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Organising Collaborative Product Development Activities: A Case Study in the Danish Food Industry

University Press of Southern Denmark 2010
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ACKNOWLEDGEMENTS

Looking back on the course and progress of my PhD project, I feel obliged to offer my warmest thanks to those people in my professional and personal sphere who have guided and supported me during my quest for writing this thesis. I would like to single the following people out to extend them my special thanks.

First and foremost, I owe sincere gratitude to my main supervisor, Torben Damgaard, for encouraging me throughout the process with your always positive attitude. Thank you for your support, guidance and patience during difficult choices made in the course of my project. I would also like to express my warmest thanks to my second supervisor, Poul Houman Andersen, for continuously, critically but considerately, challenging my theoretical and analytical understanding. I deeply appreciate the help of you both in the final struggles for reaching clarification.

My heartfelt thanks to Mikkel, Morten and especially Charles, for showing an interest in my project. I am grateful for your help by granting me the access to study product development in your organisations and in the organisations of your customers. Thank you for openly sharing information and for providing feedback on case descriptions. Every visit and conversation has been intriguing and instructive.

I would also like to thank fellow PhD students and colleagues at the Department for Entrepreneurship and Relationship Management for creating a stimulating working environment. A special thank-you to Dennis van Liempd, Mads Hovmøller Mortensen, Ann Højbjerg Clarke, Majbritt Rostgaard Evald and Susanne Feldt Jørgensen. I thank Helle Bech for taking care of the final layout. Not being a native English speaker, I greatly appreciate the meticulous help from my dear friend Cecilia Martinez Søndergaard in proofreading this thesis.
This thesis was made possible with the financial and organisational support from several institutions. My grateful thanks go to Foodture - Danish Food Innovation Network, Karl Pedersen og Hustrus Industrifond - a foundation associated with the Confederation of Danish Industry and Industriens Realkreditfond as well as anonymous companies.

Last but not least, my family and friends have provided great support throughout these years. Deep thanks to my mother, Ellen, for always being willing to listen with loving care to tales of ups and downs in the life of a PhD student. Thanks to my sister, Astrid, for support and help on the layout. To Mads Emil and Marie Louise: thank you for having no interest in my thesis whatsoever, and for reminding me constantly that there is so much more to life! And Henrik, thank you so much for believing in me, for your indulgence and loving support.

Kristin Balslev Munksgaard
January, 2009
SUMMARY IN ENGLISH

The aim of this thesis is to address the organising of product development activities by Danish food producers in collaboration with industrial customers or other market actors. The thesis studies how food-producing companies in collaboration with their customers define, divide and coordinate the joint product development effort. Furthermore, it ascertains how Danish food companies build routines for organising collaborative product development activities, and offers explanations of why this may restrict product innovativeness.

This is important because the food industry plays a significant social-economic role in Denmark, measured in industrial output, employment and export. The issue of product development has accordingly been receiving attention in practice, politically as well as in academia as ground for the ongoing development and prosperity of Danish food companies and the industry in general. The product development effort of Danish food companies is, however, challenged on several fronts. Food companies are experiencing demands for the development of novel products from various groups of consumers and industrial customers in the food chain from earth to table. Still, this is not reflected in a highly innovative effort in the industry, which has in general been criticised for being too incremental in their developments. Further, the Danish food industry is characterised by a historically-conditioned technological and distributional specialisation and concentration condemning product developing food companies to be interdependent on e.g. retailers for reaching end consumers. Therefore, collaborating for product development is not a question of whether or not. The essential question is instead related to how companies may organise the joint effort. This thesis addresses how collaborating companies may respond to these challenges and strengthen their collaborative development effort as a basis for the continuous prosperity of the industry.
Against this backdrop, the thesis takes an inter-organisational focus addressing the research question of: How do Danish food-producing companies organise product development activities in collaboration with industrial customers? A substantial part of investigating how Danish food companies are currently organising collaborative product development activities is focused on why product development activities are organised the way they are. The investigation of why Danish food-producing companies organise their joint product development effort in a certain way intends to provide understandings of the interactive setting in which the development unfolds. The specific research interest of the thesis is related to exploring the interface between the organising of product development activities of a company and the degree to which the organising is conditioned by the interaction and collaboration with a customer.

The thesis contributes to an existing and ongoing academic discussion where existing research to some extent has already investigated the complex task of organising product development in interaction with external partners. The contribution of the thesis is to refine existing theory and deepen our general understanding of collaborative product development. The value and contribution of this thesis are to be viewed in the light of the special setting and contingencies of the Danish food industry.

The organising of collaborative product development activities by Danish food companies is analysed on the basis of a theoretical framework anchored in the industrial network approach. In the industrial network approach, business markets are understood as networks of organisations connected through their relationships with one another. Relationships viewed as complex and long-termed in nature, mirroring past interactions and mutual investments between two actors. Companies are seen as goal-seeking, active actors, however interdependent on their relationships with other active actors. The theoretical framework and the analysis address primarily the inter-organisational and organisa-
tional level. At each level, different theoretical concepts are applied in discussions of how food-producing companies organise product development activities. In general the analysis contributes to discussions of product development as a negotiated process, highlighting how a company’s strategic intention for product development may collide with the customer’s intention. A central focus is put on how interaction between collaborating parties will influence the joint organising of product development activities – not only in terms of what is developed and exchanged, but also through the collaboration atmosphere in the relationship. Further, discussions revolve around how the companies’ views on the wider network setting may affect the collaborating partners’ quest for finding a common ground for their joint product development effort.

The empirical foundation is constituted by studies of the collaborative organising of product development activities by Danish food companies with industrial customers. Methodologically, this thesis adopts a case study approach as a unique method for building and utilising in-depth understandings of empirical phenomena that may develop and refine existing theory. Four cases of dual collaboration between a food-producing company and a customer are addressing the research question. The cases are studied based on observations of joint product development meetings and interviews. These methods allow for an in-depth understanding of the actual interaction, the relationship atmosphere and the dual collaboration.

Findings reveal that the organising of product development activities by Danish food-producing companies in collaboration with customers is achieved through standardised activities and routines. To capitalise on the joint development effort with customers, the strategic intention of the product-developing company is to balance routinisation and customer-specific adaptations in a way where the adaptation cost is not immeasurable. When company routines for product development are confronted with customer routines, the joint effort is found to be configured through ‘adding’ or ‘composing’. Even though routines utilised
across various customer relationships may be a way for food-producing companies to capitalise on the product development effort, routinisation is also shown to hold the consequence of standardising product development to a degree that is trivialising it.

The study finds the following explanations of why collaborative product development activities in the presented case are organised through routines. Basically, product development activities are defined as having other purposes than the actual new product – product novelty is considered less relevant. Instead the development effort is considered a standard marketing activity utilised for building a stronger position as development partner and for developing closer customer relationships. Criteria for the introduction of new products are found to move away from the end consumer. The companies’ perceptions of relationships and the wider network constitute a basis for this understanding, and the findings provide insights on how a company’s ‘network picture’ pervades routines created for organising product development activities.

Secondly, the organising of the joint development task is determined by other activities i.e. product development activities are organised to cement existing working procedures, activities and routines in e.g. production or marketing (either at the company or by the customer). Since the interdependencies between product development activities and other activities are standardised and organised through routines there is no need for complex coordination. Still, based on past modes of exchange, the collaborating companies have built a profound knowledge and familiarity of the counterpart’s internal working procedures and processes. Although the product-developing company knows the involved customer to the last production detail, this knowledge is not utilised for increasing the innovativeness of new products developed. Partners are held in ‘strong iron fetters’ where a high degree of customer involvement seems to hinder more radical product development.
A final explanation is found in the partners’ interactive process where product development activities are redefined to determine the roles of the collaborating partners and the division of labour. This process is not only characterised by one company executing its power over another. Dimensions of closeness, empathy and time frame in the relationship atmosphere are influencing the joint organising of product development activities. The relationship atmosphere dimension of compatibility of the partners’ strategic intentions provides insights on the extent to which either of the involved parties are bending their own strategic intentions for complying with the strategic intentions of the counterpart. Hereby, contributing knowledge about the interfaces between the organising of activities and actions of a single company and the collaborative organising of activities with an involved development partner is obtained. The study of how the collaborating companies are handling potential conflicts and disjoint aims contributes, in other words, to our knowledge of when companies follow and when companies lead in the organising of collaborative product development activities.
Målet med denne afhandling er at afklare, hvordan danske fødevareproducen¬ter organiserer deres produktudvikling i samarbejde med industrielle kunder og andre markedsaktører. Afhandlingen undersøger, hvordan fødevareproducerende virksomheder i samarbejde med deres kunder definerer, fordeler og koordinerer det fælles arbejde med at udvikle produkter. Desuden diskuteres, hvordan danske fødevarevirk¬somheder opbygger rutiner for organisering af fælles produktudviklings¬aktiviteter og forklarer, hvorfor dette kan begrænse innovativ produkt¬udvikling.

fælles udviklingsarbejde, som grundlag for en kontinuerlig fremgang i branchen.


Analysen af danske fødevareproducenter's organisering af fælles produktudviklingsaktiviteter er baseret på en teoretisk ramme, forankret i det såkaldte industrielle netværksperspektiv. I det industrielle netværksperspektiv anses markeder som netværk og organisationer, der er forbundet gennem deres indbyrdes relationer. Relationer ses som naturligt komplekse og langvarige; og afspejler tidligere interaktioner og fælles investeringer mellem to eller flere aktører. Virksomheder ses som målsøgende og aktive aktører, men er gensidigt afhængige af deres

Det empiriske grundlag er funderet i studier af danske fødevareproducenteres fælles organisering af produktudviklingsaktiviteter med industriel kunder. Metodisk, benytter afhandlingen en case studie tilgang som en unik metode til at bygge dybdegående forståelse for empiriske fænomener, som kan udvikle og forfri eksterndende teori. Fire cases om samarbejdet mellem en fødevareproducent og en industriel kunde er udvalgt til at belyse forskningsspørgsmålet. De fire cases beskrives gennem interviews samt observationer af fælles produktudviklingsmøder. Disse metoder muliggør en dybdegående forståelse for den aktuelle interaktion, samarbejdets atmosfære og den fælles organisering.

Forskningsresultaterne viser, at danske fødevareproducenteres organisering af produktudviklingsaktiviteter i samarbejde med kunder opnås gennem standardiserede aktiviteter og rutiner. For at få det størst mulige udbytte af det fælles udviklingsarbejde med kunder, skal den produktudviklende virksomheds strategiske intention balancere rutiner og kundespecifikke tilpasninger på en måde, hvor tilpasningernes omkostninger modsvarer mulige fordele. Når virksomhedens rutiner konfronteres med kundens, viser det sig at den fælles indsats konfigureres
gennem ‘adding’ og ‘composing’. Selvom rutiner på tværs af kunderelationer kan være en måde for fødevarevirksomheder at udnytte produktudviklingsarbejdet bedst, viser det sig, at rutinerne kan standardisere produktudviklingen i en sådan grad, at den bliver trivialiseret.

Studiet finder frem til følgende forklaringer på, **hvorfor** samarbejde om produktudviklingsaktiviteter i de præsenterede cases er organiseret igennem rutiner. Grundlæggende er produktudviklingsaktiviteter defineret ved at have et andet formål end det egentlige nye produkt – produktets nyhedsgrad anses for mindre relevant. I stedet anses udviklingsarbejdet for at være en standard marketingsaktivitet, som benyttes til at skabe en stærkere position som udviklingspartner og for at udvikle stærkere kunderelationer. Ved introduktionen af nye produkter på markedet anvendes kriterier, som synes at fjerne sig fra forbrugeren. Virksomheders opfattelse af relationer og det brede netværk ligger til grund for denne opfattelse, og afhandlingens resultater giver indsigt i, hvordan en virksomheds ‘netværksbilled’ operationaliseres i rutiner til at organisere produktudviklingsaktiviteter.

1 INTRODUCTION

The food industry has traditionally played a significant role in Denmark, today accounting for almost one fourth of the total industrial output (Statistics-Denmark 2009c). Measured in industrial output, employment and export, the food industry is thus one of the most important industrial sectors in the country (Hansen 2005). Derived from the industry’s important socio-economic role, the issue of product development has received much attention in practice, politically as well as in academia as a ground for the continuous development and prosperity of Danish food companies and the industry in general (CUTA 2005; Ministry of Food 2003; Harmsen 1996; Søndergaard 2003).

The product development effort of Danish food companies is, however, challenged by a schism. On one hand, food companies are experiencing a continuous call for developing and introducing novel food products. On the other hand, this is not reflected in a highly innovative effort in the industry. On the contrary, product development in food has in general been criticised for being characterised by only rudimentary changes.

The continuous demand for new product developments holds different facets. One aspect is related to ongoing changes in consumption patterns. In general, it is argued that product life cycles are shrinking due to a growing competition and an increasing pace in the developments of new trends and customer demands (Dicken 2007; Tidd et al. 2005). This is also a tendency in the food industry. Changing consumption patterns
is not only related to shifting food trends but also associated to changes in households. In Denmark, households are characterised by two-career families and an increasing number of single-households as well as a growing number of elderly (Statistics-Denmark 2008b). Since this development is ongoing, changing household characteristics combined with shifting consumer trends will constantly pose new demands for new food products.

Another aspect of the continuous demand for new food products is related to changing requirements from retailers and the restaurant and catering business. The increasing use of private labels by food retailers is altering their requests of development input to food producers (Elg 2002). On one hand, food producers are requested to engage in a role as a development supplier and partner to retailers, leading to a more customised product development (a general trend also emphasised by Andreasen 2004; Dicken 2007; Dougherty 1992; Ohmae 1990). But at the same time, this is changing the rules of the game for the development of own branded products by the food producers, which to an increasing degree are facing competition from the new private label strategies of the retailers (Mortensen 2007; Elg 2002; Schellhase et al. 1999).

New demands also emerge from actors in the restaurant and catering business (Valcon 2006). In the Danish restaurant and catering business, earning margins are very low due to high labour costs. Therefore, actors always seek new developments e.g. in terms of highly processed food products which remedy labour costs while contributing to the creation of a cost-effective business (Hohnen 2003). Other food-processing or manufacturing companies may also pose new demands for food product development (Dicken 2007; Hansen 2005). Demands from such industrial customers may be related to requests of developing new ingredients, additives or the like, utilised in the further production or processing of food products, e.g. when industrial producers are developing diet products, new requirements are posed to ingredient and additive suppliers.
The varying demands for product development are, however, not reflected in a high degree of innovativeness in the food industry. On the contrary, measures of industry innovativeness (including measures on e.g. personnel involved in development, received public innovation funding, patents and trademarks, turnover from new products, etc.) reveal low rankings for the food and beverage industry (TrendChart 2005:23; Dansk Center for Forskningsanalyse 2005). Researchers explain that food industry innovativeness must be understood in light of the complexity of the product, which in most cases is rather low in food articles (van der Valk and Wynstra 2005). Others argue that the food industry in general is a carrier of innovations from other industries, making use of developments in e.g. bio-technology, electronics, machinery, etc. thus reaping the advantages of others’ developments (Trail and Grunert 1997). Whereas food product development can mainly be characterised as incremental, it is also characterised by a relatively high amount of seasonal product introductions (Harris 2002), where former product variants form the basis for the development of new products in following seasons. Existing research further ascertains that Danish food companies often go straight to the actual development and complete it relatively fast without comprehensive market evaluations or analysis (Harmsen 1996:205).

The schism of continuous calls for new products and low innovativeness in the food industry is further expounded when considered in a context where food companies seldom practice direct transactions with end users or consumers of new food products\(^1\). Most food products are sold through retailers or in the catering and restaurant sector. Accordingly, downstream intermediate actors are critical to food companies for reaching consumers. Actors pertaining to different sectors such as ag-

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\(^1\) In Denmark some specialised food producers have established an alternative distribution through the use of e-business (e.g. www.skagenfood.dk and www.aarstiderne.com) where a virtual shop is combined with their own door-to-door delivery system. Still however, the product volume flow through virtual channels is negligible relative to physical retailing.
Agricultural, primary and secondary producers, food processing as well as food-producing companies will deliver input in forms of produce, information, service, etc. to downstream actors. Retailers, caterers and food service companies often comprise the last link to the final consumers. Additionally, a wide range of complementary sectors – such as providers of packaging, trade organisations, research institutions and knowledge providers, producers of equipment and machinery, governmental regulators and the like – play vital roles in supporting the processing of raw material and production of new food articles before these are consumed by consumers. In this sense, multiple intermediating actors from ‘from earth to table’ or ‘from cutter to counter’ may influence the development of new products. Figure 1.1 illustrates this.

Figure 1.1: A structure of actors operating in and across different food sectors
Essentially, food companies are interdependent on others for their new products to reach end consumers. Therefore, collaborating for product development is not a question of whether or not, due to the strong interdependencies. Rather, the critical question is related to how companies may organise the joint effort. This is in line with research claiming that companies are reinforcing collaboration across the wider delivery network to orchestrate the developmental effort (Grunert et al. 2005).

It is of relevance to consider several dimensions of this interdependency. First, interdependencies may be related to actors holding dominating positions in the chain from earth to table in the food industry. Especially retailers have cemented their influence through consolidations and increasing concentration by essentially gatekeeping the access of food producers to consumers\(^2\). Retailers utilise this position to control and regulate the upstream flow of information e.g. on the consumer buying patterns (Hansen 2005; Nordisk Ministerråd 2005). This is consequently influencing product logistics and marketing where retailers set up demands for input to food producers. Moreover, retailers’ dominating positions influence the product development effort of food producers (Coombs et al. 2003; Campbell and Cooper 1999). In this sense, the concentration in retailing has been claimed to pertain both to ownership and decision making (Grunert et al. 1996)\(^3\). Whereas interdependencies for product development and the need for company collaboration is often linked to the technological specialisation of companies (Dicken 2007; 2011). 

\(^2\) Also in various other sectors of the food industry different actors may hold dominating positions (Grunert et al. 2005), providing these actors with a gatekeeping role that influences the flow of more or less processed food products and components (e.g. ingredients, additives and the like) from companies and suppliers toward the end consumer. According to Grunert and colleagues (2005) dominating actors may be found among e.g. large food processors and governmental actors or trade organisations.

\(^3\) The Danish retail sector is characterised by three large groupings of actors together holding an 85 % market share. These are Dansk Supermarked Gruppen, COOP Denmark and Dagrofa/Supergros. For additional details on these actors please consult appendix A.
Kim and Mauborgne 2005; Drucker 1986), specialisation in the Danish food industry may thus also concern the actors’ knowledge and capabilities in distributing products to consumers.

Interdependencies in the Danish food industry may also be explained by historical and structural developments\(^4\). The co-operative movement and traditions of joint ownership are claimed to have led to a historical focus on optimising and efficiency improvements in every link of the chain from earth to table (Hansen 2005; Laursen et al. 1999; Strandskov 1991). This development in specialisation seems to have led to rather fixed positional strategies where technological dependencies and investments restrict the companies’ ability to manoeuvre e.g. convert and adjust to other lines of production (Hansen 2005; Strandskov 1991). As discussed by Porter (1980), positions in business systems largely describe roles and positions followed by specific strategic groupings. Thus, when selected groups of actors through their specialisation or concentration dominate an industry, these may have a position to decide and dictate operational routines and procedures and bring others to accommodate with their business scope. This has been argued to challenge joint product development in the Danish food industry and influence product development innovativeness (Munksgaard 2006).

Since interdependencies may be related to several actors in the chain or network from earth to table in the food industry, several groupings of actors may be collaboration partners, with whom it is important to organise the joint development effort. Different studies have pointed out potential benefits and challenges related to product development collaboration with suppliers (van der Valk and Wynstra 2005; von Corswant and Tunalv 2002; Bidault et al. 1998; Hartley et al. 1997); research institutions and universities (Bayona Sáez et al. 2002; Cyert and Goodman 1997); competitors (Grundström and Wilkinson 2004; Miotti and Sach-

\(^4\) Readers interested in a thorough presentation of the historical development of the Danish food industry may consult e.g. Søgaard (1987; 1990).
wald 2003); complementors5 (Andersen and Munksgaard 2009; Ritter et al. 2004; Munksgaard and Freytag 2008); and last but not least customers (Jeppesen and Molin 2003; Von Hippel 1986; Von Hippel 1978).

