense social and business net-

work. During the pandemic, sales have increased at a higher pace than ever. All the children of the founding couple are engaged in the business in some way.

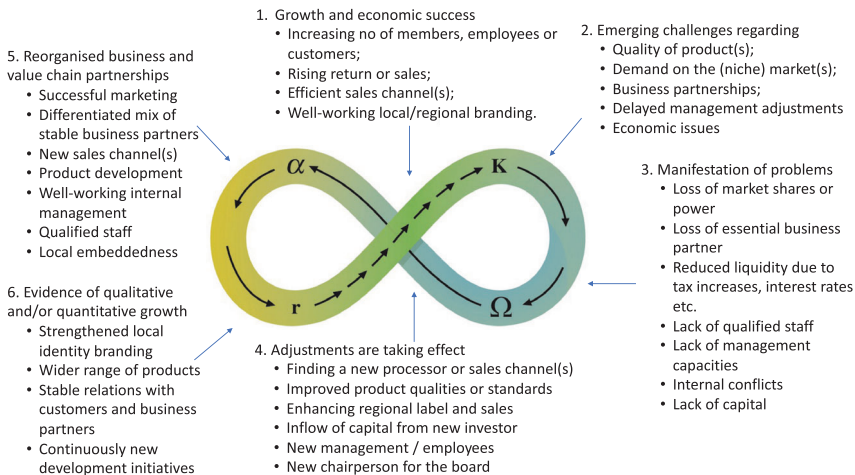
## ANALYSIS: SOURCES OF ADAPTIVE CAPACITY FOR BUILDING RESILIENCE

When managing growth, an organisation must not only keep up financially and professionalise, but also keep up with ecological and social aspects important to the business. The ecological and social aspects we focus on for the analysed cases are organic production and the local orientation. In this section, we pinpoint how the management actions taken in response to crisis could be translated into sources of adaptive capacity that in turn build resilience for the studied businesses and how these adaptations impacted their territorial embeddedness (cf. Reckinger, *n.d.*). In Figure 1 and Table 2, we summarise the adaptive dynamics of the businesses.

### Learning and professionalisation

Many of the organisational and economic problems that came with the growth process were solved by learning and professionalisation. Professionalisation in this context means internal division of tasks, using management knowledge and instruments for business development, establishing training of staff and suppliers and ensuring product quality standards.

Upplandbondens had to reinvent itself on the market. It was successful in finding new market partners and continued to work with old partners in new ways. Upplandsbondens also had to learn to take consideration of member-farmers' interests in new ways (seeking the best price outside the Uppland province). However, this weakened the local orientation since this meat did not meet the requirements of how Upplandsbondens defined local: as meat from animals



**FIGURE 1** Paths to resilience: The trajectories of the growth processes, crises and adaptation strategies based on the four locally oriented organic businesses illustrated with the adaptive cycle. Interpreted from Holling and Gunderson (2002). Basic figure used with permission from Larsson et al. (2016). The different phases:  $r$ : growth phase,  $K$ : conservation phase,  $\Omega$ : release phase,  $\alpha$ : reorganisation phase

reared, slaughtered and sold in the Uppland province. Røros Dairy developed its board from being farmer-led into a professional one with a variety of expertise. The professionalisation of Røros Dairy brought new administrative and business-related competences without compromising the place-based social embeddedness in production, a prerequisite for preserving local tradition and authenticity. For example, when new board members advocated selling the dairy, the farmer board members stopped the process and safeguarded the dairy, its embeddedness in the region and the link to organic farmers. Landwege also professionalised: it realised that in order to grow, accounting, management structures and decision-making had to be introduced on another level than previously done. Landwege also internalised learning into the new organisational form. It did so by making the executive board diverse with representation from consumers, staff and producers. Moreover, adding consumers into the decision-making structure enabled Landwege to deal with any feedback coming from the side of the consumer members. The change of the organisational form enabled the growth of Landwege into a larger retail chain consisting of five full-range organic retail shops. This implicated an enlargement of assortment produced outside the geographical area defined as local by Landwege. Still, a large portion of the fresh food comes from the member farms and carries Landwege's regional logo. The growth of Biohof Achleitner was insufficiently backed up with skilled staff and quality management, so this had to be professionalised to overcome the crisis. It was imperative that Achleitner improved customer service: the business was directly dependent on consumer satisfaction, and the box scheme was the link between the consumers and the produce. The professionalisation did not impact the local orientation of Achleitner; neither in the aspect of geographical proximity of box sales, nor the social proximity to producers and suppliers.