Taking firstly point of departure in the outlined schism, where consumers, retailers and industrial customers can be considered vital actors with demands for new products, and secondly, in how intermediate downstream market actors through their specialisation and position influence the trail of new products to end consumers, this thesis focuses on collaborative product development with customers in the food industry.

On one hand, it could be interesting to study the collaboration of food producers with consumers – e.g. lead consumers since active users have been claimed to render advantages related to the development process as well as the development of products (Munksgaard and Freytag 2008; Lilien et al. 2002; Von Hippel 1986; Von Hippel 1978). Whereas large food producers may collaborate with consumers, the collaboration of small or medium-sized food-producing and processing companies with lead consumers may be impaired by at least two reasons. First of all, lead users of food products may be hard to identify. There may be a large chasm between expert users (e.g. chefs) and the mass market of consumers. Sophisticated users look elsewhere for involvement than with mass manufacturing companies: they develop their own recipes or collaborate with providers of speciality foods. Consumers of processed food products (i.e. convenience products) are at the same time those consumers who are less involved in food consumption. This is in line with research emphasising that collaborations with lead users may vary across industries (Von Hippel 1986). The user’s potential benefits from the collaboration may explain this variation since the types of benefits obtainable differ between markets and users (economical, personal,

5 A complementor is a partner whose output or function will positively affect the value of the company’s new product (and vice versa) (Nalebuff and Brandenburger 1996).
psychological etc. as discussed by Lüthje and Herstatt 2004). Secondly, the influential role of retailers and other intermediary actors in the food industry entails that product development must not only meet the need of consumers. As already discussed, the development of new products has also to accommodate with the operations and business scope of these actors.

This thesis will, however, study product development collaborations between food companies and intermediating industrial customers, i.e. other food processing or producing companies, retailers or other market actors (such as agencies, distributors and agents that may play a role for newly developed products to reach consumers). Accordingly, the central aim of this thesis is to bring into focus how collaborating companies may respond to the challenges of the outlined schism and thus to scrutinise how Danish food companies may strengthen their collaborative innovative activities as a basis for the ongoing prosperity of the Danish food industry.

1.1 Research question

The research interest of this thesis concerns the collaboration of food companies with industrial customers or other market actors for developing new products to be introduced to end consumers. It is to be emphasised that food companies are regarded as active and intentional, while their choices for action are influenced by their interdependencies to others. Accordingly, food companies will make initiatives and launch activities in the quest for getting new products to end consumer. The structure and interdependencies in the Danish food industry entail that these activities need to be orchestrated in relation to and across collaborative parties. Therefore, the research interest of this thesis is related to the interface between the organisational and inter-organisational orchestration of these activities. To gain insights and understanding of
this specific research interest the following research question will be studied:

*How do Danish food-producing companies organise product development activities in collaboration with industrial customers?*

The study of the research question will concentrate on how Danish food-producing companies are currently organising collaborative product development activities. Through an analysis of how product development activities are organised, it is the aim to increase our insight on the possibilities for strengthening and developing the organising ability of product-developing companies in the Danish food industry. Accordingly, a substantial part of investigating *how* Danish food-producing companies organise collaborative product development activities will be focused on *why* product development activities are organised the way they are. The investigation of why Danish food-producing companies organise their product development effort in a certain way intends to provide understandings of the interactive setting in which the development unfolds. The study aspires to hold implications and provide basis for more empirical and managerial discussions of how Danish food companies may reach a higher novelty in product development, as well as how the organising of a collaborative effort may render continuous growth and prosperity based on product development.

A basic assumption underlying the formulation of the research question is that no single company can master the full scale of specialisation required for the development of new products (Andreasen 2004; Bessant 2003; Ford and Hakansson 2006; Ohmae 1990). As discussed in the previous sections, companies in the Danish food industry are interdependent on other actors for product development. This interdependence may relate to technological specialisation as well as distributional specialisation. The central concern raised here is not if or with whom a food company will collaborate. Rather, the vital question is how the parties may seek to engage in and coordinate the joint effort. Both par-
ties are thus considered to be active, holding their own intention for the joint development effort. Co-ordinating a joint product development effort across companies is a complex task (Bessant 2003; Gressetvold and Torvatn 2006; Hakansson 1989). For understanding this cross-company task, the focus of this thesis is inter-organisational. Because the research question is closely related to the development effort of Danish food companies, the study will also – although to a lesser degree – reflect the historical and structural setting and context of the food industry.

The research focus on organising product development activities implies that the product development activities of the companies are the analytical starting point for this thesis. Taking point of departure in product development activities allows for a nuanced discussion. Firstly, taking a cross-company perspective implies that discussions of product development revolve around activities performed both within and between companies. Breaking product development activities into smaller elements provides a possibility of studying how the involved actors define the development task at hand. For some actors, the definition of development activities may not only relate to the decomposition of a product, but may also reflect other issues related to e.g. technical, organisational and social dimensions (Dubois and Araujo 2005; Von Corswant 2003), or be based on the specialisation and core capability of actors (Leonard 1995). These issues are considered suitable for studying how product development activities are organised because the actors’ – implicit or explicit – definition of the development task underlies the completion of those activities.

Building on discussions of specialisation and interdependence between companies, a second point of relevance for discussing organisation of product development activities can be brought out. To accomplish a certain development task, activities need to be divided between specialised actors. The division of developmental activities may be pursued for different reasons. Not only may division of tasks facilitate parallel performance of activities but also enable the combination and creation of
new specialisation and knowledge (Powell et al. 1996). Both the simultaneous performance of activities and the assigned use of different specialists for different parts of a problem may have great impact on the joint development effort of the parties. This last statement leads to a third argument for focusing on activities. When collaborating companies engage in joint development activities, the co-ordination of their effort may create changes that demand adaptation in the links between other internal activities of either one or both of the parties (Dubois 1998). This may have some interesting implications on the wider organising of the other activities of the involved actors.

Starting with activities is a well-known approach for studying the organising of product development. In general, existing technology and innovation management literature provides a substantial number of models suggested and advised for companies, related to the sequential or emerging ordering of activities to undertake in product development. These models e.g. concern how product development activities are most appropriately supported by organisational structure and management (such as cross-functional teams and the existence of a new product champion) as well as how the success of newly-developed products may be secured through implementation of organisational tools that e.g. improve the fit with market conditions (among many others here is to be mentioned the work of Cooper 1994; Cooper and Kleinschmidt 1995; Rothwell 1994; Schroeder et al. 1986; Tidd et al. 2005). The vast majority of these models do, however, take a company’s internal view of the organising of product development activities. These models do not take into account how studies of the interaction in a relationship may lead to increased understandings and insights into the performance of the parties in their joint and intertwined product development activities (Hakansson 1989).

Even though an extensive proportion of existing literature mainly focuses on organising product development activities within the individual company – also some of those called upon in this paragraph – the dis-
cussions unfolded in the previous sections suggest further investigations on these matters to be done in an inter-organisational perspective. The central problem area of the thesis is thus how the single company defines the developmental tasks to be completed as well as divides and co-ordinates development tasks in collaboration with a customer. The analytical focus is set to embrace how the single actor seeks to organise product development activities based on a strategic intention but in the collaboration with a customer. However, since collaboration unfolds in a context of interdependencies, it is important to take into consideration that strategic choices of companies are restricted by the contingencies of past dealings and the contemporary setup.

As will be discussed in further detail in chapter two, organising product development activities will additionally – although to a lesser extent – be discussed in a wider network context which implies that the company’s activities must not only be co-ordinated in relation to a customer but also in relation to other third actors in a wider network context (Gadde and Hakansson 1994; Hakansson 1989; Hakansson and Snehota 1989). In this sense, focus is on how single actors use and act in their relationships and in the wider network setting when organising product development activities.

Finally, it is of relevance to note that this thesis will focus on activities related to product development although recognising that companies may also collaborate and be in need of organising a joint innovative effort related to e.g. process development, wider technological development, etc.

1.2 Introducing four empirical cases in the Danish food industry

This section briefly introduces four cases providing the empirical basis for analysing and discussing the research question raised. Each case presents a relationship between a focal company (in figure 1.2 set off
with dark background) and a customer, where the parties collaborate for product development. The empirical starting point of this thesis is that collaboration constitutes a central element in the strategic intentions and product development focus of the focal company. As already ascertained in the previous sections, collaboration is an essential condition for getting new products to end consumers. However, how to collaborate as well as how product development activities are defined, divided and co-ordinated between a company and a customer can and will be different from one actor to another as different managerial logics pertain to different actors (Öberg et al. 2007).

**Figure 1.2: Four empirical cases – actors and their sectored positions**

The four cases were selected to ensure maximum variation on dimensions of potential importance for organising inter-organisational product development.
development activities (a summary is provided in table 1.1). The selected cases are expected to be different with regard to:

- positional strategies in the food industry
- collaboration focus
- developmental focus
- degree of internationalisation

Chapter three contains further details of the process followed for case selection and methodology.

In general the cases will contribute to discussions of product development as a negotiated process highlighting how the focal company’s strategic intention for product development may collide with the customer’s intention. The case studies will lead to discussions of how the interaction between the collaborating parties will influence the joint organising – not only in terms of what is developed and exchanged between the parties, but also through the collaboration atmosphere in the relationship. Further, the cases will provide insights on how the focal company’s view and perception of the wider network setting will pervade routines created for organising product development activities. Discussions will revolve around how the actors’ view on the wider network setting may affect the collaborating partners’ quest for finding a common ground for their joint product development effort.

1.2.1 Case: Aston Proteins, Gellert and Stern

The focal company Aston Proteins is a large manufacturer of functional proteins to the food processing sector. The company is founded and situated in Denmark, but is part of a larger international corporation. Most product development projects at Aston Proteins are termed ‘application development’ indicating how projects are intended to develop the application of Aston Proteins’ products by customers. Through these proj-
<table>
<thead>
<tr>
<th>Collaboration focus</th>
<th>Collaboration focus</th>
<th>Development focus</th>
<th>Development focus</th>
<th>Development focus</th>
<th>Development focus</th>
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<tbody>
<tr>
<td>Jointly initiated development of a product that both companies can use individually</td>
<td>Developing a seasonal product (ordinary and branded) for Chicken Delight – but also evaluation of new OTZ products</td>
<td>Customisation – building on existing technological resources</td>
<td>Customisation – building on existing technological resources + additional services</td>
<td>Branding</td>
<td></td>
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<tr>
<td>Single project (only)</td>
<td>Seasonal project (but continual)</td>
<td>Seasonal and ongoing</td>
<td>Ongoing</td>
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<tr>
<td>International</td>
<td>OTZ only operating in Denmark, Chicken Delight internationally</td>
<td>Domestic</td>
<td>Allstar is mainly operating in Denmark</td>
<td></td>
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<tr>
<td>Dominating actors (gatekeepers)</td>
<td>Dominating actors (gatekeepers)</td>
<td>Dominating actors (gatekeepers)</td>
<td>Dominating actors (gatekeepers)</td>
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<tr>
<td>Stern dominates access to actors in the German meat industry</td>
<td>Chicken Delight and downstream retailers</td>
<td>Euretail</td>
<td>Downstream retailers (third party)</td>
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**Table 1. 1: Summary of the four cases**

(*OTZ denotes W. Oschätzchen Aarhus A/S*)
ects, Aston Proteins strives to assist customers in improving the quality and functionality of their products. Moreover, joint application development with customers is considered a main factor for developing closer customer relationships and thereby securing the company’s position in an increasingly competitive industry.

Together with a medium-sized German customer, Stern, Aston Proteins is trying to develop a new formula of ingredients and functional proteins for kebabs. The joint development activities were initiated as a potential for serving a growing market for kebabs in Germany. Reaching producers of kebabs is, however, not considered easy, since these build their business on existing and long-termed supplier relations. German warehouses such as Stern are regarded as gatekeepers for entering this market. This case study is thus contributing to discussions of how the actors’ perception of third parties in the wider network setting may influence the collaborative organising of product development activities.

The collaboration between Aston Proteins and Stern is characterised by involving a third mediating actor, namely the German agent and distributor of Aston Proteins, Gellert. The long-termed relationship rests on multiple past exchanges and is characterised by a professional atmosphere. The study, however, leads to discussions of how the parties’ view and perception of joint development activities influence their definition of the development task at hand, the requirements for coordination and the degree of mutual adaptations.

1.2.2 Case: W. Oschätzchen Aarhus a/s and Chicken Delight

W. Oschätzchen Aarhus a/s is a small manufacturer and supplier of marinades, spice mixtures and functional mixtures for meat products. The company operates on the Danish market. Product development at W. Oschätzchen Aarhus a/s is characterised by close collaborations with selected industrial customers. The objective of the joint efforts is to
develop customised marinades and mixtures utilised in customers’ production or processing of meat products. Based on collaborations with selected customers, a wider product portfolio is developed and offered to all customers.

Chicken Delight is the largest Danish producer of poultry products for consumers, mainly sold through retailers. Chicken Delight is an influential actor on the Danish poultry market and possesses a dominating position for suppliers like W. Oschätzchen Aarhus a/s to reach end consumers. Joint development activities are focused on developing products for the summer barbecue season. The collaboration between W. Oschätzchen Aarhus a/s and Chicken Delight is rather new, but the relationship has already grown close. The relationship is perceived to be equal and mutually rewarding. The case study highlights how the collaborating partners’ strategic intentions for product development and their view of the wider network setting to a large extent overlap. This leads to discussions of how conformity may influence requirements for coordination and knowledge sharing in product development. Further, since Chicken Delight has strict internal procedures and activities for evaluating, testing and producing new products, the case contributes to discussions of how existing activities and working procedures may have a strong impact on collaborative organising of product development activities.

1.2.3 Case: W. Oschätzchen Aarhus a/s and Euretail

W. Oschätzchen Aarhus a/s is the exclusive supplier of marinades, spice mixtures and functional mixtures to the dominating Danish retail company Euretail. The relationship between W. Oschätzchen Aarhus a/s and Euretail focuses on developing customised solutions to the retail actors, to be used for preparations of private label products (spiced convenience meat products) in Euretail’s in-store butcher shops and delicatessen. Purchasing and development of new marinades and mixtures
are centrally coordinated in the Euretail organisation. Accordingly, W. Oschätzchen Aarhus a/s does not collaborate directly with every single in-store butcher shop and delicatessen at the retailer’s different stores.

At W. Oschätzchen Aarhus a/s, the retail customer is considered a prominent and innovative development partner. Several times, the spice company has co-ordinated the retailer’s product development activities with other food companies. The relationship with Euretail is consequently perceived to be a door-opener for developing new relationships with other customers. Since the parties are experiencing disjoint aims in their strategic intentions for product development and their view of the wider network setting, the case leads to discussions of how companies may comply with and follow the lead of a development partner.

Euretail is to a large extent utilising the technological capabilities of W. Oschätzchen Aarhus a/s related to developing and producing marinades and mixtures, but is also drawing on several services from the supplier. These services are intended to support the incorporation of new products in the existing activities and working procedures at Euretail. The case contributes to discussions of whether the collaborating partners’ profound knowledge of the business and activities of each other may impede product novelty.

1.2.4 Case: Allstar and PROmotion

Allstar is a medium-sized producer of cold cuts for sandwiches, mainly operating on the Danish market. The company is part of a larger Scandinavian corporation with associated companies in Sweden and Norway. Allstar is selling branded products as well as producing private label products to customers who are mainly retailers, but also caterers. Allstar is experiencing increasing competition from a larger competitor and growing difficulties in strengthening their access and position on retail-
ers’ shelves. Especially, dominating Danish retailers are perceived to influence the selling success of new products introduced.

Allstar is collaborating with their advertising agency PROMotion to reinforce their product development effort. Through their collaboration, PROMotion is assisting Allstar in generating new ideas for new branded products as well as concepts. The relationship can be characterised by a strong and mutually beneficial atmosphere. However, internal requirements for scale production at Allstar and existing activities and procedures for evaluating new product ideas influence joint product development efforts. The case leads to discussions of how the organising of inter-organisational product development activities may collide with the organising of organisational activities and working procedures. Furthermore, the case contributes with discussions of internal conflicts, and the incongruence in perceptions of the wider network setting at Allstar is influencing the joint product development effort with PROMotion.

1.3 Aim and thesis outline

This study underpins how sourcing and buying are essential factors in product development, and companies are thus increasingly dependent on the interaction and mutual effort with specific partners, as product development unfolds. It is therefore of theoretical relevance to discuss how company interaction constitutes a central mechanism in the organising and mutual coordination of product development activities. The specific aim of the thesis is to explore the interface between the organising of product development activities of a company and the degree to which the organising is conditioned by the interaction and collaboration with a customer. Where existing product development process models are primarily focusing on the new product being developed and how development activities can be managed and governed, this thesis will focus on how the product development process and product development activities are developed through the interaction process and
context in which it is embedded. An essential contribution derived from the presented research is thus how companies perceive the cohesion between internal and external product development activities as well as how they incorporate elements of routines in the joint product development effort. A central theoretical discussion of organising product development activities is thus raised, setting a special focus on how companies in their collaboration with customers define, divide, coordinate and carry out development activities. In this sense, it is the interaction as well as the contingencies and structure of the industry that facilitate product development, where the new product only becomes a ‘reality’ when it contains a value to other actors. This does not imply that the single company has to collaborate directly with customers or other external partners for product development, but that the company actually is interdependent on others to realise and commercialise newly developed products. In other words, no actors are isolated in the process of creating value (Hakansson and Snehota 1989).

By studying the stated research question, the aim of this thesis is to be able to gain insights on the organising of product development activities by companies in collaboration with industrial customers or other market actors. Since interaction in the Danish food industry is rooted in a historical context, the purpose and aim of this thesis is not to build general models for organising product development activity. Instead, the intention is to generate pictures building on more underlying insights into how the organising of product development activities is framed by company interaction and embedded in the contingencies, structure and innovativeness of the Danish food industry. The undertaken study will contribute to insights on organising product development activities in a market where several layers of single customers and distributors chain the access to the end consumer. The thesis will contribute with insights on how the actors’ perception and view of specialised and dominating actors may play a central and gatekeeping role influencing the flow of new products towards the end consumer, and thus the collaborative organising of product development activities.
Whereas existing research to some extent has already investigated the complex task of organising product development in interaction with external partners, this thesis will be contributing to an existing and ongoing academic discussion. The value and contribution of this thesis are to be viewed in the light of the special setting and contingencies of the Danish food industry, as already accounted for in this chapter. The thesis is thus to contribute to an existing discourse related to the collaboration with customers in product development and its impact on the organising of product development activities. The contributions of the thesis refine existing theory and deepen our general understanding of collaborative product development.

From a practical perspective it is of relevance and value to gain insights into the inter-organisational product development practice of food producers collaborating directly with industrial customers. The understanding obtained is deepened by studying how companies holding different positions in the food chain from earth to table are addressing the organising product development activity issue. By obtaining a more detailed understating of the interactive dimension of organising product development activities, the more likely it is that these dimensions will be utilised by managers and companies, in their struggle to coordinate an interactive product development effort.

Figure 1.3 outlines the structure of the thesis.
Organising Collaborative Product Development Activities

Figure 1. 3: Structure of the thesis

PART I: Introduction, theoretical framework and research design

Chapter 1 Introduction
Chapter 2 Organising product development activities in an inter-organisational perspective: a theoretical perspective and framework
Chapter 3 Research design and methodological considerations

PART II: Cases

Chapter 4 Case: Aston Proteins, Gellert and Stern
Chapter 5 Case: W. Oschätzchen Aarhus a/s and Chicken Delight
Chapter 6 Case: W. Oschätzchen Aarhus a/s and Euretail
Chapter 7 Case: Allstar and PROMotion

PART III: Discussion and conclusion

Chapter 8 Case analysis – defining, dividing and co-ordinating inter-organisational product development activities
Chapter 9 Conclusion - reflections and implications
2 ORGANISING PRODUCT DEVELOPMENT ACTIVITIES IN AN INTER-ORGANISATIONAL PERSPECTIVE: A THEORETICAL PERSPECTIVE AND FRAMEWORK

On the backdrop of the discussions of the opening chapter, the central theoretical question to be addressed here is how Danish food companies organise product development activities in collaboration with industrial customers or other market actors. The primary interest is the joint efforts of the product-developing company and the involved partner, and thus, the interactive orchestration and co-ordination that take place across organisations. The theoretical discussions of this chapter are accordingly not addressing issues of why (or why not) companies should engage in collaborative product development. Rather, attention is paid to how the joint product development effort is dependent on the ongoing actions and re-actions of the involved parties. Focus is therefore on the organising of product development activities in an inter-organisational perspective.

Applying an inter-organisational perspective and taking into account the cross-company organising of product development activities, which are significant to the research theme and research question of this thesis, it is relevant to view the producer as well as the customers as active partners. When both parties are contributing to the joint efforts, the product development process becomes interactive and negotiated. It can, simply put, be expected that both parties will negotiate for a prod-
uct development solution suiting their own interest in a short or long term perspective. Moreover, when one actor meets multiple actors in a wider network setting, it will follow and negotiate for its own interests in the collaborative organising of product development activities. Therefore, the joint product development efforts cannot be viewed in isolation, since the actively involved actors, in their mutual negotiations, will take their other activities into consideration. The organising of product development activities is thus to be scrutinised in its historical and organisational context. In other words the joint product development endeavour becomes part of a larger activity setup and exchange in the relation between the collaborating partners. Bringing in this interactive perspective, it may be claimed that the activities of one company may be a reaction to other companies’ activities. Building on this emerging chain of actions and reactions, product development activities can be claimed to be built on the mutual adjustments of the involved actors.

This chapter will argue that taking point of departure in an inter-organisational and interactive perspective shifts attention away from more traditional notions of product development management and marketing strategy based on controlling and directing system behaviour. Instead, focus is directed towards participation and mutual adaptation in the interaction and exchange between business actors. Since the essential purpose of this chapter is to develop a theoretical framework for studying how collaboration with industrial customers influences the organising of product development activities, a review of relevant theories potentially contributing hereto will be provided.

To build a theoretical framework usable for the present purpose and as a basis for discussing the raised research question, a first and important attention and point of departure is directed to reviewing and discussing the central concepts of activities and organising. This chapter will take off with a discussion of product development activities in a theoretical perspective. Subsequently, this chapter will take a review on different perspectives dealing with the division and organising of activities across
partners collaborating for product development. The review will lead
to a positioning of the thesis by drawing on the industrial network ap-
proach and thus result in a theoretical framework for studying organis-
ing product development activities in interaction, focusing on intercon-
nected organisational, relational and network context levels of analysis.

2.1 Perspectives on product development activities

As outlined in the introductory chapter, the concept of activities is cen-
tral to this thesis, or more precisely put, product development activities
are pivotal elements to consider, and thus a natural place to start the
theoretical discussion. In the product development literature, it is pos-
sible to find several variations encompassing generic and aggregated
groupings of product development activities (extensive reviews can be
found in e.g. Brown and Eisenhardt 1995; Hauser et al. 2006; Krishnan
and Ulrich 2001 whereas only a selected few will be pointed out here).
The earliest models of the company product development effort exhib-
ited linear sequences of functional activities⁶, whereas latter genera-
tions of product development models highlight couplings of activities or
parallel activities or system integration of functional activities (Rothwell
1992; 1994). Based on studies of normative models and empirical inves-
tigations, Cooper and Kleinschmidt (1986; 1993) argue that the activities
in the development process can be a source of success in line with the
strategic and market-oriented dimensions, often accentuated in the lit-
erature as success factors for product development. Accordingly, these
authors extract thirteen activities that can be regarded as a ‘skeleton’
for building up the product development process, but they also con-
clude that most companies only carry out nine or less activities when

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⁶ These various activities relate to initial screenings and assessments of markets
and technical issues; the actual design and developments of a product; various
testings of prototypes; closing the process of activities with the market launch.
developing new products\footnote{These various activities relate to initial screenings and assessments of markets and technical issues; the actual design and developments of a product; various testings of prototypes; closing the process of activities with the market launch.}. Based on their extensive research into product development, Cooper and Kleinschmidt deduce recommendations for the single manager and company on how to combine and manage a successful process of product development activities (to mention a few Cooper 1994; 1996; Cooper and Kleinschmidt 1986; 1993; 1995).

**New product process activities**

1. Initial screening
2. Preliminary market assessment
3. Preliminary technical assessment
4. Detailed market study/market research
5. Business/financial
6. Product development
7. In-house product testing
8. Customer test of products
9. Test market/trial sell
10. Trial production
11. Pre-commercialisation business analysis
12. Production start-up
13. Market launch

*Figure 2.1: Thirteen activities for building the product development process (Cooper and Kleinschmidt 1986)*
Similarly, Tidd and colleagues (2005) present four generic phases (search, select, implement and learn) underlying the product development process and argued to be common to all companies. Each phase consists of a development task that companies have to handle by initiating activities and making managerial decisions. By highlighting these generic phases Tidd, Bessant and Pavitt (2005:80) stress that “it is possible to find an underlying pattern of success” by which a company can manage the process of product development activities. The product development task is thus thought of as a process of phases or activities closely connected to the actual product being developed, as illustrated in figure 2.2. Furthermore, it is emphasised that this process can be managed by the single company in the quest for obtaining success.

Figure 2.2: Generic phases underlying the product development process (Tidd et al. 2005)

By pointing out a generic assortment of development activities, phases and managerial decisions, it is suggested that the organising of product development activities rests on the composition and co-ordination of
objectively defined tasks\textsuperscript{8}. An objective perspective on product development activities implies generic tasks to be performed and managed – often in a sequence. In that sense, product development activities are steps that must be managed and conducted to achieve a desired aim of product development success. On one hand, it is assumed that the single company can manage product development. On the other hand, product development activities are perceived as objective and generic tasks closely connected to the actual product being developed. These two fundamental and essential assumptions that found the basis of the traditional product development management literature and the above mentioned research are relevant to discuss further.

Different views of managing product development activities can be found in the literature. According to Brown and Eisenhardt (1995), research concerned with the organising of product development can be categorised into three main views. Firstly, an area of research deals with prescriptions of the single company’s management of the end-to-end development process. Other authors have also referred to this literature, where the primarily focus has been on setting models up for the stages and gates or overlapping phases of the development process (Hauser et al. 2006 is referring to the work of e.g.; Cooper 1994; Takeuchi and Nonaka 1986). A second view highlighted by Brown and Eisenhardt (1995) is a stream of literature encompassing both an information-processing as well as a resource-based view stressing the political and task-oriented processes of co-ordination as well as internal communication and the intra-firm composition of development teams (Equally to Brown and Eisenhardt 1995; also Hauser et al. 2006 refer to the work of e.g.; Ancona and Caldwell 1992 as well as; Dougherty 1990; 

\textsuperscript{8}Albeit development activities are objectively defined, Cooper (1994) suggests that the organising of product development activities must be aligned to every single project, whereas Tidd, Bessant and Pavitt (2005) emphasise that the ground for managing innovation will vary based on industry differences (regarding technology and market) as well as company-specific features (routines and capabilities).
Brown and Eisenhardt (1995) point out a third stream of literature focusing on speeding up the development process by disciplined problem solving. This research is very much influenced and inspired by the Japanese practice for managing product development (referring to the work of Clark et al. 1987; Imai et al. 1985; Takeuchi and Nonaka 1986).

Across these different streams of literature, most studies have been conducted in an intra-organisational perspective. When approaching product development in an inter-organisational perspective, it can be argued that we need to move from a single company view to a collective angle (utilising the conceptualisation of Astley and Van de Ven 1983). If the joint product development efforts are viewed as a mutual endeavour of two (or more) active partners, then the configuration of product development activities is not specified and directed by the single company (Hakansson 1989; Hakansson and Snehota 1995). In other words, carrying out activities may therefore be argued to be dependent on the interacting actors’ strategic intention as well as being dependent on the structural setting in which they unfold (Hakansson and Snehota 1995). Hence, it is not possible to identify a linear flow of objectively defined product development activities co-ordinated and controlled by one actor (Ford and Hakansson 2005). Instead, carrying out product development activities can be argued to be dependent on the interaction and mutual negotiation of the actors, aligning any potential conflicting or disjoint aims. Therefore, the central focus is not how the single company may manage product development activities through a series of phases. Rather, the focal point becomes the mutual and interactive organising of a joint product development effort across collaborating partners.

When product development is considered a joint effort of active business partners, and activities are to be orchestrated across companies, it will always be possible to break activities into numerous and various components or units with more or less arbitrary content and meaningfully analytical characteristics. This makes it difficult to confine the
activity dimension of a study (Hakansson and Snehota 1995). This argumentation entails a conception of product development activities as a more complex phenomenon. We have to take into consideration the organisational and interactive context in which the development occurs, to be able to understand product development activities. Additionally, if the product development process is not considered an isolated event, we may have to look beyond the development of a single product or development process to understand the notion of product development activities (Gressetvold and Wedin 2005). Considering product development as several succeeding projects or processes can lead to the argument – as in some branches of project management literature (e.g. Engwall 2003; Lind 2006) – that these projects will have a mutual influence. This discussion is of particular interest in relation to product development with incremental and repetitive characteristics, causing a cumulative approach to product development which is a general feature of product development in the food industry, as discussed in the introductory chapter. Thus, we also have to count in both the past and the future of new products, which means that the historical context of the newly developed product is to be taken into consideration when discussing product development activities.

When the product development effort is the joint effort of a company and a customer, activities related to the co-ordination of the partners’ contributions are just as relevant. These kinds of activities are what Prenkert (2003) addresses as related to the transformation of products within and across companies. According to this view, development as well as co-ordination activities are parallel or sequentially linked with the purpose of developing a new product through the transformation of resources. Another aspect of activities is – according to Prenkert (2003) – related to a less researched and extended view of activities concern-

9 Brown and Eisenhardt (1995) raise a similar critic by emphasising that research with an objective view on product development activities often have resulted in myriads of important factors influencing product development organising – thus making it difficult to see the wood for trees.
Organising Product Development Activities

The enacted, social and more subjective character of activities. This more subjective perspective on product development activities entails a conception of activities as meaningful events to achieve a specific aim. These events are based on the actors’ perception produced through experiences and values as well as a product of a social interaction. In this perspective, product development activities concern the basic building blocks of practice and how the actors’ perceptions are linked with an ‘objectified’ reality. The differences between an objective and a subjective perspective on product development activities are outlined in table 2.1.

<table>
<thead>
<tr>
<th>What is an activity?</th>
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<tbody>
<tr>
<td><strong>Objective perspective</strong></td>
</tr>
<tr>
<td>• A task often performed in a sequence to achieve a desired aim</td>
</tr>
<tr>
<td>• A step that must be conducted</td>
</tr>
<tr>
<td>The underlying idea is a rationale that is universal</td>
</tr>
<tr>
<td><strong>Subjective perspective</strong></td>
</tr>
<tr>
<td>• A meaningful event to achieve a specific aim</td>
</tr>
<tr>
<td>• Constructed by individual framing</td>
</tr>
<tr>
<td>• Framings are produced through</td>
</tr>
<tr>
<td>- experiences</td>
</tr>
<tr>
<td>- values and subjective interpretations</td>
</tr>
<tr>
<td>• Both a product of individual framing and a product of social construction</td>
</tr>
<tr>
<td>Activities concern the basic building blocks of practice and how individual framing is linked with ‘objectified’ realities (network pictures)</td>
</tr>
</tbody>
</table>

*Table 2.1: An objective and subjective perspective on product development activities*
This extended view and subjective perspective on product development activities will be utilised in this thesis as a dimension related to how business actors define development tasks and activities at hand, that is, how actors interpret, perceive and delimit activities and thus how experience over time modifies and relates activities to each other\(^\text{10}\). This more extended view implies that the investigations included in this thesis encompass not only what (as in the new product) is organised when a company and an involved customer are co-developing, but also who is organising. This latter perspective entails discussions about the relationships of business actors with external partners in the organisation of product development activities, thus setting the discussion of how the interaction between a company and a customer has a bearing on the division and the organising of joint product development activities.

2.2 Perspectives on the inter-organisational organising of activities

Organising activities in an inter-organisational perspective i.e. organising activities across or between collaborating companies (e.g. a company and a customer) inherently implies activities, on one hand, to be distributed or divided between the partners and, on the other hand, the organising also entails activities to be integrated and co-ordinated. The following section is intended to provide an insight on the research, focusing on these dimensions in an inter-organisational perspective. Taking a distributed and integrated view on inter-organisational product development is not new, and various theoretical approaches and empirical traditions may be identified.

The choice of literature to review has been selective rather than exhaustive and is intended to position the later chosen perspective of the in-

\(^{10}\) A third technological activity dimension proposed by Prenkert (2003) is not considered per se in this thesis. It is however incorporated indirectly in the sense that the developmental effort of a new product may imply companies drawing on own or others’ technological resources.
dustrial network approach with respect to other potential perspectives on inter-organisational product development. The choices have been guided by search for literature dealing with company co-development of products and an explicit focus on issues concerning organising, dividing and integrating the joint product development effort of a company and a collaboration partner. Further, the choices have been related to the level of organisation analysis used. Traditionally, within the scope of marketing, a micro-macro dichotomy has been applied (Hunt 1976). The micro-level has traditionally been related to theories and empirical studies taking point of departure in the single organisation e.g. the marketing activities of a company (Wilke and Ritter 2006). On the opposite, the macro-level refers to empirical studies and theories about a total population of organisations (Wilke and Ritter 2006), thus with the assumption that a population of organisations or a marketing system holds distinctive properties of its own (Astley and Van de Ven 1983). This leads to a review of literature that, based on an inter-organisational focus, is dealing with the division and integration of product development activities at either a micro-level or macro-level of analysis. Further, it is relevant to emphasise that the aim is to discuss the organising of inter-organisational product development as mechanisms of dividing and co-ordinating activities between interdependent companies. However, since the division and co-ordination are closely related and essentially two sides of the same coin, these are not expounded separately, but reviewed within broad research categories.

Although early studies of product development by Rothwell (1977; 1974), Cooper and Kleinschmidt (1986), and others demonstrate the significance and central importance of external collaboration, a vast majority of the various perspectives found in existing literature related to the organising of product development activities have an intra-organisational focus. Whereas this literature may also prove insightful for understanding the organising of inter-organisational activities, less attention is given to such research in the following review.
Other perspectives, such as ‘actor networks’ (Callon and Law 1982; Latour 1996), may also contribute to an understanding of the distribution and integration related to organising inter-organisational product development activities. For the present purpose and in line with the methodological considerations of chapter three, the review will, however, focus on a systems approach within product development studies, since these have been argued to be especially influential (Coombs et al. 2003). Further, this perspective is considered appropriate for investigating the chain-like and network-like structure of the Danish food industry as reflected on in chapter one.

### 2.2.1 Perspective on division and co-ordination

In a broad perspective, two economic traditions have strongly influenced more recent research on the division and co-ordination of activities. First, the Smithian tradition of division of labour has provided a fundamental concern in economic theory and has been closely related to the research on the specialisation of companies (Dubois 1998). Here, the market is seen as the mechanism for dividing tasks between companies, providing the basis for elaborating on each their specialisation. In this classic economy interpretation, the market is seen as a place rendering scale and learning effects connected to production and thus for creating societal economic growth and wealth through the exchange of specialised activities (Smith 1776). The exchange is further claimed to be dependent on the infrastructure and efficiency of an industry. The efficiency of an industry – related to production as well as development – is thus, in Smith’s terminology, dependent on the division of labour.

A second influential line of argumentation related to division and co-ordination of activities is found in the transaction cost analysis. Associated with the seminal work of Coase (1937) and Williamson (1975; 1985), transaction cost economists are occupied with analysing why and how activities are divided and co-ordinated within and outside the company.
The initial model of transaction cost included the governance modes of ‘hierarchy’ equivalent to the company’s internal organising of activities and ‘markets’, utilising the price mechanism (Williamson 1975). These two alternatives constitute different governance modes or co-ordination mechanisms. Later, Williamson (1985) incorporated an ‘intermediate’ mode into the transaction cost model for analysing co-ordination. In a transaction cost perspective, this intermediate form of company relationships is attributed to market imperfections as a co-ordination mechanism and can be found somewhere between the extremes of markets and hierarchies.

Although the transaction cost model has been applied in various different studies, the model has also been the subject of criticism since it is claimed to fail on providing adequate insights on how activities are actually organised within and between companies. Two criticisms are especially relevant here. On one hand, the transaction cost analysis has been criticised for viewing relationships as market imperfections. Researchers have questioned this view, arguing that relationships are neither to be seen as imperfections or something ‘in between’ modes of hierarchies and markets, but rather as a distinct mode of co-ordination in itself (Dubois 1998; Richardson 1972). On the other hand, the transaction cost analysis has been criticised for holding a limited focus on single transactions (Doz and Prahalad 1991). Focusing on single transactions, the model is thus less suitable for analysing courses of events. Gulati and colleagues (2000) argue how transactions in networks will be embedded in a history of past relationships, thus providing a new basis for understanding the mechanisms of co-ordination between companies, a factor not provided by the transaction cost analysis. By not taking into consideration the historical setting of transactions, the transaction cost analysis can be considered inappropriate for analysing the repetitive nature of product development activities in the Danish food industry. Further, using transactions as the unit of analysis implies a focus restricted to the dyad between two companies not warranting for a closer investigation.
of questions concerning multiple relationship between actors in a chain-like or network industry setting (Johanson and Mattsson 1987).

Critiques of the transaction cost model have actually spurred various researchers to scrutinise the division and co-ordination of product development activities (and of activities in general). Different studies have taken departure in different points of criticism, leading to various analyses and discussions of the organising of product development activities in an inter-organisational perspective. Some branches of research that discuss ‘strategic networks’, and thus build on a strategic management perspective, are taking a micro-level perspective, and generally view relationships and networks as means for a company’s strategic actions. According to this perspective, choice is available for designing and directing the organising of product development activities by external partners (Astley and Van de Ven 1983), and thus constitutes a means for configuring the product development effort of a company. Other branches of research advocate a ‘system of innovation’ view on networks as loosely coupled organisations and actors as well as rules within which the creation, dissemination and innovative exploitation of technology take place (DeBresson and Amesse 1991; Freeman 1991). This research takes a macro-level perspective and considers the evolution and structural infrastructure of regions and sectors as essential factors for creation and transfer of knowledge and thus product development (Andersen et al. 2002). The following sections are to discuss these broad categories of research in more detail.

2.2.2 Micro-level perspective on product development organising

According to a strategic network view, a company can deliberately create and manage a network of e.g. suppliers (Lorenzoni and Lipparini 1999) and benefit from the access to partners’ knowledge. An important implication for drawing on partners’ knowledge is however claimed to be a social dimension of trust. It is argued that trust between com-
panies refers to the confidence that a partner will not take advantage of the vulnerability of others (Barney and Hansen 1994). When holding trust, collaborating companies will be able to collect more information about each others’ capabilities, thus reducing contracting costs. In the same vein, opportunism becomes more costly, ruining companies’ reputations in the network (Gulati et al. 2000). In other words, mutual trust will ease inter-organisational co-ordination, due to lesser costs for formal hierarchical control (Gulati and Singh 1998). As a social dimension, trust is thus regarded holding an important role in the co-ordination of activities between companies. Co-ordination in inter-organisational relationships is, in this way, not seen only from a cost perspective but also as incorporating interdependencies between companies and their activities.

The co-ordination between companies collaborating for product development is further seen as dependent on the focal company’s ability to specify and narrow down the product design as well as the specific activities to be undertaken by the development partner, since this specification will affect the subsequent joint process e.g. type and amount of information to exchange (Sobrero and Roberts 2001). In other words, the co-ordination of product development activities is argued to be primarily related to companies’ ability to specify the differentiation of activities and their interdependencies. A study of Sobrero and Roberts (2001) shows how a complete and detailed specified design can easily be co-ordinated with an external partner at low costs. Whereas leaving partners to design and specify new products will entail more costly co-ordination and integration while potentially rendering new knowledge and learning to the company.