Learning and professionalisation strengthened the economic and organisational resilience in all four cases: They reorganised the management structure and/or renegotiated the relationship between organic production and the local orientation. The approach to territoriality became geographically or socially extended in order to retain organic integrity and financial viability.

## **Strategic diversification for flexibility**

Diversity was used as a strategy to overcome challenges in a number of ways. One way was to find a larger set of market channels and partners for the products. This was used by Upplandsbondens. It offered members a diversity of slaughterhouses to choose from (in and outside the province) at the same time as the co-operative tried to get the local market channels running. Upplandsbondens also included cattle from farmers in neighbouring provinces to diversify operations and increase volumes. The bulk of the meat was offset nationally with a retail chain's own organic brand. Thus, as the diversity of market outlets increased, due to the confined options within the Uppland province, Upplandsbondens decreased its local orientation. Thus, the need to grow volumes and give members the best prices for their cattle devalued the local economic circuits in Upplandsbondens.

Røros Dairy expanded its range of market channels through which its branded products were sold as part of the growth strategy. These channels were important for being able to increase volumes of their own branded products. Another aspect of diversity was to continuously develop new products qualified for different types of brands (e.g., Protected Geographic Indication and the Norwegian brand for local specialty products). With diversification, Røros Dairy emphasised a wide definition of territoriality not only in terms of origin and traditional handicrafts but also in terms of selling regional specialties nation-wide and using the distribution and sales network

of local food producers in the Røros region for distributing products regionally. Also, the licenced production for the retail chain carried the Røros Dairy brand in addition to the retail chain's own brand. This co-branding showed consumers where the milk was processed. For Røros Dairy, this was important for maintaining its identity as a local producer despite diversifying to the national arena.

Diversification through co-operation with and selling via nation-wide conventional actors was used by Upplandsbondens and Røros Dairy to accommodate larger volumes. They both produced for a retailer's own organic brand. This hybrid marketing allowed them to gain financial stability and to develop their local market outlets.

Landwege increased the diversity of its assortment to become a full assortment retail chain. This allowed consumer-members to shop for all their food from the co-operative. In doing so, Landwege had to purchase a large variety of products from an organic wholesaler. However, Landwege did not allow for flexibility of the use of its logo R! (from the region) and reserved it for their member farms only.

Achleitner used an internal diversification of business branches to make the organisation profitable and to reduce wastage: box scheme, restaurant and the retail shop. These market channels complemented each other: what was not fit for the boxes, went to the restaurant. The outsourcing of the wholesale branch allowed Achleitner to concentrate on the more locally oriented business branches, especially the box scheme as the core of the enterprise. Diversification was further increased by networking with other like-minded box schemes in neighbouring regions.

All four VTFN used diversification as a strategy to increase their flexibility and build resilience for their organisations. Market diversification was used mainly by Upplandsbondens and Røros Dairy, which increased their geographical scope for distribution but decreased their territorial embeddedness. Røros Dairy was able to counterbalance this by co-branding. Also, Upplandsbondens, as well as Achleitner, used the co-operation of nation-wide wholesalers/retailers to concentrate their own efforts on the local market outlets. To optimise the business, Achleitner diversified internally, while Landwege diversified its product range by sourcing from an organic wholesaler.

## **Stability through long-term partnerships and local embeddedness**

Upplandsbondens and Røros Dairy had evolved together with (larger) market partners to which they had a close relationship and where there was a shared interest for organic certified products. There was a link between this shared interest and trust. Where trust was high, it was possible to develop a shared understanding of organic certification, local orientation or traditional products, which in turn reinforced trust. However, the trust did not always develop. Upplandsbondens shared an interest in local production and selling with its regional processor-wholesaler partner, but the co-operation had not worked well all the same. This led to the need for Upplandsbondens to seek other partnerships outside the province, which in turn weakened the local orientation of the co-operative. Upplandsbondens fell back on the well-working partnership with the national processor-wholesaler. At the same time, Upplandsbondens maintained a strong local orientation in terms of the co-operative members and by organising events with local actors. Similarly, Røros Dairy was well embedded locally as a food producer in the dense network of local food businesses and actors in the Røros region. To strengthen local connection and identity, it also established a range of activities at the local level. Landwege had immediate partnerships with supplying farmers and member-consumers of the co-operative but also with the region as such. This was manifested