Perks (2005) argues that also the timing of co-ordinating distributed product development activities is dependent on the (focal) company’s ability to specify the partner’s activities, as well as the company’s ability to assess the partner’s capabilities. When the partner’s capabilities are easily evaluated, the joint efforts need a less integrative approach and
may run parallel. If the partner’s development activities are easily specified, the joint efforts can be solved in a sequential manner. However, in cases where activity specification is problematic and the partner’s capabilities are unknown, other mechanisms are needed to co-ordinate the product development effort. Essentially, it is claimed that this situation entails a co-ordination rendering a more integrated process and overlap in the partners’ activities (Perks 2005). In this strategic network perspective, the focal company of a given study is accordingly seen as the ‘orchestrator’ of the array of partners in the network, with the task to co-ordinate the different activities of these partners (Hinterhuber 2002). Companies’ positions in networks are thus claimed to have an effect on the outcome. Those companies, being able to orchestrate and thus co-ordinate the activities of their partners, are claimed to enjoy superior return (Gulati et al. 2000).

Whereas some researchers have been investigating how trust as well as knowledge of partners’ capabilities are essential for the co-ordination of joint product development efforts, others are taking point of departure in how company specialisation and product-related knowledge provides the ground for inter-company co-ordination (Pavitt 1998; Sanchez and Mahoney 1996). Company specialisation is by Pavitt (1998) considered closely related to, on one hand, division of labour in knowledge production. When products to an increasing extent incorporate a growing number of technologies, companies need to master several technologies to produce them. On the other hand, specialisation is related to division of labour in business functions where professionalism and improved equipment are enabling companies to benefit from advances in specialised disciplines (Pavitt 1998). Still, companies’ mastering of product development is not dependent on their technological knowledge but rather on the organisational processes connecting technologies, products, production and markets. Central in co-ordinating product development efforts is the co-ordination of learning and change-related activities crossing functional boundaries (Pavitt 1998; Sanchez and Mahoney 1996) – not only internal to the company but also between companies.
collaborating for product development. Pavitt (1998) thus claims that the appropriate co-ordination of organisational processes for product development will depend on the characteristics of technologies utilised to develop these products. He does, however, not take into closer consideration to which degree companies may actually orchestrate these organisational processes when collaborating with external partners (Dubois and Araujo 2005).

Brusoni and colleagues (Brusoni et al. 2001; Brusoni and Prencipe 2001) build on the work of Pavitt (1998), when they highlight how companies’ knowledge will stretch beyond their production. The dynamics of companies’ knowledge and product domains will develop according to different principles. It is argued that this evolution is necessary for companies to utilise the knowledge and specialisation of innovative partners. In other words, this evolution is to provide companies with the ability to function as system integrators, co-ordinating the inter-organisational development of new products. It is stressed by Pavitt (1998 as well as; Brusoni et al. 2001) that to understand the integration and co-ordination between partners collaborating for product development we must take into consideration the knowledge and multi-technology of companies. This argument thus criticises the transaction cost perspective of taking too limited a view on knowledge-intensive activities by claiming that such activities need to be co-ordinated internally (by the hierarchy) or through vertical integration. By recognising the gap between what companies produce and what they know, it is argued that the division of labour and division of knowledge can be different. A company may therefore choose to outsource the production of certain components while still developing and keeping in-house technological knowledge to accommodate with changes in one field that may cascade effects on others. Based on their studies, these researchers present the notion of system integration as a co-ordination mechanism between market and hierarchies (Brusoni and Prencipe 2001; Brusoni et al. 2001). Dhanarag and Parkhe (2006) prolong this discussion by arguing that the hub-company besides the co-ordination mechanism of ‘knowledge mobility’ can
use the notion of ‘innovation appropriability’ (i.e. by creating and governing network ‘rules’ and agreements for using and profiting on network-generated knowledge) and ‘network stability’ (i.e. fostering and allowing the entry or exit of members in the network without creating destructive network-internal competition) which orchestrates the activities of other network members.

However, it can be claimed that the relationship between technology and organisation is less manageable and predictable than envisaged by the above-cited literature. Dubois and Araujo (2005) highlight that technological and organisational interfaces in distributed development activities is much more complex, rendering continuous and provisional co-ordination throughout a development process. It is claimed that the organising of product development activities between collaborating companies evolves through series of pragmatic decisions concerning the ongoing distribution and integration of activities. A relevant conclusion from their study is that the interaction between technological and organisational interfaces is not confined within company walls but reaches criss-cross organisational, dyadic and even network levels (Dubois and Araujo 2005). This implies that mechanisms for organising inter-organisational product development activities may develop throughout a project. Further, the notion of co-ordination through system integration may not be confined to one company but occur at multiple levels in the network with no central direction or co-ordination.

2.2.3 Macro-level perspective on product development organising

The distribution and co-ordination of product development activities among companies have been investigated as national, regional or sectored systems-of-innovation (Andersen et al. 2002). This research builds on the seminal work of e.g. Lundvall (1985; 1988), Freeman (1988) and Dosi (1988). Setting a special focus on nations or sectors as the centre for company specialisation (DeBresson and Amesse 1991; Freeman
1991), this stream of literature is concerned with how companies in the same nation or sector may divide and co-ordinate their innovative efforts.

Broadly speaking, the national systems-of-innovation approach is not interested in the allocation of resources and thus departs from neo-classical economics by privileging information and learning processes (Andersen et al. 2002). Lundvall (1985) argues that the interaction and relationships between users and product-developing producers are characterised by exchange of products, exchange of information and co-operation (depending on the type of product development). In this sense, the user-producer co-ordination is reliant on the need and use of information for product development activities. Producers will seek information of users’ needs and monitor users to discern needs that may require new innovations (e.g. due to technological bottlenecks or technological interdependencies). On the other hand, users will continuously scan the developments of producers. Further, users will need to engage in processes of learning-by-using when utilising new innovations. In the co-ordination of the innovation, the producer has to take into account the user’s process and learning capacity. This reflects the assumption that co-ordination of product development is rooted in processes of interactive learning (Andersen et al. 2002). Due to the mutual need of information related to product development between users and producers, it is further argued that relatively stable user-producer relationships are developed (Lundvall 1985). Within the systems-of-innovation perspective, it is argued that the characteristics of user-producer relationships may be one important factor in shaping the structures, separating national and regional systems. A further implication from the systems-of-innovation approach is how patterns of specialisation, and thus how activities are divided, will depend on routine activities formed by economic processes and institutions affecting company behaviour and performance (Andersen et al. 2002).
Whereas the national systems-of-innovation approach, with nations or regions as a unit of analysis, may seem appropriate for policy makers, it has been criticised for not rendering detailed analysis and understanding of how product development activities are actually distributed (Coombs et al. 2003). Further, using nations or regions as the unit of analysis may pose problems as the division and co-ordination of product development activities by companies does not respect national or regional boundaries.

Elaborating on innovation system approaches, Coombs and colleagues (2003) particularly consider the power and dependencies between actors and the dynamics of distributed product development activities within value chains or networks. Coombs et al. are thus contributing to the innovation system perspective by more closely examining the interactions and interdependencies of the actors. Through their work, these researchers are set out to discuss how changes in the distribution of product development activities may arise from changes within actors or in their mutual relations. Acknowledging that co-ordination can be achieved through different forms of knowledge (related to technology, market and organisation), co-ordination of distributed activities is also seen as influenced by the potentially asymmetric power and dependency between actors, which is reflecting the instituted economic processes of configurations or networks (Coombs et al. 2003). A central mechanism for co-ordinating inter-organisational processes of innovation is thus seen to be explained through the dependencies and power relations between collaborating partners.

Even though power between companies may be considered relevant elements to include in studies of the organising of inter-organisational product development activities, other elements in company interaction may also be considered important when studying interdependencies e.g. issues of trust as highlighted earlier as well as the general atmosphere of the relationship (Gadde 2004; Hakansson 1982a). In other words, we need to broaden the basis of the analysis when the aim is to
study the influence from partner interaction on the organising of product development activities.

This section has aimed at reviewing different conceptualisations and perspectives on inter-organisational organising of product development activities, whether related to economic, technical or social dimensions. Several critiques have risen questioning to either the focus, level of analysis or appropriate width of these various approaches and perspectives. Some of the examined research considers the focal firm as the active and co-ordinating part, instead of viewing all implicated actors as active partners in an interactive and negotiated process. Several perspectives seem confined to organisational or dyadic levels of analysis, not considering relationships in the wider network as influencing the organising of product development activities. Others seem to pay less attention to the historical and dynamic dimensions of inter-organisational product development processes. See table 2.2 for an overview.
### Selected perspectives on inter-organisational organising of activities

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Description</th>
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<tbody>
<tr>
<td>Classic economics and transaction cost analysis</td>
<td>- The market as a mechanism for dividing tasks and exploit specialisation&lt;br&gt;- Relationships are an intermediate co-ordination mechanism (market imperfection)&lt;br&gt;Partial focus on single transactions in dyads</td>
</tr>
<tr>
<td>Strategic networks</td>
<td>- Building trust for co-ordinating interdependencies between companies&lt;br&gt;- Co-ordination is dependent on company ability to identify activity differentiation and interdependency&lt;br&gt;- Companies act as system integrators co-ordinating learning- and change-related activities crossing functional and organisational boundaries&lt;br&gt;Focal company orchestrates array of partners and their interdependent activities</td>
</tr>
<tr>
<td>System-of-innovation</td>
<td>- Nations, regions and sectors are centres for company specialisation&lt;br&gt;- Patterns of specialisation and interdependencies are reflecting instituted economic processes&lt;br&gt;- Co-ordination in user-producer relationships is based on knowledge and interactive learning processes&lt;br&gt;Holistic perspective on interdependencies but mainly policy-oriented</td>
</tr>
<tr>
<td>Industrial network approach</td>
<td>- Division and co-ordination of activities are embedded in time and space&lt;br&gt;- Consider interdependencies in direct as well as indirect relationships in a wider network context&lt;br&gt;Holistic and system perspective on interdependencies</td>
</tr>
</tbody>
</table>

*Table 2.2: Selected perspectives on inter-organisational organising of product development activities*
The rest of this chapter will concentrate on the industrial network approach chosen for building a theoretical framework for this thesis. Whereas the following section will argue for the use and underlying assumption of this approach, it is of relevance to briefly state that the industrial network approach views the organising of product development activities as embedded in time and space (Gressetvold and Torvatn 2006). This implies a perspective beyond the single development project which connects the process to past events as well as potential future activities. In this sense, both technological path dependency and actors’ experiences will have an influence on present product development activities. The organising of product development activities thus implies taking into account a temporal dimension. Additionally, the notion of product development being embedded in space means that, in order to conduct product development, companies need to connect resources, although the company itself usually does not possess all these resources. Instead, the company uses relationships with suppliers, customers or others as sources for e.g. technological resources, knowledge or new product ideas. In this sense, interaction and interdependencies in direct relationships as well as indirect relationships in the wider network are considered central for the organising of product development.

Summing up on the perspectives reviewed in this section, it is of further relevance to emphasise how different studies have taken a more specific focus on the division and co-ordination of product development activities. For example, purchasing and supplier relationships (e.g. van der Valk and Wynstra 2005; Von Corswant 2003; Gadde and Hakansson 1994), marketing relationships (e.g. Johnsen and Ford 2005; Ritter and Walter 2003; Walter 1999) as well as studies focusing on mutual negotiations throughout the development of inter-organisational relationships (e.g. Ring and Van De Ven 1994).

In closing this section, it can be ascertained that across different perspectives the scrutinising of product development activities organising in an inter-organisational perspective implies taking into consideration...
the orchestration of activities both within and between companies. The organise ing of product development in traditional product development literature would entail the planning, sequencing and managing of objectively defined activities, as inferred in the previous section. However, applying a subjective perspective on product development activities implies a different approach. In an inter-organisational perspective, the organising of product development activities involves creating enough consensus between the actors’ different perceptions of the activity to be performed (Fiol 1994). A mutual definition of the product development task at hand is required to create a basis for collective action. Business actors may have consensus on their perception and interpretations of the content of an activity, that is, the way actors convey their picture of that activity. Another form of consensus regards the framing of communication about the activity. Actors may thus disagree and agree on an activity at the same time, holding consensus about one element and not around the dimension of meaning of another (Fiol 1994). Johnston and colleagues (2006) claim that the structural features of a surrounding network will influence this process of consensus-building, both related to the interpretation of content and the framing of information. A further aspect of organising product development activities in an inter-organisational perspective may thus be considered a process of building enough consensus for mutually defining the joint product development task at hand.

2.3 The industrial network approach for studying the collaborative organising of product development activities

The industrial network approach, used to develop the theoretical framework of this thesis, goes by many names and is also referred to as the ‘interaction approach’ (Ford et al. 2003; Hakansson 1982b) or ‘markets-as-networks’ (Mattsson 1987) and ascribed with the ‘IMP group’ (Indus-
trial Marketing and Purchasing). The research tradition of the industrial network approach (this term is deployed by e.g. Easton 1992) has its roots in the 1970s of Sweden, where a group of researchers in collaboration with other European colleagues conducted some empirical studies that led to question conventional wisdom of marketing (for an overview consult Ford and Hakansson 2006; or the original study Hakansson 1982b). Building on empirical findings, these researchers suggest that business markets are better understood as repeated and continuing interactions of exchange forming long-termed relationships between business actors, thus rejecting the traditional focus on the single, discrete purchase prevailing in the industrial marketing literature of that time. Further studies led to the conviction that the performance of a single actor is not only dependent on the interaction with direct business partners, but also on how direct relationships are connected to other relationships in a wider network context (Hakansson and Snehota 1989; Hakansson and Snehota 1995; Ford et al. 2003). In this sense, markets are, in the industrial network approach, understood as networks of organisations connected through long-termed relationships. The network consists of an aggregated structure of goal-seeking, conscious actors, a pattern of activities that are organised and changed by these actors and a constellation of the resources applied by actors for performing activities. The elements of actors, activities and resources make up the network model – or the ARA model (Hakansson 1987) – which is a central model within the industrial network approach, constituting the basis for much research conducted within this perspective.

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11 Results from the first IMP-project were published in 1982 (Hakansson 1982b) and completed in joint collaboration between researchers from five European countries. Since then, the approach has provided a basis for a wide number of research projects and has been published in many articles and books. For more information on the IMP group, please consult www.impgroup.org.
Organising Collaborative Product Development Activities

Actors control resources; some alone and others jointly. Actors have a certain knowledge of resources.

Resources
- Heterogeneous
- Human and physical
- Dependent on each other

Activities link resources to each other. Activities change or exchange resources through use of other resources.

Activities
- Transformation activities
- Transaction activities
- Activity cycles
- Transaction chains

Figure 2.3: The ARA-model
(Hakansson 1987:17)

The ARA-model (illustrated in figure 2.3) takes the three ‘basic’ elements: activities, resources and actors as the point of departure for depicting interaction in relationships as part of networks. According to this model an actor performs activities by employing resources controlled by the actor – either alone or jointly with other actors. Resources are in turn linked through activities that exchange or change them. The discern between activities, resources and actors provides a frame for discussing and analysing the organising of product development activities, both internally in the single company, in the interaction between a company and a customer, as well as in relation to third parties in the wider
network. However, the model also emphasises the three elements of activities, resources and actors as interrelated and mutual influencing dimensions (Hakansson and Snehota 1995).

The structure of the network is formed by developing relations between the three elements and is thus seen as a reflection of former interactions and joint investments between actors in the network. This is bringing a historical dimension to the understanding of organising product development activities. The structure is providing actors with opportunities as well as limitations for current and future actions. Concurrently, the process of interaction between actors, their activities and resources is creating the structure. At the same time, the interaction is connecting the resources and activities of different actors. In this sense a company’s relationships and the wider network are vital for the organising of product development activities. Acknowledgement of the interdependence between companies and between relationships in networks has led to the relevance of three analytical levels (Anderson et al. 1994; Hakansson and Snehota 1995). Firstly, the performance of a single company which is affected by other actors, secondly, the interaction in a relationship between two or more companies, and thirdly, a network level of connected relationships, as pictured in figure 2.4.
The concept of relationships remains the centre of research within the industrial network approach, analysing and describing business relationships, their complexity and continuity in the interaction between companies and organisations. Albeit with the distinctive features that a single relationship cannot be understood in isolation from other relationships and that it has a bearing on the scope of a single actor’s actions. As accentuated by Wilke and Ritter (2006), the level of analysis in this inter-organisational perspective differs from a traditional marketing dichotomy of a micro and macro level. The industrial network approach stresses the causality between the different levels of analysis. These different levels do not exist in isolation; rather, they influence each other.
reciprocally. According to Wilke and Ritter (2006), no theory or model can handle this reciprocal causality at one and the same time – e.g. from relationships to the network and from the network to the relationship. Therefore, models covering this causality will be imprecise theories – only providing conceptual pictures of reality. To understand the general picture, we therefore have to handle the different levels of analysis as quasi-isolated but complementing and connected.

In this thesis, the characteristic of the stated research question gives a focus on interaction and inter-organisational co-ordination of activities between two companies. In accordance with Wilke and Ritter’s (2006) distinction between structural and actor levels of analysis, the dyadic relationship poses the structural level of analysis whereas the organisation constitutes the actor level of analysis in this thesis. In accordance with the industrial network approach, Wilke and Ritter (2006) suggest that the study of a specific research question will benefit from addressing different levels of analysis, since the results are then connected to and understood in a greater picture. Here, the levels of organisations and relationships constitute the analytical point of departure, whereas the level of the network is included as the network context or network picture as viewed from an actor’s perspective. Details concerning the data collection and level of observation are discussed in chapter three.

In the following section, the basic and underlying assumptions of the industrial network approach will be explored in greater detail, facilitating an understanding necessary to develop an analytical and theoretical frame for the empirical work of this thesis. What must be emphasised is, however, that the industrial network approach does not compose a unified theory or compound concepts. Indeed, as stated by Easton (1992), the industrial network approach has, throughout its almost twenty-five years of history, developed into a variety of approaches, leaving room for variations of different angles of and concepts dealing with the same phenomenon. Thus, the following section will neither attempt to cover the diversity of conceptual understandings inherent in the industrial
network approach nor to extract the variations related to product development, but focus on central shared assumptions. The discussion will revolve around those aspects that are considered relevant for the present purpose and thus to be incorporated in the theoretical framework.

2.3.1 Underlying assumptions influencing the organising of product development activities

A first basic tenet of the industrial network approach is the assumption that customers as well as suppliers are heterogenic and active (Ford et al. 2003). For instance, customers must be dealt with individually because some buy more or raise specific requirements difficult to handle which will make them more important to the company servicing them. Equally, some suppliers may be considered more important due to e.g. a specialised technology provided. In traditional marketing literature, the customer is considered the passive part, but in the industrial network approach it is emphasised how customers will seek a solution to a problem rather than a specific product when actively seeking for either rationalisation of operations or for development (Ford et al. 2003). Therefore, the involved customer or other market actor will also hold a strategic intention for the product development effort as well as intentionality for organising product development activities.

As a second basic assumption of the industrial network approach, it has already been highlighted how business exchanges cannot be considered isolated events. Instead, repeated exchanges result in continuing the interaction that forms long-termed relationships between business actors characterised by richness and diversity. This implies that the prevailing problems and current concerns of the actors involved will be influenced by past exchanges and anticipations of future exchanges. In an interactive perspective, this also means that the actions of a single actor are based on that actor’s interpretation of the previous actions of others and the expectations of their possible reactions in the future (Ford and
Hakansson 2005). Additionally, it implies that the discern between investments made by actors and their recurrent costs becomes blurred (Johanson and Mattsson 1987). This is due to the difficulties in distinguishing the (re)action of an actor as a longer termed ‘soft’ investment in getting to know the counterpart and develop the relationship or as a recurrent cost of single exchanges e.g. related to the joint development of specific products. But it also out-plays rules of a resource allocation optimum; for one, because relationships restrain the actions of a single actor, but also because the actors’ motives are not only a matter of short-termed maximisation of profit (Easton 1992).

A third inherent element characterising the industrial network approach is the notion of company interdependence. Companies may be interdependent on securing product flow through distributors to consumers, on receiving information of various forms, on developments of new products or processes as well as for achieving access to e.g. new markets. Although resources are at the heart of interdependencies between actors in a relationship, interdependencies can also be expressed in terms of activity links or actor bonds, and have economic, technical, logistic or social characteristics (Mattsson 1985). Consequently, the conception of interdependence is partly a matter of choice and partly of circumstances (Easton 1992). In some situations, the technological developments, the number of potential partners or other circumstances may restrict companies’ options. In other situations, companies may have a choice regarding with whom to do business. Yet, companies may choose to trade off the flexibility of choice for the benefits that can be obtained from long-termed relationships. In this sense, company interdependencies are potential resources as well as restrictions for strategic manoeuvring. The mutuality of interdependence inherently entails potential problems of power and control when both parties have an interest in leading and controlling joint efforts. A simple matter of division of work and thus of who is to carry out which activities can be a potential source for conflict in the relationship. In imbalanced relationships, the division of work can be an execution of one company’s power over the
other. Albeit, imbalance in power and control may not be a perceived as a problem by the parties. At the network level, the division of work between actors is a characteristic of the network structure, that is, the greater the interdependence is, the clearer the structure of the network becomes (Easton 1992).

Just as the notion of interdependence influencing company (re-)action and strategic manoeuvring, a company is dependent on the resources, skills and action of other actors to serve customer demands. A fourth cornerstone and assumption underlying the industrial network approach is thus that a company’s offering is made up of what it buys (Ford et al. 2003; Ford and Hakansson 2005). No company will possess the sufficient technology, production resources, distribution capability or the like to fully satisfy the requirements of any customer. In other words, no company can fully master every technology required to produce their products or hold the necessary resources for themselves to deliver their offerings to every customer. Therefore, companies have to work with, through, against and in spite of other actors to combine and utilise their own resources and those of their suppliers, distributors, customers as well as competitors (Ford et al. 2003). When actors in a business setting in this sense interact, it will be with the intention to enter, develop and adapt to relationships in a quest to reduce cost, facilitate knowledge transfer or to access the relationships and network of a counterpart. When counterparts in relationships and the wider network take care of different tasks, the company becomes more ‘free’ to invest in own resources and core competencies (Prahalad and Hamel 1990). Additionally, the company’s ability to ‘bundle’ the resources and actions of other actors turns into an essential capability to accommodate conditions imposed by customers. In the organising of product development activities this implies that actors adjust mutually and co-ordinate their joint product development effort. An essential outcome of this last discussion is that it becomes rather difficult to draw the boundaries of a company, or a relationship for that matter, because what companies do
will always in some way or another be intertwined with the resources and actions of others.

### 2.3.2 Developing a theoretical framework

The aim of this section is to develop a theoretical framework for studying the research question of how Danish food-producing companies organise product development activities in collaboration with industrial customers or other market actors. The theoretical framework is to provide a basis for discussions of the interface or boundary between a company’s own organising of activities and the joint organising of partners collaborating for product development. Building on the industrial network approach entails that the organising of product development activities in this thesis will be contemplated as one among other forms of business exchange in a relationship between a company and an involved customer. Drawing on the work of Kjellberg and Helgesson (2007:863) the term mode of exchange is used “to denote the specific combination of practices that together produce an economic exchange”. Hereby, describing the mode of exchange amounts to characterising the specific way product development activities are organised between a company and a customer. Modes of exchange between two partners will be embedded in that specific relationship and wider network context. Therefore, the way activities are interconnected will vary from situation to situation and from relationship to relationship. The description of product development activities as modes of exchange is pictured in figure 2.5. Through modes of exchange, the activities of the compa-

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12 The use of *mode of exchange* builds on Kjellberg and Helgesson (2007) thus differing slightly from the original concept as proposed by Lie (1992). Kjellberg and Helgesson use the term as actions to produce exchange whereas Lie uses the term for discussing social relations and means of exchange.

13 In this way only, the concept of modes of exchange from the work of Kjellberg and Helgesson (2007) is utilised. The notion of exchange objects and exchange agents are thus not applied in the present purpose.
panies will be linked to each other, creating activity chains (Hakansson and Snehota 1995). These chains of activities may be sequential, parallel or joint.

![Diagram of network context and modes of exchange](image)

**Figure 2.5: Theoretical framework for organising product development activities through modes of exchange between a company and an involved customer**

Figure 2.5 is intended to illustrate how the product development activities of the actors become interconnected through modes of exchange. The figure also illustrates how past exchanges between partners as well as their expectations for future exchange will influence current modes of exchange. Since a development project may comprise and be explained by several modes of exchange, it is furthermore difficult to
determine a beginning and end to the organising of product development activities. In other words, using the industrial network approach implies a perspective beyond the single development project which connects the process to past events as well as potential future activities. In this sense, both technological path dependency and actors’ experiences will have an influence on present product development activities. These will facilitate the completion of development activities and create opportunities, but may certainly also create barriers and limitations. When organising a single product development project through modes of exchange, the company thus has to take into account a time-related dimension (Gressetvold and Torvatn 2006).

Because the ongoing exchange is part of the relationship between the company and the involved customer, an interaction effect is created. This interaction effect may be described as how the characteristics of the relationship are influencing modes of exchange. The modes of exchange in the relationship are furthermore affected by the exchanges of the parties with third parties in the wider network. Applying the industrial network approach thus entails that product development activities are linked to the other activities and resources of the actors. Additionally, embedded in the industrial network perspective is the presumption that activity chains between collaborating actors contribute to, are a part of, and are influenced by a greater activity pattern of the wider network. Therefore, product development is also embedded in the dimension of space (Gressetvold and Torvatn 2006). Summing up, studying how companies organise product development activities is not only related to what (the actual new product) is developed, but also to who is organising.

The structure of the activity chains as well as the interaction in the relationship will have a mutual influential effect on the division of development activities between partners collaborating for product development (Dubois 1998). Chains of activities occurring in a sequential, parallel or joint way will be linked through activities of co-ordination –
that is, activities that co-ordinate the companies’ effort and the product development activities across company boarders. These links of co-ordination will build on the actors’ mutual adaptations and investments (Hakansson and Snehota 1995; Hallén et al. 1991) and may e.g. take place during joint development meetings, seminars, daily communication, etc. Different modes of exchange related to the collaboration with different customers and the organising of product development activities may require different activity structures that are linked in different ways to the different activity structures of the customers.

Analysing different modes of exchange while focusing on the division of activities and labour between actors, two characteristics are important to scrutinise: Activity similarity and activity complementarity (Richardson 1972, as well as; Dubois 1998; Gadde and Hakansson 2001). Activity similarity is based on standardisation and can provide cost reductions in product development (as well as in production, distribution or design). Similarity may thus provide the ground for routinised or standard product development activities offered to multiple customers. These may however be mixed with adapted activities to customise the output – the new product and connected offerings – to a selected customer. The notion of complementary activities concerns the sequential interdependence of activities in different modes of exchange when activities have to be completed in a certain order. Activity complementarity can have degrees of closeness. When e.g. product development activities are made specific to a customer, these activities are closely complementary. In such situations, companies collaborating for product development may agree to arrange their related activities in advance (Richardson 1972). Increasing complementarity increases activity interdependence and enhances the need for co-ordination (Gadde and Hakansson 2001). Increasing activity complementarity between actors is thus a way for companies collaborating with customers for product development to strengthen the commercialisation of new products.
2.3.3 Positioning of the thesis

The industrial network approach is applicable and relevant for discussing the research question of this thesis focusing on how Danish food producing companies organise product development activities in collaboration with customers. The reasons for applying the industrial network approach are several. Firstly, while traditional product development literature focuses on intra-organisational activities directly related to products under development, the industrial network approach captures and explicitly addresses the inter-organisational perspective of orchestrating the product development effort across actors. On one hand, the industrial network approach contributes to an analysis of the interdependencies of product development activities both within and across companies. These interdependencies are highlighted by not only focusing on activities but also on how different actors act and perform product development activities by utilising own or joint resources. On the other hand, the industrial network approach can be utilised for addressing the derived demand as well as the influence from third actors only indirectly involved in the product development effort. In relation to the challenges that frame the organising of product development activities by companies, the industrial network approach offers thus a more holistic picture of the inter-organisational development effort and its implications.

Secondly, the industrial network approach emphasises that the interior organising of the project for product development activities is better understood if regarded in relation to its historical and organisational context. This means that past interaction and expectations of future interactions will have an influence on and have a bearing for the organising of product development activities by companies. Similarly, the product development activities performed will be better understood when contemplated part of the wider exchange and activity chains of the involved actors.
Thirdly and closely related, the industrial network approach provides a frame for discussing how the organising of product development activities is influenced by the interaction in which it unfolds. Both the product developing company as well as the involved customer are viewed as active partners in an interactive and negotiated product development process. Utilising the industrial network approach thus opens for an analysis of how partners collaborating for product development may hold diverging goals and disjoint aims that need to be aligned, and thus provide insights of the interface or border between the organising of the company and the joint organising effort. The industrial network approach includes issues of how the actions of the actors are severely interdependent on the actions and reactions of others, potentially restricting and limiting the strategic room for the actors’ manoeuvrings.

Fourthly, the approach is building on the assumption that actors are part of a network with institutionalised structures that limit the actors’ possibilities for purposely directing their own actions or actions of others. This is relevant for studying the research question of this thesis because it proposes how the intentional organising of the product development effort of the companies may be framed by the institutionalising of an wider industry or how their view of the network setting may facilitate or potentially restrict company innovativeness as well as the innovativeness of the products being developed. A discussion and investigation of how the organising of product development activities is influenced by the actions of others in a wider context are believed to provide insights on how product-developing companies are trying to respond to ongoing trends and challenges framing their development effort.

Summing up, the industrial network approach provides a relevant and integrated frame for analysing and discussing how a company’s strategic intentions, relationship interaction and view of the surrounding context affects the collaborative organising of product development with customers.
2.4 Utilising the theoretical framework for studying the organising of product development activities in interaction

Applying the developed theoretical framework (figure 2.5 presented in the previous section) - to study how Danish food companies are organising product development activities and for discussing how the organising unfolds in interaction with customers - provides the ground for a range of inferring issues and questions. A special focus is placed on the activity dimension (cf. section 1.1). This is illustrated in figure 2.6. The following paragraphs will argue for the connection between the theoretical framework in figure 2.5 and the issues and questions raised in figure 2.6. Further, the questions raised in figure 2.6 frame the exploration and discussions of how a company can organise product development activities and to which degree the organising is conditioned by the interaction and collaboration with a customer.
**Actors:**
- What are the actors’ network pictures and strategic intentions?
- What characterises the relationship atmosphere?

**Activities:**
- How are product development activities organised?
- How are development activities defined?
- How are development activities divided?
- How are development activities coordinated?

**Resources:**
- Which resources are controlled?
- Which resources are mobilised?

*Figure 2.6: Utilising the theoretical frame through the ARA-model for discussing the organising of product development activities.*

Building on the fundamental elements of the ARA-model (cf. figure 2.3) entails a discussion of modes of exchange related to how product development activities and activity chains are linked through interaction in relationships; and how activity chains in a broader perspective create activity patterns in the wider network. To study the modes of exchange related to how Danish food-producing companies organise product development activities also requires an investigation of how activities that are directly related to the actual product are defined by the interacting parties, how development activities are divided between actors as well as how activities are co-ordinated among the collaborating companies.

The arrow pointing from actors to activities in figure 2.6 is partly explaining the ‘hows’. Even though ongoing relationship interactions will influence and restrict the company’s room for manoeuvring, activity
links, actor bonds and resource ties are enacted and created by the actors themselves (Hakansson and Snehota 1995). Actors are thus having a certain degree of freedom and may interact on a voluntary basis. In a network context, the strategic intentions and actions of a focal actor are concerned with creating a position that provides a base from which future action can proceed (Johanson and Mattsson 1992). This base forms a ground for the organisation of product development activities of a company. This will also relate to who in the interaction is doing which activities and thus which activities are completed internally in the company and which in direct cooperation with a customer. How development activities are organised will also depend on how the parties are co-operating in general and when and where customers are involved in a given activity. The strategic intention will build on the ‘network pictures’ of involved actors and thus their view on the wider network setting. These pictures and the actors’ intentions will of course influence the parties’ attitude and commitment in the joint development co-operation, and therefore, the characteristics of relationship atmosphere are also expected to have a critical impact on how product development activities are defined, divided and co-ordinated between developmental partners.

The arrow in figure 2.6 pointing from resources to activities accounts for the resources that the actor controls and utilises for organising development activities. Through relationships, an actor may access resources controlled by other actors or jointly owned resources. To put jointly owned resources or resources controlled by others into use in performing product development activities, a company needs to mobilise these resources. Through resource mobilisation, actors may combine resources as well as develop resources for organising product development activities.

Figure 2.6 also explains how the interconnection between actors and resources may influence the organising of development activities. Actors seek to mobilise resources for organising. Moreover, actors’ network
pictures and strategic intentions for organising product development activities are influenced by the availability and character of resources under direct or indirect control.

On an aggregated level, the interaction effect (illustrated by the circling arrow in figure 2.6) also contributes with explanations of the organising of product development activities of a company in collaboration with a given customer or other market actor. In essence, the illustration of the interaction effect is intended to tie figure 2.5 and figure 2.6 together. Through modes of exchange, the interaction between a company and a customer is having a continuous effect on the organising of product development activities. Inherently in the interaction effect lays the notion that both companies through the interaction in a relationship will try to lead and organise their product development activities the way each of them think is appropriate. This is a very important notion, since this clearly marks that the single company has to ‘calculate’ with the reaction of others when they organise their product development activities as a reaction to what others have done. In other words, the circling arrow illustrating the interaction effect is accounting for the time and space dimensions embedded in the developed theoretical framework.

The main objective of the following sections is to describe and discuss the range of concepts introduced, and relate these to the organisational, relational and network level of discussion as inferred from the industrial network approach and the developed theoretical framework presented in figure 2.5. The organisational level refers to the notion of the organising of activity structures of the company. As argued for in the industrial network approach the organising of activity structures will build on organisations’ strategic intentions and the interpretations of the individual actors that represent their organisations. These interpretations may take the form of so-called network pictures that will frame managerial action for organising product development activities, as will be argued in the following. The relational level concerns the practice of routines and adaptations as an inherent part of interaction co-ordina-
tion and organising. The relationship atmosphere will be argued to be an influencing dimension when a company and an involved customer organise a joint product development effort. Moreover, the mobilisation of resources of the actors is argued to underpin the organising of product development activities. Finally, the network level of analysis will, in this thesis, only be included as a context for the organising at the organisational and relational level. However, the notion of activity patterns at the network level will shortly be addressed as a basis for understanding the actor’s network picture and perception of activity interdependencies related to both process and structural influences on the organising of product development activities.

2.4.1 The organisational level: defining product development activities

As argued in the introductory chapter, it is a presumption in this thesis that actors are intentional and active. Inferred hereof, it is also presumed that actors in the Danish food industry perform activities with the purpose of utilising emerging opportunities that are perceived to make it possible to create value in their product development activities benefiting themselves and their customers. In other words, actors may hold a strategic intention concerning their product development activities and effort related hereto. However, a crucial implication of considering strategic intentions in an industrial network perspective entails that the actions of the actors (and even more important, their reactions) are framed by interdependencies and adaptations made through interactions in relationships with other actors (Baraldi et al. 2007). This implies that a company’s interdependencies and adaptations vis-à-vis other actors in the surrounding network are framing the perceived possibilities as well as limitations of a company’s strategic intentions. The unfolding of an actor’s strategic intentions thus becomes a negotiated process in relation to the other actors in the network. Placing special focus on customer collaboration in product development in this thesis
directs attention to how the interaction with a specific customer will have a significant influence on how the company’s strategic intentions unfold.

According to the industrial network approach, networks consist of unique and interdependent business actors, who are motivated by their own problems holding heterogeneous and idiosyncratic interpretations of what is possible and feasible in a network setting (Ford and Hakansson 2005). To reach an insight into the actors’ interpretation and perception of the network setting, and accordingly what is framing their strategic intentions and what they perceive can or should be done in a given situation, it is suggested to use the concept of ‘network pictures’ (Ford et al. 2003). A network picture “refers to the views of the network held by participants in that network” (op.cit.:176). In this thesis, the notion of network pictures is paired with the concept of strategic intentions. The aim is to direct attention to how the network picture of companies is a cognitive map framing the strategic intentions for collaborating with customers in product development activities as well as how this influences the actual organising of development activities among the parties. Network pictures are thus assumed to have an influence on how companies are trying to facilitate the organising of product development activities. Network pictures are, in this thesis, used for obtaining an understanding of managerial decision making concerning the organising of product development activities and its changing interfaces with both immediate and more distant counterparts (Hakansson and Ford 2002). It is of relevance to note that, for the present purpose, the concepts of network pictures and strategic intentions are linked to the company as a business actor. Although it could be argued that network pictures and intentionality are concepts related to individuals. However, based on the work of Daft and Weick (1984), it is a specific assumption underlying the present work that individual managers in a company will act as spokespersons formulating and marking out the actions of the company. In this thesis, references to an ‘actor’ thus equal a company.
2.4.1.1 Strategic intentions framing the organising of product development activities

The strategic intention held by actors in the Danish food industry is assumed to concern the exchange of products and resources with other actors with the aim to create value\textsuperscript{14} for the company and its customer. By continuously developing new products (in more or less regular intervals) in terms of ingredients and additives or more finished food products, food-producing companies are trying to maintain their eligibility for servicing industrial customers as well as the final consumer. Through this endeavour, a company may be trying to consolidate its position or create a new position\textsuperscript{15} in the network (Ford et al. 2003). In general terms, the overall strategic intention of Danish food-producing companies is to get their newly developed products onward to the end consumer. However, since different food-producing companies will hold different positions and have different relationships, the variation in the organising of product development activities and how companies collaborate and interact with customers will hence grow from the hetero-

\textsuperscript{14} It is relevant to note that value creation for the present purpose is not considered equivalent to creating value to the customer as accentuated in traditional marketing theory (Kotler and Keller 2006). Rather, focus is on creating value to both parties of a dual relationship. In the industrial network approach, value functions of relationships are claimed to be both direct and indirect (Walter et al. 2001) and the picture becomes even more complex when raised to the level of the network (Hakansson et al. 2004). For the present purpose, a more detailed discussion of value creation in relationships and network is however not considered relevant. Instead it is stated that value creation is sought for both parties as the very raison d’être of a relationship (Anderson 1995). Moreover it is relevant to note that the parties of a relationship may hold different perceptions of the value created (Walter and Ritter 2003; Walter et al. 2001).

\textsuperscript{15} With reference to Thorelli (1986) it is relevant to note that network position is a structural concept, and a strong network position can be utilised for steering the co-ordinating effort of other actors with a less strong position in the same network. The notion of strategic intentions is closer related to ‘links’ or relationships, where links in the present discussion reflect the mutual interdependence of co-development partners.
geneity of the actors’ specific strategic intentions. In other words, how a food company perceives the strategic possibilities for customer involvement in product development for getting new products onward to end consumers will influence the organising of development activities of the company.

An essential dimension to add to the discussion of the actors’ strategic intentions for organising product development activities with involved customers is that, even though food-producing companies hold the intention to act and create value by developing new products, the scope of action is framed by and embedded in existing relationships and the wider network. Customers and other counterparts hold strategic intentions as well. The industrial network approach thus settles with traditional marketing literature claiming the actors’ decisions to be discrete and that organisational buying is the result of an active seller’s manipulation with a passive customer (Ford et al. 1986; Ford and Hakansson 2006). On the contrary, customers are active and seek solutions to their problems (Ford et al. 2003). Hence, both parties of a relationship will hold intentions. This of course affects the organising of product development activities. Actions and reactions based on an actor’s strategic intention will be influenced by the interaction with customers and other counterparts which can lead to adaptations and/or the building of routines in the mutual negotiations of organising product development activities.