by the events offered by the shops and the activities of the Landwege foundation for organic education. Landwege maintains a general local presence in the field of nature conservation and awareness raising for the area's resources and related sustainability issues. Biohof Achleitner maintained long-term partnerships with the supplying farmers and developed new networks for marketing and distribution with other box schemes. There was a 'partnership logic' instead of a 'competition logic' between the box scheme operators that favoured growth and fostered stability of the business. For Biohof Achleitner, territoriality was also socially constructed: the direct exchange and long-term relationships with non-local suppliers was just as important as the relationship with local suppliers. This was underpinned by the fact that the box scheme did not buy from wholesalers but directly from farmers, even when they were located far away. In addition, Achleitner entered into networks with social enterprises in the region beyond pure business relationships.

All four VTFN developed dense and locally embedded networks based on long-term partnerships to ensure social and organisational resilience. The actors involved aimed for stable relations with diverse regional stakeholders well beyond the organic food supply chain.

Using the heuristics of the adaptive cycle to describe the dynamics of the four VTFN (Figure 1, Table 2), their trajectories can be mapped along the four phases. In the  $r$ -phase, businesses are established and experience initial growth. As the initiatives obtained a certain size, difficulties began to show. Both external and internal challenges lead up to crises (or partial collapses) in the  $\Omega$ -phase. Managing these crises leads to the reorganisation phase ( $\alpha$ -phase), where the use of learning and professionalisation, diversity and partnerships helps to adapt and partly transform the businesses. While organic production and certification are constant in this process, territoriality partly changes along the cycle—in different ways for the four examples.

## DISCUSSION

This article aimed to answer three interrelated questions: How could locally oriented organic food businesses adapt to handle crises during a growth process? How did the businesses maintain their local orientation when growing? What are the emerging implications for the relationship between territoriality and organic production? The VTFN explored in this article experienced crises connected to their growth trajectories. While these crises were experienced as something very challenging at the time, such disturbance 'provided a "window of opportunity" that enabled a transformative change and the chance to re-evaluate the situation, socially mobilise and recombine sources of experience and knowledge to arrive at new strategies' (Ashkenazy et al., 2018, p. 212, citing Darnhofer et al., 2014). Since Upplandsbondens, Røros Dairy, Landwege and Biohof Achleitner all managed to stay in business and overcome their crises, it shows that they made use of this window of opportunity.

In other words, they managed to persist (stay in business), adapt (make use of their options) and transform (e.g., change organisational form, change market partners or reorganise in other ways; cf. Himanen et al., 2016), that is, to build resilience. To do so, the organic businesses used learning, professionalisation, diversity, local embeddedness and partnerships. This partly corresponds to the notion that diversity, responsiveness and cohesion are important for the resilience of organic food businesses embedded in local organic food chains (Smith et al., 2016). Diversity was used in the types of actors making decisions, skills and use of a diversity of market outlets, products and business branches. This also corresponds to the hybrid nature of some of the VTFN: the local alternative depends on the non-local (e.g., conventional nation-wide retail) when

volumes go up and have to be accommodated (cf. Mount, 2012). All initiatives responded swiftly to their respective crises. While family businesses can act fast, decisions may have to be deliberated and discussed in co-operatives. This was clear in Landwege, where change of organisational form was vital to the further development of the organisation and where this decision was discussed for a long time. Cohesion can be expressed as networking, relationships and communication flows (Smith et al., 2016). The long-term partnerships manifested in all explored cases are examples of cohesion. The nature of these partnerships may have changed during the growth process, however. For example, the national processor–wholesaler Upplandsbondens worked with started out as their partner for the local brand but transformed into their partner for national coverage and the large volumes and then took on both roles. Relationships and communication are closely connected to the physical and social proximity promoted by the food businesses. VTFN, whether mediated by intermediaries or with direct links between consumers and producers improve feedback management and therefore builds resilience (Toth et al., 2016). There were several ways in which the VTFN were able to grow and adapt at the same time: by enlarging the region of their activities, by increasing the number of market channels to move their volumes, and by enlarging the network of suppliers and product development. Depending on how the territorial aspect was understood, the local orientation had to be renegotiated or pushed aside. All cases kept to the organic certification and never put that into question. Organic certification was a constant, while territoriality (partly) was a variable. In other words, resilience was built on ecological, social and business-related aspects that interacted.