Since a food producer, as an essential part of his intention and strategy for developing new products and product variants for the food consumer market, interacts with other industrial actors, it is relevant to take into consideration the interaction between the food producer and the involved partner. The interaction and relationship between the food producer and the involved partner may be considered an essential dimension for gaining understanding and insights in the interacting partners’ joint effort and participation for carrying through the product development activities. As emphasised by Laage-Helman (1997: 27):
“the crucial question is not how the company manages its technological development activities per se, but rather how it succeeds in relating its own technological development activities to what is happening inside and between other actors, such as customers and suppliers”. With this main point of departure, an essential (managerial) issue becomes how and to what extent the company’s development activities are integrated and co-ordinated in the interaction with a development partner. The direction and actual unfolding of an actor’s strategic intentions is thus dependent on the corresponding initiative, commitment, counteractions and consent of others (Ford et al. 2003). In other words it is essential to count in an interaction effect (as also illustrated in figure 2.6)

Discussing the embedded interdependencies of business relationships and wider network entails that part of an actor’s strategic intentions will be (more or less conscious) interpretations and expectations of the reactions of (influential) counterparts to the organising of product development activities. The actor’s interpretations and expectations of the reactions of the partner will be based on previous exchanges and joint developmental efforts as well as expectations of future interactions. In more enigmatic words, the unfolding of an actor’s strategic intentions is also affected by the actor’s expectations of the expectations of others concerning the actions and re-actions of the actor. Taking on a wider network perspective will furthermore tint the organising of product development activities. Strategic intentions are not only framed and influenced by a directly involved counterpart in a specific development project. Instead, product development in co-operation with different customers may require different activity structures that are linked in different ways to the activity structures of the customers. These different activity structures may conflict, or the company may make an endeavour to align or balance these (Easton 1992) to become more effective or efficient in the product developmental effort. Summing up, a company’s potential for unfolding its strategic intentions will be based on past relationship strategy (Turnbull and Ford 1996), framing the expectations of other actors to the company (Mattsson 1987).
2.4.1.2 Network pictures as underlying strategic intentions and managerial action

Strategic intentions concerning the involvement of customers in product development will be framed by the ‘network picture’ of the single company. Network pictures are models of how managers and companies view the wider network in which the company is embedded. In other words, business actors conceive their wider network with a specific intentionality. Different actors will hold different strategic intentions and may thus differ in their view of the network setting. Even though collaborating actors are considering the same resources and relationships, they may thus hold diverging perceptions of these resources. By capturing how actors make sense of those surroundings which they are an integrated part of, the network pictures form mental representations of managers’ contexts. As such, the concept of network picture can be regarded similar to concepts of cognitive maps (this claim is put forward by Öberg et al. 2007, referring to the work of e.g. Daft and Weick, 1984). These cognitive maps frame the logic for managerial action (Henneberg et al. 2006). Here, strategic intentions are thus considered imprint of network pictures and how certain sense-making activities are enacted (equivalent with the work of Weick 1995). Network pictures thus provide a mean for analysing and understanding how managerial sense-making and cognition frame the companies’ interpretation of activities performed by themselves and others in the network, and their view of their network, as well as how possibilities in the network are perceived and the kind of strategic activities decided to implement. The cognitive structures are accordingly facilitating the sense making of subjective understandings and perceptions of change and stability in the surrounding network (Öberg et al. 2007). In other words, a network picture reflects the part of the surrounding network that an actor is aware of and thus can take into account when initiating activities or reacting to the activities of counterparts. However, Öberg and colleagues (2007) conclude that networking activities do not always follow the network picture and intentions of actors.
The concepts and underlying dimensions of network pictures have received increasing attention by researchers within the industrial network approach having an interest in the actors’ possibilities for leading in networks. The notion of network pictures has also been labelled ‘network horizon’ (Holmen and Pedersen 2003; Anderson et al. 1994); ‘network identity’ (Anderson et al. 1994; Gadde and Hakansson 2001) or ‘network position’ (Mattsson 1985; Johanson and Mattsson 1992) in the literature (for an extended overview see Henneberg et al. 2006 who also relate the notion of network pictures to similar research within strategy literature in general). The concept of network pictures is applied in this thesis to frame the point of departure for the organising of product development activities by the actors because network pictures are influencing the set of options managers perceive as available to them as well as the decision making and actual implementation of product development activities. In this sense, network pictures will or may be based on the actors’ perceptions and interpretations of relationships and network. Network pictures are thus a way to gain insights on the starting point for organising product development activities and to understand how actors are trying to interact with involved customers.

Every actor in a network will hold different network pictures based on their experience, relationships and position in the network, as well as be affected by the problems and uncertainties as perceived by an actor and by that actor’s knowledge and understanding (Ford et al. 2003). Albeit, several actors in a network may hold common or overlapping understandings of a network setting. Network pictures include the characteristic and interactions of relevant actors as well as the power positions and resource flows of these actors. The perception of network pictures is framing the point of departure for the managers’ understanding of interactions and relationships and thus constitutes an important element in their strategic intentions and further decision-making process. Network pictures also capture the overall rules of the game of the industry and value-creating system (Henneberg et al. 2006). Managers will implement activities based on the options perceived in the network picture.
When managers implement networking activities, the reaction of other players along with the forces of the network may provide the ground for modifications and alterations in the managers’ network pictures and consequently in perceived networking options. In this sense, networking activities and network pictures ultimately manifest themselves (Öberg et al. 2007).

In this thesis, the primary focus is on how a company’s network picture and strategic intentions are framing the point of departure for organising product development activities in collaboration with customers. Less attention is paid to the network outcome in terms of changes in relationships and in the dynamics of in the wider network. However, the organising of product development activities may still result in network outcome effects related to the aggregation vs. disaggregation or disintermediation vs. intermediation of activities as well as the utilisation or development of resources (Ford et al. 2003).

For the present purpose, the notion of network pictures is utilised to place focus on how the actors’ perception of their network setting frames their organising of product development activities. Based on Henneberg and colleagues (2006) figure 2.7 illustrates the dimensions applied in the study of the case companies’ network pictures.
Firstly, the notion of *centre* and *periphery* is in this thesis related to the focal case company, whose organising of product development activities are under study. The periphery of a case company’s network picture is related to those counterparts that the company perceives to be important in terms of contribution to product development or earnings (Damgaard and Munksgaard 2005). Even though the connectedness of relationships makes a network borderless (Holmen and Pedersen 2003) and networks do not have a centre (Hakansson and Snehota 1989), the notion of centre and periphery are incorporated in the here-used notion of network pictures, emphasising thereby the cognitive element by comprising those counterparts and relationships that the focal company considers important and relevant (Anderson et al. 1994). Secondly, *boundaries* constitute the depth (measured in how many direct relationships a focal company is involving in e.g. product development) and
the width (comprising the nature of other influential relationships). The boundaries of a network picture are in other words related to the perceived complexity of the surroundings. Directionality of interactions is a third dimension which refers to two different aspects. One is related to the flow of goods, services, information and the linking other flows between actors in a relationship. A relationship may thus be characterised by being either one-directional or multi-directional. The other dimension concerns the degree of mutuality in interdependency between relationship partners. The fourth dimension constituting network pictures concerns the time frame related to the longevity aspect of collaboration. Actors may be focusing on long-term benefits and therefore regard ongoing collaboration as a means to future ends, or may seek to exploit benefits immediately without considering future prospects of collaboration. In a product development context, this particularly impacts on the type of solutions looked for and the information used. Power is the fifth dimension explaining the perceived relative power between actors in a relationship as well as within their wider network of relationships. The sixth dimension is focus. Focus refers to the main network perception of the focal company. Does the company in other words conceive the single manager, the company or relationships as the central and pivotal starting point? Finally, the notion of environment is, in this thesis, ascribed to the significance of the influence from relationships between actors in the focal case company’s network picture that does not include the focal company directly (Damgaard and Munksgaard 2005).

2.4.2 The relationship level: co-ordinating activity links

When activities have been divided between actors collaborating for product development, these may need to be integrated to accomplish the joint efforts. This is due to the considerable interdependencies that may have been created. Here, interdependencies thus refer to the extent to which activities are interrelated and thus whether changes in one affect the other (Hakansson and Snehota 1995:17).
The interdependencies between activities and the related need for co-ordination are affecting the way activities may be differentiated and grouped together (Thompson 1967). Through this, companies attempt to minimise the cost for co-ordination. Thompson (1967) distinguishes between three different forms of interdependencies as illustrated in figure 2.8.

![Diagram of pooled, sequential, and reciprocal activities](adapted from Eppinger et al. 1994)

**Figure 2. 8: Pooled, sequential and reciprocal activities**
(adapted from Eppinger et al. 1994)

Pooled interdependencies between activities refer to activities not necessarily dependent on each other. However, the interdependencies can be characterised in terms of the different discrete contribution of the activities to the whole. In other words, unless each activity is performed adequately, the unified organising may be jeopardised (Thompson 1967). In the case of pooled interdependencies, interfaces between activities are rather standardised and the associated need for co-ordination is therefore relatively simple. Putting together or replacing activities can be completed almost by random. Thompson (1967) argues that the co-ordination of pooled activities may be accomplished through routines and rules. The co-ordination required is thus characterised by an impersonal mode that may be described through blueprints and standardised programmes, requiring a minimum of verbal communication (Van de Ven et al. 1976).
A second form of interdependencies can be labelled sequential. In this case, direct interdependence can be identified. According to Thompson (1967), sequential interdependent activities will hold an inherent pooled interdependency as well. Orchestrating activities in sequences will require some degree of planning to co-ordinate. In this way, the co-ordinating actors will be able to govern the course of activities.

Interdependencies may also be reciprocal, thus referring to the case where the output from each becomes the input for the other (Thompson 1967). Reciprocal interdependencies will also hold inherent pooled and sequential elements. When activities are characterised by reciprocal interdependencies, the need for co-ordination is more complex and requires mutual adjustments. As activity interdependencies increase, the overall need for communication increases. The same pattern is shown in an increasing use of different co-ordination mechanisms (Van de Ven et al. 1976). Two different modes for co-ordinating sequential and reciprocal interdependencies have been put forward by Van de Ven and colleagues (1976): firstly, a personal mode where individuals serve as a mean for co-ordination, and secondly, co-ordination may be vested in a group performing scheduled or unscheduled meetings.

The conceptualisation of co-ordination presented here is developed for intra-organisational activity interdependencies. Thus, for the present purpose these forms of co-ordination have to be viewed also in an inter-organisational perspective. Accordingly, co-ordination does not only refer to dividing product development activities between companies then completing each their task independently. Instead, co-ordination is also a part of the joint effort related to a few or many aspects of product development (e.g. ideation, prototyping and/or testing). Product development activities thus need to be co-ordinated both within and between companies.

In the industrial network approach, there is more to the issue of co-ordination. It is a process of mutual adaptation and a negotiated process
unfolding between actors and thus, a central element of a relationship. In this way, activity organising and co-ordination may be contemplated as an interactive process where each actor offers their activities (and resources) to counterparts, resulting in chains of seized and linked activities (cf. figure 2.5). Indeed, co-ordinating development activities may most certainly influence the co-ordination of other business exchange activities in a relationship and in the wider network as well.

Co-ordination is, however, also important as a mean in the actors’ quest for capitalising on the development effort (Adler et al. 1996). Through co-ordination actors will seek to optimise their own part of the activity structure. This may inherently necessitate others to adjust their activities. In essence, adaptation is a ‘condition and consequence of activity linking’ (Hakansson and Snehota 1995:52). According to Dubois (1998), there are three reasons why this may be problematic. For one, complex adaptation or customisation of product development may cause a reshuffling of activity links between the company and the respective customer. This co-ordination and possible reshuffling of activities may also lead to adaptations in the activity structure of each party as well as it may impact on activities in other relationships e.g. in relation to sub-suppliers or end customers (Hakansson and Snehota 1995). Consequently, activity structures will change continuously and course others to change. Furthermore, in order to change and reshuffle activity chains, actors will have to mobilise their resources. Secondly, the process of co-ordination and adaptation may raise conflicts and disjoint aims needed to be aligned between the partners. Based on the concept of network pictures, it can be argued that different actors will hold different interpretations of which development activities are (most) critical. Likewise, collaborating partners may hold diverging views on each their role in organising and completing product development activities. Conflicts may be related to technical, organisational as well as social issues. A third problematic issue concerns the complexity of an activity structure making it difficult or even impossible for anyone to fully grasp it. This may
lead to actors simplifying their view on the development task, resulting in not utilising the possibilities at hand (Dubois 1998).

A last element to include is how adaptation inherently implies that some activities are differentiated and directed towards a specific counterpart. However, it also implies that other activities are standardised. Differentiated product development activities directed at specific customers will thus be synonymous with customisation. Standardised product development activities are here considered synonymous with routinisation. Depending on the newness of a product and the developmental routinisation of a company, the company may try to standardise as many development activities to the extent that these can be conducted in the same way for various and numerous others as well as from one development project to the next.

2.4.2.1 Routines for organising product development activities

The notion of routines is one element of organisational behaviour and co-ordination and a way of accomplishing organisational work (Nelson and Winter 1982). In the literature, it is possible to find several variations on thinking of and discussing routines (Feldman and Rafaeli 2002). Feldman and Rafaeli (2002) emphasise that a common ground for the various approaches is the view that routines are a way for organisations to get things done by drawing on sequences and repeated patterns of behaviour, involving multiple individuals. Traditionally, routines have been described as mechanical elements of organisational behaviour (Nelson and Winter 1982). Lately, an emerging focus has been put on organisational routines as a viable part of the organisations’ quest for seeking a balance between adaptability in increasingly changing and globalised business settings and stability through co-ordination of activities important to business actors (Feldman 2000; Feldman and Rafaeli 2002). In a product development setting, this entails building routines that through a repetitive pattern (in one relationship or across relation-
Organising Product Development Activities

Organising Product Development Activities

Organising Product Development Activities

Research on routines has mostly focused on intra-organisational issues, but recently increasing interest has been given to the notion of routines in relationships and networks (Andersen 2003; Harrison and Huemer 2005). Conveying routines in relationships and networks induces modifications to the concept. Used in a business network context, routines can be seen as a device for co-ordinating activities across organisations in the sense that modes of exchange are considered similar to the conceptualisation of organisational routines (Andersen 2003). If we furthermore acknowledge that individuals and routines should not be seen as separated from each other (Feldman 2000), we must also take into consideration how interpersonal routines do not respect organisational boundaries (Andersen 2003) when discussing routines in an inter-organisational context. This implies that we can regard patterns of interpersonal co-ordination across organisations as connected and embedded in social structures partly governed by the exchange system of the network (Andersen 2003). From the single organisation’s point of view, inter-organisational routines thus describe a sequenced pattern of activities performed to achieve a specific aim within a relationship (Kragh and Andersen 2008).

In a relational or network context it is possible to identify internal routines that need to be co-ordinated across actors (e.g. buyer routines vs. supplier routines) as well as routines that cross organisational boundaries (Harrison and Huemer 2005). To fully understand routines, it is important also to understand the context of routines. In addition, it is
essential to distinguish between the outcomes of a routine as opposed to the process of routines (Feldman 2000). Both the outcome and the process of routines may be elements considered important by actors performing routines as these may have significant influence on how involved actors perceive a joint effort. Considering the repeated and incremental characteristics of product development in the Danish food industry, a food-producing company and an industrial customer may be concerned whether the outcome of product development routines lead to a new food product that is not only attractive to potential end consumers but is also applicable and adjusted to the customer’s further processing and value-adding refinement of the product. Furthermore, the food producer may be interested in aligning the elements of the product development process in a way that spares the use of development resources towards additional customers.

Examining the elements of routine can provide insights on whether the process of routines is altered for instance by decomposing routine elements or by bringing in elements from another context. These efforts may be initiated with a wish to change the routine outcome (Feldman 2000). In this sense, routines may not be viewed only as stable patterns of repeated behaviour but as continuously changing patterns of exchange where individuals reflect on their actions and outcome, bringing in an adaptive and dynamic character as actors adjust their behaviour as they develop new understandings (Feldman 2000; Harrison and Huemer 2005). Hereby, a performative and actor-dependent perception of the routine concept forms the basis for the further discussion in this thesis, taking also into consideration the actions, behaviour and interpretations of business actors (Feldman 2000).

To reach an insight and understanding of routines in an inter-organisational setting, it is relevant to examine the degree of convergence or overlapping in the actors’ perceptions and shared understandings of the product development situation – that is what actions are taken when organising and completing product development activities. Likewise, an
examination of the actors’ network pictures and shared understanding of the wider context including their interpretation and understanding of the task and perspective of counterparts will provide an insight into why product development activities are organised as they are, and the intended purpose of the organising.

2.4.2.2 Adapting routines for organising product development activities

Adaptation in relationships is to be distinguished from adaptation in a traditional marketing perspective where actors adapt to changing external conditions (e.g. adapt an offering to different groups of customers). Already in the early studies of the industrial network approach (Hakansson 1982b) as well as in additional latter studies (e.g. Brennan and Turnbull 1998; Hallén et al. 1991; Walter and Ritter 2003), adaptation has been identified as a key aspect of the modes of exchange in relationships. The concept of adaptation in business relationships relates to changes that one or the other part may make in either the elements or the process of exchange related to technical, commercial, financial or social issues (Hakansson 1982b). Adaptations have also been discussed as issues of formality and thus to which extent adaptations are formally planned or unplanned and informal (Brennan and Turnbull 1999). These authors also emphasise the scale and degree of adaptations as an important dimensions to consider. All in all, adaptation is about matching company offering (in a broad interpretation) to a certain counterpart. Such adaptation will be relationship specific and considered a sunk-cost if terminated (Walter and Ritter 2003). Making relationship-specific adaptations may also be seen as a way to show commitment and bind the actors closer together. Even though the focus on adaptation has been more pronounced in the industrial network approach than studies of routinisation (especially in the case of product development) – these concepts will for the present purpose be considered as two side of the same coin. Here, the focus is on how companies balance the adaptation
and routinisation when organising product development activities with involved customers and thus as a way for creating a cohesion between internal activities and external activities. In other words, the creation and use of routines for organising product development activities in the Danish food industry may be an aim for confining the degree of adaptations – both in the single relationship and in relation to other activities in the network.

The incitement of companies to seek limitations in the scale of adaptation is related to the potential downsides of making adaptations. For example, relationship-specific investments will bind the resources of the parties which may obstruct adaptations with other partners. Additionally, adaptations that are made may conflict with adaptation opportunities in other relationships (Hakansson and Snehota 1998). What must be remembered is how collaboration in product development and the coordination of activities are not costless. On the contrary, collaboration is resource demanding, not only in terms of e.g. technological resources utilised and combined for developing the product, but also in relation to development and maintaining of a close relationship which can be costly and may exceed the potential benefits.

Ongoing exchanges in relationships will often involve considerable investments by one or both implicated partners – such investments are often non-transferable and can therefore be considered as severe adaptations. When co-developing new products with customers, adaptations can be of critical importance for obtaining the desired result and matching of the new product offering to the customers’ needs. As suggested by Hallén et al. (1991) and confirmed by Brennan et al. (2003), inter-firm adaptations are elements in a social exchange process and thus closely related to the distribution of power between partners. The influence of power on adaptations is associated with the degree of dependence on the other party of a relationship. However, adaptations made as a response to exercising coercive power are more likely to be superficial and bring about the wrong conditions for subsequent adaptations (Bren-
nan et al. 2003). Adaptations are closely related to the wish to develop or maintain a specific relationship and often the adaptations requires a great amount of resources to be completed. Company strategic intentions of achieving economics of scope through minimising adaptations may thus be interfered be the strategic intentions of a counterpart. This discussion leads to considerations of relationship atmosphere.

### 2.4.2.3 Relationship atmosphere influencing the organising of product development activities

Relationship atmosphere is closely related to the feelings and interpretations of the actors regarding what is and what can be done in a relationship (Hallén and Sandström 1991). The concept thus constitutes the emotional setting of relationship interaction and has been defined as ‘the perception which one party holds about the other party and the interpretations the same party believes that the other party holds regarding oneself’ (Hallén and Sandström 1991:113 referring to Hallén and Wiedersheim-Paul, 1981). The notion of relationship atmosphere is for the current purpose considered an important dimension for obtaining insights into whether actors in a relationship will be able to act out their strategic intentions. This is due to the fact that the elements of relationship atmosphere (e.g. the level of dependence and conflict – as will be discussed in greater details below) are important indicators for whether involved actors can change or maintain the current state of the relationship (Ford et al. 2003). The relationship atmosphere thus has an influence on the co-ordinating and organising effort of co-development partners because it affects the overlapping and convergence of the actors’ shared understandings and interpretations of what can be done and who can do it.

Discussing relationship atmosphere, it is important here to stress that it would be a mistake to regard only a nice and friendly atmosphere as facilitating successful joint product developments. Indeed, issues of per-
ception of interdependence, compatibility of goals, the focus on long-
termed vs. short-termed benefits and the empathy and closeness of
the partners (Hallén and Sandström 1991) are all essential elements for
understanding how the atmosphere of the relationship affects the orga-
nising of product development activities of the interacting companies.

Company efforts to defend or develop its network position will influ-
ence the interaction in a relationship with a customer involved in prod-
uct development especially if interacting with dominating actors e.g.
gatekeeping the flow of new products to end consumers. As also accen-
tuated elsewhere (Gadde 2004), changes or actors’ intentions to change
the interaction will influence the relationship atmosphere. Based on
the work of Hallén and Sandström (1991), critical elements in relation-
ship atmosphere to be considered are power balance, co-operativeness,
time frame and empathy/closeness\textsuperscript{16}.

- Of special interest is the \textit{power} dimension as it can be argued that
a dominating actor’s direct participation and involvement in prod-
uct development activities may bring the dominating part a legiti-
mated authority in terms of deciding how product development
activities are defined, divided and co-ordinated, thus potentially
restraining innovativeness (Andersen and Munksgaard 2009).

\textsuperscript{16} Some attempts have been made to develop the relationship atmosphere dimen-
sions as presented in the initial work of the IMP group (Hakansson 1982b) suggest-
ing new dimensions added or dimensions to be joined together (Hallén and Sand-
ström 1991; Roehrich and Spencer 2001). Here the work of Hallén and Sandström
(1991) is providing the basis for discussions of relationship atmosphere. However,
the dimensions of understanding and empathy are joined with the dimension of
closeness. Whereas, these dimensions are split up in the original work intended to
also reflect cultural differences between international partners, these are treated
as one dimension for the present purpose. The dimension of commitment and
trust emphasised by Hallén and Sandström (1991) as an inherent element in rela-
tionship atmosphere closely related to partners’ mutual adaptation, the notion of
adaptation is studied independently/separately in this thesis.
• **Co-operativeness** concerns the perceived compatibility of strategic intentions by the actors involved; an issue that in a product development context may be related to actors’ definitions of product development activities to be performed and co-ordinated.

• The dimension *time frame* refers to the longevity aspects of collaboration which related to product development concern whether long-termed or short-termed solutions are being searched for by the involved actors.

• Finally, the dimension *empathy/closeness* of relationship atmosphere relates to actors ability to understand each other’s situation. In a product development context, this may influence the parties’ ability to negotiate for solutions and thus also influence the organising of product development activities.

The four elements of relationship atmosphere are interrelated and significant for the discussion of the attempt of the Danish food companies to make relationship partners act in their interest, that is, to persuade downstream actors to use the company’s products and resources in the final end-consumer offer as well as for the perception of the value of both parties, created through their effort. The notion of relationship atmosphere is an essential supplement to our understanding of how companies’ strategic intentions unfold. The elements of the atmosphere in a relationship will frame the parties’ interaction and thus the organising of product development activities.

### 2.4.2.4 Resource mobilisation for organising product development activities

The concept of resources utilised and created in product development are of central importance in the industrial network approach. The resource dimension has been the cornerstone of several contributions
focusing on product development in the field of industrial networks (e.g. Hakansson and Waluszewski 2002; Von Corswant 2003; Gressetvold 2004; Olsen 2006). Resources are considered important to analyse and discuss in relation to product development, in simple terms, because the new products are considered a resource created in the interaction between actors in relationships. When collaborating companies bring together their resources, resource interfaces are created and one effect may be a new product. Here, interfaces refer to the interconnection between two or more entities at a shared boundary (Dubois and Araujo 2005). Interfaces show the point where resources meet and potentially change each other by changing each other’s features (Hakansson and Waluszewski 2002).

Since the conceptual points of departure in this thesis are the activities and the organisation of product development activities by the actors, resources are given less attention. The following introduction to the notion of resources does therefore not intent to be exhaustive of the issues discussed and highlighted in the industrial network perspective literature. Instead, the description of resources will revolve around issues of resource control and resource mobilisation as facilitators and outcomes from the organising of product development activities.

Resources controlled by an actor can be utilised in product development activities, and through interaction in relationships, companies may transfer, combine or develop resources in collaborative product development (Lind 2006). It may be tangible resources such as other products, components and facilities for production or more intangible resources in the form of knowledge, organisational capabilities or relationships (Hakansson and Waluszewski 2002). In any circumstance, resources are created and developed through the performance of activities of the actors, and can be combined in almost infinite ways (e.g. Hakansson and Snehota 1995; Lundgren 1992). In the industrial network tradition, resources are regarded as heterogeneous, and the value of the resources is connected to the utilisation of a given resource and
how it may be combined with other resources (Hakansson and Waluszewski 2002). When actors experience an increasing mutual interdependence in the performance and co-ordination of product development activities this will entail an increased need to access resources controlled by other actors as well as the need to combine the parties’ resources (Gadde 2004).

When actors specialise in certain activities, they develop a collection of resources to perform these activities – when activities are performed jointly, the actors’ resources are tied together and new resources may be created, these being shared/jointly-owned by the collaborating partner. Resources are therefore not necessarily controlled by one actor. On the contrary, the access to and utilisation of resources may very well be tied to one or several other actors. Still, when actors collaborate for product development they will try to control the use, combination and development of the resources in the mutual interaction in order to manoeuvre the process in accordance with their strategic intentions and direction wanted. What actors do is essentially to try influencing how other actors use resources and perform activities. Thus, it can be argued that an essential managerial task is to watch for how internally-controlled resources and resources controlled by external partners may provide the basis for developing new products (Laage-Hellman 1997). The way actors try to control resource utilisation says something about their strategic intentions (Baraldi and Strömsten 2007) as well as the relationship atmosphere. In the context of this thesis, it adds to the understanding of how actors organise product development activities. Significant to remember is, however, that the actors’ endeavour to control resources is limited due to adaptations and interdependencies in relationships and in the wider network.

In an industrial network perspective, the companies’ endeavour to control the use and combinations of resources is related to the actors’ ability to mobilise resources (Baraldi and Strömsten 2007). Mobilisation refers to the process of creating resources to reach change in activi-
ties (Lundgren 1992). Lundgren (1992) accentuated how mobilisation of resources may either be related to extending existing activity chains or to creating new activity chains. From this perspective, resource mobilisation of actors collaborating for product development may thus be an important element in the organising of the joint product development effort. The economic benefits and innovative output associated with mobilisation processes in product development may not be distributed equally to the actors’ engagement. Instead, Lundgren (1992:161) suggests that these benefits to a wide extent will follow the initial distribution of power in the relationship and wider network. The perceived opportunities for organising the development of products are thus connected to a company’s ability to mobilise resources.

Mobilisation may concern ‘internal’ and ‘external’ resources which are mobilised through the various relationships of the company. Through relationships a company can gain access to the resources of others, and therefore the characteristics of these relationships will influence the company’s possibilities for mobilising an effort related to the accessibility and the utilisation of resources. Intuitively, internal resource mobilisation may seem to be the easiest. However, indirect control of resources through relationships can be considered an advantage because the company does not need to maintain and nurse these resources. This may give the company a long-term flexibility and strategic scope. Resource heterogeneity combined with interaction between actors may additionally create joint and mutual control of resources. Hakansson and Snehota (1995:143) argues that joint control of resources may be an advantage due to giving ground for more dynamic development of resources when the partners discuss and negotiate for resource accessibility and utilisation, under the joint consideration of their respective strategic intentions and other relationships when organising the product development effort.
2.4.3 Interdependencies in the wider network context

At the level of the network, focus shifts from the dyadic and relational perspective of co-ordination between two actors to the notion of connected and interdependent relationships. In other words, networks may be conceived as a web of relations or connected relationships in which companies are embedded (Hakansson and Snehota 1989; Johanson and Mattsson 1992). Opposed to other theoretical approaches to networks, the industrial network approach views networks as connected relationships instead of viewing networks as sets of connected companies (Anderson et al. 1994). The connectedness of relationships in networks implies that exchange and organising in one relationship is influenced by and is influencing exchange and organising in other relationships (Cook and Emerson 1978; Hakansson 1987; Johanson and Mattsson 1992). At this level of analysis, the single relationship is considered placed in a structural network context and actors are regarded as elements of the wider network structure (Easton 1992).

For the present purpose, the level of the network is included as a context for the organising of a joint product development effort by collaborating partners. On one hand, the wider network setting is included as the actors’ perception and view of their context i.e. their network pictures. On the other hand, the network context is taken into account as relationships to third actors potentially influencing the organising of product development activities in a relationship between a company and a customer. When the discussion of the network level is not omitted, it is due to those network level interdependencies that may influence the organising of product development activities in a dyad, e.g. in relation to third parties, the considerations to other relationships of the partners, as well as the structure of the network. In the following study and analysis of this thesis, the level of the network is thus treated as wider context of the interaction and co-organising between companies in a dyadic relationship.
Due to the nature of the network of relationships, a company’s organising of activities will be neither free nor independent. In the quest to develop new products, it will not be sufficient to develop the e.g. technological capabilities of a company. To be able to initiate, develop and react according to direct and indirect relationships in the company’s network context, a company will need to develop its network capability (Ritter and Gemünden 2003). However, the network context will not only set limitations, it also creates possibilities. Owing to the fact that the signification and influence of the network will vary to the actors, there will be no equilibrium. This characterises the network as instable and imperfect. Consequently, there will always be possibilities and reasons to try to alter the network which will be possible through the relationships of the company. Actors can use the network as a generator of ideas, a source of resources and for immediate assistance in product development (Hakansson 1987). In other words, the structure of the network context frames the actions of the actors whereas the process of their interactions continuously creates and influences the network setting.

Approaching the network context for organising product development activities holds two different levels (Andersen et al. 2004). Firstly, a network level related to actors and their mutual interactions and relationships. At this level, the network is thought of as consisting not only of relationships between different actors, but also of relations between the activities organised and performed by these actors and the resources they mobilise for this purpose. This mutual process of interaction among business actors will lead to the development of norms, for e.g. information sharing regarding the definition and division of product development activities. Secondly, a business level investigating the structure and the social processes related to doing business and organising product development activities in a network context. This level thus refers to the economical and institutional ‘rules of the game’ influencing all actors at the company and network level (Andersen et al. 2004). Taking point of departure in the network context level implies analysing the
actors’ network pictures and perceptions of institutionalised practices. Focus is thus on the perceptions of possibilities of the single business actor in the network and its according actions. Furthermore, focus is on how the actors’ view of the network structure is influencing their consensus on activities to perform (Johnston et al. 2006).

2.4.3.1 Structuration and the network context

Taking a closer look at the interplay between structure and social processes in the network context, we may draw on the structuration theory (Giddens 1984). In other words, the structuration theory can underpin the discussion of how the structure of a network and the social processes of actors interacting in relationships affect the organising of product development activities in a network context. According to Giddens (1984), structure is not having a given or visible form. Instead, structure is what gives form and shape to social processes but is not in itself that form and shape. Structure exists in and through the activities of human actors. Similarly, the activities and actions of human actors are not enclosed in the individual, in the sense that Giddens (1984) is not only referring to the actors’ intentions in doing things but more to the flow of the actions of the actors. As reflected on by Berends and colleagues (2003), the actions of the actors are thus framed by the pre-existing structures and ‘rules of the game’. However, it is not that actors cannot do differently. Actors can be reflexive – think about what they do, as well as they hold the ability to change what they do. In the words of Pozzebon (2004:267) ‘because Giddens does not ascribe primacy to structure, but to structuration, there is always space for human choice: people can (even if they do not) redefine the boundary conditions of their actions and choices’. This means that actors have in their power to act and transform their setting based on their perception of it. They are knowledgeable and their interactions are the foundations of change. However, even though actors are knowledgeable, they may not be aware of their intentions or the conditions and consequences
of their actions (Berends et al. 2003). As summed up by Johnston et al. (2006) while referring to Giddens (1984), the boundaries of the actors’ knowledgeability is formed by the unawareness of preconditions and unintended consequences of action, playing an important role in reproducing structure. In considering the duality of structure and social processes, the structuration theory can contribute to our understanding of networks being attentive to different levels of network analysis (Johnston et al. 2006). In other words, the structuration theory provides a mean for gaining insights on the mutual dependencies between the action of the actors and the reproduction of the structure in the network context.

Relating to the industrial network approach, we can thus learn how the structure of the network is a result of past interactions and experiences among these actors as well as of expectations for future interactions (Ford et al. 2003). Concurrently, the processes of interaction in relationships will continuously create developments and changes in the network structure, albeit radical changes seldom happen. Instead, the ongoing and continuous interaction between actors provides a basis for change and product development but at the same time a ground for a stable (but not static) structure of a known and predictable environment in which change and development can be realised.

The level of analysis related to network context may thus contribute to the understanding of how the network setting of a focal company is framing the organising of product development activities by limiting as well as facilitating the company’s intentions, actions and interactions within relationships to involved customers. At the level of the network, the focus points at understanding how structural and process characteristics of the network are having an influence on the scope of the actions of the actors. In other words, the actors’ pictures of the network context and perceptions of the institutionalisation and established ‘rules of the game’ will influence the organising of product development activities. Network processes of co-ordination discussed in an industrial
network approach rest on relationships between business actors who have a need to co-ordinate their activities at the dyadic level, spinning a co-ordinative influence on the network (Easton 1992). Network processes related to the co-ordination and organising of product development activities may thus be discussed as distributions of power and the interest of actors participating (whether directly or indirectly) in a given product development situation and the perceived ability of actors to exceed some degree of control and dictate its influence on other actors in the network.

Several factors may be relevant to examine in a network context level analysis. These factors may be attributed to either structural characteristics and features of a network or social factors related to interaction processes in the network. The former may include institutional and economic factors (Andersen et al. 2004) and thus comprise e.g. competitive, environmental and legal influences (Johnston et al. 1999). Hereby, attention is also drawn to how e.g. legislation may influence the institutionalisation at the network level.

Since the present focus is on the organising of product development activities, the structural and processual characteristics of networks will here be discussed in relation hereto with an emphasis on how the organising of activities is distributed among actors. In other words, what is central in taking this perspective is that network structure is characterised by the division of work between actors in the network where as network processes simultaneously are seen as distributions of power among actors affecting the organising and co-ordination of product development activities. Or by the words of Easton “what is clear is that in networks, as in organisations, structure and process are intimately related” (Easton 1992:132). The organising of product development activities will at the network level thus be concerned with various relationships that through modes of exchange bring together different chains of activity. These different activity chains become connected and in different ways combined through companies and relationships, forming a wider
activity pattern within the network (Hakansson and Snehota 1995). To understand how these different activity chains are and become connected and combined, we may take a closer look at activity interdependencies to reach insights on the division of work in networks (Easton 1992).

2.4.3.2 Activity interdependencies in a network context

Interdependencies grow from company specialisation and heterogeneity, emerging from differences in history, investments, skills and resources (Hakansson and Snehota 1995; Easton 1992). When companies are acting and interacting to fulfil a given need or to pursue a desired aim, they will thus hold different groundings for doing so. Likewise, the relationships of a company will provide the basis for different opportunities, building on collective action where the company is allowed to draw on the actions of others (or by becoming an action element for others) thus building interdependencies. In sum, actor heterogeneity and specialisation will build the ground for interdependencies between relationships and activities in the network (Easton 1992: as well as interdependencies will be the source for specialisation and heterogeneity). In other words, what can be achieved in one relationship will to a large degree depend on what is (perceived to be) happening in other relationships (Snehota 2004). Interdependencies are thus important for companies to exploit to organise and make use of the connections between different activity links in different relationships (Hakansson and Snehota 1995). Furthermore, interdependencies in activities at the network level entail that planning and control are not the only devises to organise product development activities. Instead, it is a process of mutual adaptation and interaction in and between relationships (Lundgren 1992) as activities in different relationships are linked to each other becoming part of a wider activity pattern in the network.

When the actions of the actors intertwine at the network level, interactions may be at odd with the network’s goal and the interaction may
surface as undesirable (Johnston et al. 2006). The way actors are interdependent thus implies different desirables for network interaction related to the institutionalised practice and constituted ‘rules of the game’. The character of the interdependencies may thus influence the actors’ interaction, and if the interaction does not ‘fit’ into the institutionalised practice of the network problems may arise. Activity interdependencies in the network may thus create problems to a company’s organising of product development activities. Just as other actors in the network, the individual company will strive to achieve its own objectives and strategic intentions while taking into account the actions and reactions of others. Over time, as companies act, do business and develop products, the business actors learn about each other’s intentions and actions through interaction, adjusting and modifying own intentions and actions accordingly. This ongoing process is emerging into the network structure (Easton 1992). Therefore, technological knowledge will seldom be enough for actors to organise activities for product development. The diffusion of new products developed depends on other actors with complementary activities and resources. Through the co-ordination of the activity chains by the actors, continuous changes in the network activity pattern are generated (Lundgren 1992:151 who further argues that perceived discontinuous change in networks, disrupting existing co-ordination processes, are facilitated by processes of resource mobilisation).

Since the wider activity pattern provides a structured context for a company’s activities, companies may always be able to exploit (and explore) parts of existing activity chains in the network when organising product development activities. Activity links, developed between companies in a business relationship, will reversely have an organising effect on the wider network activity pattern (Hakansson and Snehota 1995). A company’s possibilities for organising will however be influenced by other actors’ valuation of the usefulness of the company’s effort. Furthermore, whether the company seeks to adapt to the existing activity structure or influence and form the division of activities among actors
will influence the organising effort. Which direction is sought will provide a basis for the company’s valuation of which product development activities as well as other integrating activities are considered critical.

2.5 Applying the theoretical framework in analysing the case studies

A presentation of the cases of this study will follow in chapter four to seven. Each case study presentation will encompass the following matters. Firstly, a general presentation will be introducing the focal food producing company. This presentation incorporates a description of the network setting. Secondly, descriptions of the product development focus and strategy of the food-producing company as well as their network picture will be provided. Subsequently, the collaboration partner i.e. the customer or market actor will be presented setting focus on the characteristics of the relationship and interaction of the parties. The joint efforts are described through a selected product development project. The case description encompasses the relationship atmosphere and the interdependencies of the interaction. Furthermore, attention is brought to issues of product development activity definition, division and co-ordination as well as resources mobilised. The presentation of the resulting organising of product development activities will also address and reflect aspects of routinisation and adaptation related to the partners’ exchange. The structure of the following chapters presenting the four case studies thus builds on the theoretical concepts discussed in this chapter. The framework for analysing the four case studies is pictured in figure 2.9.
Figure 2.9: Framework for analysing case studies

The case studies presented in the subsequent chapters will be descriptive in character and not explicitly be addressing the various concepts presented in the theoretical framework of this chapter. This is mainly due to the different degrees of relevance that the theoretical concepts will have in relation to each specific case setting. Instead, the theoretical framework will be exploited to greater extend in chapter eight where the four case studies will be more profoundly analysed, discussed and reflected upon.
3 RESEARCH DESIGN AND METHODOLOGICAL CONSIDERATIONS

Several related aspects may influence the way researchers design their research. The researcher’s experience, available resources and practical conditions will influence and in some instances limit the design and scope of a study. Stating the course and research strategy of a project will also be influenced by the worldview and basic beliefs of reality held by the researcher. However, before embarking on a research project, it is of relevance to also take the preliminary research questions and the research setting into consideration. Instead of confessing to a certain worldview and research path, these other aspects can guide the researcher’s decisions concerning the research design. The opening sections of this chapter will thus scrutinise and discuss the scope and characteristics of the stated research question. The discussion is intended to guide the subsequent choices of what to be investigated and which methods to apply.

This chapter will however also specify the research path to be followed. This is of essential importance, since the research path (or research paradigm) influences and determines the following choices of methods to apply and how they are to be used. Specifying the research path gives the possibility for taking deliberate and consistent choices during the course of the study. Additionally, it brings the opportunity for others to evaluate the value and validity of the research process and the results.
3.1 Methodological considerations related to the characteristics of the research questions posed

The research question of this thesis concerns the organising of product development activities in collaboration with industrial customers in the context of the Danish food industry. This research question holds a range of characteristics which will mount the research strategy and design. These characteristics are conditioned by the discussions of the introductory chapter, stating that Danish food-producing companies face related challenges when collaborating with industrial customers in the development of new food products. Due to the chain structure from earth to table in the food industry, it has been argued that companies are interdependent on industrial customers and other market actors for new products to reach final consumers. In the research design it is thus relevant to take into consideration how the interaction and collaboration with customers will influence the organising of the joint product development effort. Moreover, the food industry structure and the incremental and repetitive characteristic of product development provide a rather complex research scenery. Furthermore, the structure of the Danish food industry and the interactions of the collaborating partners with other third actors are important dimensions to build into the research design. Studying the stated research question thus implies also taking into consideration this dependency and connectivity between the product-developing company, the involved customer and other potential actors influencing the trail of a new product to end consumers.