Indeed, the meaning of territoriality was somewhat different in the four VTFN, and it was also safeguarded or renegotiated in different ways. For all businesses, spatial proximity was important (cf. Kneafsey et al., 2013). Sticking to this, both Landwege and Upplandsbondens put a limit to growth for their local products since growth out of the region would not be possible. Instead, Upplandsbondens grew by handling animals from adjacent regions, using out-of-region slaughterhouses and selling their meat under a nation-wide retailer's own organic brand. Landwege grew in the region (i.e., opening new outlets) but added products from outside the region to fill the stores. Achleitner focused on the synergies of internal locally oriented business branches (restaurant, retail shop and box scheme). For Achleitner, social proximity was equally important as spatial proximity. Thus, personal relationships were maintained with all suppliers, irrespective of distance. For Røros Dairy, the territorial aspect was both connected to the local supply of organic milk and to regional, traditional products directed towards the spatially extended (cf. Renting et al., 2003). In maintaining a clear regional identity, Røros Dairy managed to attract both regional and national-wide customers (Kvam et al., 2017).

## CONCLUSION

A major contribution of this article is how the meaning of territoriality was adapted in various ways in the different cases and how crises, in general, may play out differently with respect to adaptation and transformation. Since scaling up is challenging for VTFN, growing organisations have to make choices to survive economically. This, in turn, influences the territoriality in VTFN and the expression of spatial, cultural and social embeddedness. However, the cases also tell us something about how territoriality, in its different expressions, contributes to resilience. All cases retained territorial embeddedness as a cornerstone for reinforcing organic values. Even if the meanings of territoriality were different in the four cases—spatial in the case of



Upplandsbondens, combined spatial and collective history/tradition in Røros Dairy, combined spatial and social in Landwege or pronounced social with Achleitner—they all contributed to preserving trust in situations of growth. While trust was a central buffering element in all observed cases, the crises played out differently with respect to adaptation and transformation. Initiatives with shorter value chains such as Landwege or Achleitner rather reacted with adaptation strategies and reorganised internally. Initiatives involved in longer supply chains, such as Upplandsbondens and Røros Dairy, managed the crisis by including new partners for marketing or even in the management. Their strategic hybridisation was more than adaptation to a crisis; it exhibited transformative capacity, changing crucial elements to retain the core. Transformation by hybridisation of long supply chains may valorise territoriality in two ways. First, branding products by attaching them to a territory even when sold outside of the region (as in the case of Røros Dairy) increases visibility and trust. Second, mainstream marketing channels provide a sound economic basis, which allows experimenting with product development and new and innovative marketing channels on a local level. Together with long-term partnerships and local economic and social embeddedness, this can increase the level of trust between the diverse actors along the value chain. Trust is a major factor for stability and acts as a buffer in times of crisis as we have experienced in times of the COVID-19 pandemic. According to the results of our case studies, professionalisation as such was not related to territoriality. However, if local embeddedness prevails through the process of professionalisation, it may help to sharpen the profile and to increase the adaptive capacity through strong local and regional networks.

Despite the fact that resilience is a concept sometimes hard to capture and the fact that real-life value chains are complex, we conclude that a resilience perspective can help to understand vital aspects of growing, locally oriented organic food businesses and to understand how this growth can be managed in crises. However, there is not one model, best practice or trajectory for building resilience in growing organic businesses and value chains. Instead, our examples show that various approaches can work and that hybridity (between long and short chains as well as between conventional and organic actors) is rather the rule than the exception. At the same time, the trajectories had commonalities, such as learning, diversity and long-term partnerships. These elements are highly relevant for the sustainability of VTFN in terms of ecology, economy, social wellbeing and ethical governance.

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## ENDNOTE

<sup>1</sup>[www.healthygrowth.eu](http://www.healthygrowth.eu)

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## CONFLICT OF INTEREST

The authors declare no conflict of interest.

## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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