In the collaboration between a product-developing company and a customer, it is likely that the partners will hold different perceptions and views of the product development task at hand. These divergences in perceptions of reality may be due to the partners’ different positioning in the food chain from earth to table. The variation may also be caused by the actors holding different opportunities for accessing resources and relationships in product development due to their specialisation and the division of labour in the industry. However, most central to the
diverging perceptions that occur are the partners’ different strategic intentions and aims for product development. Since this dissertation has the purpose of investigating the organising of product development activities between collaborating partners, it is relevant that the research design has the ability to embrace the varying perceptions of the product development task held by these interacting companies.

The partners’ different perceptions of the development situation as well as the mutual exchange and potential adaptations in their interaction will contain a complexity which the research intends to scrutinise. Obtaining insights on the interaction between the collaborating partners as well as insights into how the interaction may influence the organisation of product development activities, brings along a trade-off in the research design. This trade-off concerns a consideration of mapping a wider range of links between several partners collaborating on product development versus gaining a deeper and richer understanding of the inherent complexity. Choosing the latter would require a research design that implies studying only a limited number of relationships. Whereas taking into consideration the probable variations stemming from the actors’ different positioning in the food chain from earth to table would require a study of at least more than one relationship.

A final central element of the raised research question to take into consideration when designing the research under study is: time. The repetitive nature of product development in the Danish food industry makes it relevant to not treat the single development project as a single event. Instead, prior development will influence current development, in other words, history matters in our understanding of the posed research question. Taking into account not only how the development of products rests upon the past in the sense of earlier achievements, but also how current developments likewise connect to what the future brings in a dynamic perspective. The research design should allow for these dynamics, which may also be related to the past collaborations of the actors with industrial customers, or other market actors to be scrutinised.
Summing up, the characteristics of the stated research question require a research design that captures the interdependency of actors, the interaction in the relationships they engage in for organising product development activities as well as the connectivity to the wider food chain for new products to reach final consumers. Furthermore, the research design has to embrace the potential variations of the interacting partners’ perception of reality and their strategic intentions related to the product development task at hand. Finally, the complexity and dynamic characteristics of the research question has to be reflected in the research design.

### 3.1.1 Limitations and focus following from the research question

Through the investigation of the research question, it is the aim and purpose of this thesis to describe and reach an understanding of the interdependencies and connectivity, as depicted in the previous section. The connectivity concerns the interaction of the collaborating companies as well as synergies from different functions and levels of the chain-like and network-like structure in the Danish food industry working together and influencing the organising of product development activities. The primary aim is to describe and understand the connections between the organising of product development activities in the single organisation and at the relational level. In other words, answers are sought for the theoretical questions risen in figure 2.6 providing insights on how the actors’ strategic intentions, perceptions of the wider network context, relationship atmosphere, and combination of resources are influencing the definitions, division and coordination of product development activities. Secondly, the connectivity is considered related to a wider network context. In accordance with a systems approach (Abnor and Bjerke 1997), the sought descriptions and understandings concern how the different levels and their functions may be explained, based on their role in the system.
Whereas the description and understanding will be framed by the contingencies characterising the Danish food industry, the present study will not aim for statistic generalisation; and statistic representativity will not be a central element for validating this study. Thus, generalisation, equalling extrapolation in terms of how an empirical observation can be generalised to and considered valid for a larger population, will not be sought. Another approach to generalisation is the form of analytical generalisation (Danermark et al. 2002; Harrison and Easton 2004; Healy and Perry 2000). Analytical generalisation, as applied in this thesis, does not inform how common e.g. specific attempts for organising product development activities are, neither how common the interaction pattern between the company and the involved customer is. Instead, the intention is to illustrate the probable variation in the organising of product development activities by food-producing companies when collaborating with customers or other market actors. Therefore analytical generalisation is sought by creating descriptions and providing richer and thicker understandings of organising attempts.

Furthermore, uncovering differences and potential variations in the organising of product development activities within the context of positional differences and complex settings necessitates a research approach that studies these in their natural context (Gummesson 2003).

Whereas the area is partly covered by existing literature and research (as also argued in chapter two), the aim of this thesis is not to produce descriptions and understandings that result in building new theory. Indeed, theoretical models and concepts on involving customers in product development and in organising the joint effort, to some extent already exist. Neither is the purpose to test existing theory. Instead, the purpose of this thesis is to challenge existing theory and concepts in the specific setting of the Danish food industry. By seeking and highlighting anomalous aspects of the situation under study and thus, proceeding to rebuild existing theory by reference to the wider forces at work, the aim is to contribute to existing theory. Through this process of ques-
tioning existing theory, the further aim is to clarify and nuance existing terms and concepts utilised in the academic community as well as to give these terms and concepts meaning and content for those company leaders that potentially use and act on the concepts.

3.1.2 Paradigmatic positioning: building on a research tradition using a critical realist approach

As discussed in the introduction of this chapter, the scope and characteristics of a given research question should guide the design of the research project. It is, however, of importance to clarify the underlying assumptions of the chosen research path. When a research path is chosen, it is namely important that the researcher seeks consistence and coherence in a range of subsequent choices. These concerns are rooted in the inherent coherence of the basic beliefs about reality underpinning any such research path. Such sets of basic beliefs are referred to as paradigms. The chosen paradigm and thus the basic beliefs of the researcher will also influence what can be known about the world (epistemological concerns), and which techniques can be applied to gain knowledge of the world (methodological concerns) (Guba and Lincoln 1994).

Several different scientific paradigms can be identified. For the present purpose, three different paradigms are discussed. These three paradigms are presented in table 3.1 and present different approaches for studying a given research question.
Table 3. 1: Basic beliefs of different paradigms
(Based on Guba and Lincoln 1994)

<table>
<thead>
<tr>
<th>Ontology</th>
<th>Positivism</th>
<th>Critical realism</th>
<th>Constructivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Espistemology</td>
<td>Naïve realism</td>
<td>Critical realism</td>
<td>Relativism</td>
</tr>
<tr>
<td>Objectivist – findings true</td>
<td>Modified objectivist – findings probably true</td>
<td>Subjectivist – created findings</td>
<td></td>
</tr>
<tr>
<td>Methodology</td>
<td>Mainly quantitative methods</td>
<td>Both quantitative and qualitative methods</td>
<td>Hermeneutical/dialectical</td>
</tr>
</tbody>
</table>

Working within a positivistic paradigm means searching for the conclusive truth of a given question. To do so the positivist has to be objective. The researcher thus applies a distant and non-interactive stance to the object under study without influencing it or being influenced by it. A given research project typically implies stating hypotheses that are verified through empirical testing conducted under carefully controlled conditions (Guba and Lincoln 1994). However, as argued by Healy and Perry (2000), positivism can be considered a less appropriate view when researching into phenomena like marketing networks. Researchers applying a positivistic approach separate themselves from the empirical world under study. Whereas the positivistic paradigm treats actors or respondents as independent and non-reflective, this approach does not leave room for investigating the actors’ ability to reflect and interact in an interdependent way (Healy and Perry 2000). Furthermore, a positivistic paradigm may be considered less relevant, taking into consideration the scope and characteristics of the posed research question.
for at least two additional and related reasons. The connectedness pro-
posed between the single food-producing company and the customer
as well as additional third parties when organising product development
activities are essential for getting new products to end consumers. Since
these levels are connected and independent they cannot - as advanced
by the positivistic paradigm - be separated and underlie statistical infer-
ence (Easton 1995). The complexity and dynamism characterising the
objects under study and the research question does not call for causal
inferences in a positivistic way. When studying systems with many syn-
ergies between levels and connected functions, explanations of cause
and effects are less relevant.

Researchers working with the paradigm of constructivism hold that
truth is found in the multiple social realities subjectively recognised by
informants in a study. For researching the constructed reality of these
informants, the researcher has to interact with these informants. When
the researcher is being interactively linked to the investigated objects,
the ‘findings’ are literally created in as the study proceeds (Guba and
Lincoln 1994). Whereas Healy and Perry (2000) argue that constructiv-
ism may be suitable for certain marketing issues (such as consumer
behaviour investigating e.g. religion, beauty and prejudice), it is less ap-
propriate for studying marketing management issues. It is argued that
the constructivist approach leaves out concerns of the important and
‘real’ dimensions of economy and technology in business life (Easton
1995; Hunt 1990). A constructivistic paradigm can be seen less relevant
when studying food-producing companies which are actively organis-
ing product development activities based on their strategic intentions.
A constructivistic viewpoint would argue that the subjective and metal
constructions of reality are dependent for their form and content on the
individual person (or group). Thus the varying perceptions of reality of
the contemplating actors, and their strategic intentions being as both an
input and an output of the system, it is less relevant to use a construc-
tivistic paradigm. However, having strategic intentions means being ac-
tive and having intentions for one’s actions while these intentions are at
the same time framed by the structural surroundings.

Critical realism lies between positivism and constructivism and has been
referred to as the ‘third way’ in social sciences (Pawson and Tilley 1997; Danermark et al. 2002). The critical realist paradigm, however,
constitutes and represent a standpoint of its own right (Danermark et
al. 2002). A fundamental assumption within critical realism is that enti-
ties can exist (which does not mean they do) independently of human
identification of it (Fleetwood 2005; Easton 2002)\(^1\), and that the ‘real’
world is only imperfectly apprehensible (Guba and Lincoln 1994; Healy
and Perry 2000). Embarking on a research project within a critical real-
list paradigm thus implies that the perceptions of each interacting actor
(e.g. a food-producing company and an involved customer) are studied
because they each provide a window to picture reality (Healy and Perry
2000). For the present purpose, the paradigm of critical realism is used.
A critical realist approach suits and pays regard to the scope and charac-
ter of the stated research questions. On one hand because it consents
for investigations of actors being conscious and intentional when orga-
nising product development activities, while at the same time paying
attention to actors having different perceptions of the product develop-
ment task at hand. At the same time, a critical realist approach ascer-
tains how the actors’ perceptions and actions are framed by the contin-
gencies and structure of surroundings. Thirdly, this paradigm provides
room for investigating how previous product development projects and
past interactions by the actors may be framing current and future ones.
A final argument for building the research design of the present study
on a critical realist paradigm is that the theoretical research tradition of

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\(^1\) Fleetwood (2005:198) emphasises that using the term ‘identification’ of reality
encompasses that an entity can exist without someone observing, knowing and
constructing it. He is thus widening the general view of critical realist claiming that
an entity can exist independently of human knowledge of it. The term ‘identifica-
tion’ includes the term ‘knowledge’ allowing for cases where humans are knowl-
edgeable, but their knowledge is tacit.
the industrial network approach, as presented in chapter two, to a wide extent takes point of departure in this paradigm (e.g. Holmen 2001; Gressetvold 2004; Vercauteren 2007). Critical realism will be elaborated upon in more detail in the following sections.

The movement of critical realism in social science cannot be considered homogenous, as several different perspectives and developments can be identified (Danermark et al. 2002). This thesis is primarily inspired by Easton’s (1995; 1998; 2002) interpretation and approach to critical realism. However, it will also rely on Healy and Perry (2000), Fleetwood (2005), Pawson and Tilley (1997) Danermark et al. (2002). In the following, it will not be the intention to provide a complete review of critical realism but to introduce some main aspects and methodological considerations. Consequently, numerous complex discussions and arguments on which critical realism is founded may be elided or condensed.

### 3.1.3 Ontological and epistemological issues

According to Easton (1995:437) “*realism describes the belief that there is a reality ‘out there’ that exists and that can be discovered and ultimately understood*. The ‘real’ world can yet never be fully grasped or disclosed. Instead, “*we see through a glass, darkly, but there is something there to see*” (Easton (1995b) as cited in Gressetvold 2004). However, humans may hold different perceptions of an entity, and things may be real in different modes or domains (Easton 1998; Easton 2002; Fleetwood 2005). According to Fleetwood, a critical realism paradigm may operate with four different modes: material, ideal, artefactual and social. These four ways in which entities may be differentiated are presented in table 3.2.
Table 3.2: The different modes of reality in the critical realist paradigm (Fleetwood 2005: 198-202)

The different modes all represent causal efficacy, which means they make a difference and have a cause. What must, however, be emphasised is that the critical realist’s view on causality is not discrete in terms of ‘cause and effect’ but concerns mechanisms of entities and relations. Therefore, Easton (2002) accentuates that relations and objects are central to critical realist explanations. Entities can develop and change and may thus range over more than one mode of reality. Especially, socially real entities are of interest to researchers engaged in studying behav-
in organisations in which they take a closer look at the socially entities of activities and humans involved in these activities.

Entities can and do exist without activities related to identifying them. An example of this are the tacit rules of organising product development activities that do not have to be identified to be reproduced and transformed, whereas open and explicit forms of coordinating the product development effort of two collaborating companies necessitate an identification to be reproduced and transformed by the involved individuals. Additionally, the identification of entities may vary among human actors e.g. between companies and researchers. Entities may thus be identified either by a researcher or individuals in a company. Likewise, a researcher and the individuals in a company may both be aware or unaware of socially real entities. In this discussion, it is important to acknowledge that activities of identification are not required to reproduce and transform entities but that this is not the same as saying that they exist independently of human activity of some kind. Furthermore, saying that entities are dependent on activities is not the same as saying that all humans are involved in their reproduction or transformation (Fleetwood 2005).

Bringing the discussion of humans and activities involved in social entities into a temporal setting implies that agents and structures interact. The temporal dimension brings along continuity and cyclical actions. There is no beginning and no end, nor spaces in between that are empty. To start an analysis of inter-organisational organising of product development activities means that we have to break into the flow of activities at some point and impose this as an analytical point of departure for the study. This is illustrated in figure 3.1.
Figure 3.1 illustrates how pre-existing structures provide the basis for subsequent social interactions. These pre-existing structures are both limiting and facilitating the actions of the actors in this setting. When actors interact, structures will change in the sense that they will either reproduce or transform. Human activity is thus required for cycles of action to flow. But essential to the arguments of Fleetwood (2005) and Archer (1998) is the notion that not only activities in the interval t2 – t3 will influence the following reproduction and transformation, but also activities in previous cycles will have indispensable influence.

According to a critical realist perspective, the purpose of the research is to come as close to reality as possible. Therefore, the attention is directed towards the different modes of reality, as presented above, and their

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18 According to Fleetwood (2005:204) the model allows for analysis of who does and who does not do what, when and how. Thus providing understanding and identification of which activities and actors are involved in the reproduction and transformation of socially real entities.
combinations in a given event or entity. During this study, attention has been given to different modes of reality as explanations of company organising of product development activities – not just observing how activities are actually carried out. Furthermore, if entities may change and develop over time and our knowledge of different modes of reality are filtered through language and concepts (Danermark et al. 2002:27-30), what we will discover about the ‘real’ world will only be imperfectly and probabilistically apprehensible. To obtain 100% valid knowledge would thus be questionable (Danermark et al. 2002). Explanations and theories of modes of reality will instead offer the ‘best’ truth about reality at a current moment (Bøllingtoft 2005). This leads to a discussion of predictability of research in a critical realist perspective. Danermark and colleagues (2002) argue that it is not possible to predict the future, but that past events can be explained when they have occurred. Building on the critical realism perspective thus prompts that the present study will be explanatory and not predictive in nature when reflecting upon and providing insights on the organising of product development activities in collaboration with customers.

The kind of explanations pertaining to the organising of product development activities that will be reflected upon as a result of the present study will concern necessary relations (Easton 2002). This implies taking into account multiple contingency variables and the surrounding structure of the phenomenon under study as well as the mechanisms that affect the necessary relations between objects. This study will thus offer different variations on explanations of company organising of product development activities when collaborating with customers. More practically put, the explanations presented as research results in this thesis will concern mechanisms affecting objects as product development activities, and their context and structure is the interaction in the relationship of the food-producing company and the customer that is embedded in a wider network setting. The explanations will thus offer (contingent) variations of causal efficacies and limitations providing
insights and understandings of organising inter-organisational product development.

As already mentioned, causality is not to be understood in a positivist perspective of cause and effect but as causal powers for understanding the nature of objects and their structures. Causal powers are explanations of the way-of-acting of objects or relations. In the food industry, it is not about determining why and how customer collaboration stirs or influences the organising of product development activities, but rather to explain what it is about an involved customer (the interaction and relationship with that customer) that allows the customer to have influence on the organising. What is to be remembered is that even though a customer may have causal powers, this customer does not control every event and activity in the interaction (Easton 1998). Causal powers are furthermore contingent and thus depending on the conditions in which they unfold (Easton 1998). In the food industry, this implies that the customers’ (potential) influence on the organising of product development activities is understood in its context – the interaction and relationship between the partners, the wider industry and network setting and the history in which it is embedded (as discussed by Fleetwood 2005). In a critical realist view, the researcher’s assignment is to seek valid exploratory knowledge by identifying causal powers, how these operate/are embedded in contingent situations as well as how these causal powers work and interact to create the specific events which are empirically observed.

Standing on critical realist grounds for identifying causal powers is a sound point of departure for refining and further developing existing theories (Easton 1998). By incrementally researching new contexts, the critical realist researcher can seek for ‘deep’ explanations that can contribute to the refinement of existing theory (Harrison and Easton 2004).
3.2 Research design

Two elements constitute the overall design of this study. When first assigned PhD-student, I engaged in a pilot study to explore the scope of product development in the Danish food industry and for probing related challenges. The pilot study forms the first element of the research design. A case study strategy was selected as the second and primary element of the research design. The launch of a case study strategy entailed a deeper investigation of how Danish food companies organise product development activities involving customers. The research design is illustrated in figure 3.2 and is elaborated in detail in the following sections.

Figure 3. 2: Research design – pilot study and case studies
3.2.1 Pilot expert study

As an approach for identifying key themes and issues in the beginning of the present research project, a preliminary pilot expert study was conducted. The aim of the study was to gain a preliminary understanding of the challenges that Danish food companies are facing related to the organising of product development activities in collaboration with customers. The purpose of the study was, on one hand, to obtain an insight on which challenges Danish food companies are facing, and on the other hand, to elaborate a more nuanced understanding of the characteristics of these challenges concerning the organising of inter-organisational product development. Since the framing of the present study is taking its point of departure in an assignment formulated by central players in the Danish food industry, the preliminary expert study was intended to build a basic understanding of the research assignment and to find potential sources for questioning this. Examining both the width and the depth of the challenges related to organising inter-organisational product development activities as sketched by the assignment, the pilot study is to increase the contingent validity of the study (criteria for judging the validity of the study is discussed in detail in section 3.3).

Informants in the pilot expert study were primarily found among leaders and project managers in various formal food networks and regional initiatives counting food-producing companies as members. Formal food network members cover different companies from various food sectors and complementary sectors (see figure 1.1). Leaders of these food networks and regional initiatives are typically assigned to provide services to members in terms of workshops, seminars and general business development. Leaders of food networks were chosen as informants due to their broad and general perspective on challenges in the food industry speaking on behalf of their wider troop of network members. Informants were also found among small and medium-sized food companies. Due to the project’s initial anchoring in Foodture – Danish Food Inno-
vation Network\textsuperscript{19}, the first informant was the leader of this network. Subsequent informants were found using a snowballing technique (e.g. Chisnall 2005) asking the interviewee about other experts relevant to interview. In total six leaders or project managers of different food networks were interviewed as well as three companies pointed out by network leaders as especially innovative in their organising of product development activities. Informants are listed in appendix B. Furthermore, I have attended industry-specific workshops and fairs. Together, these activities contributed to and enlarged my understanding and insights concerning product development in the Danish food industry.

Interviews were open-ended to semi-structured. The interview guide was developed through an initial review of various regional and governmental reports analysing the food industry as well as research especially concerned with product development in the Danish food industry. The interview guide was continuously developed and adjusted, leading to a process of convergent interviewing. When a pattern of challenges and their characteristics emerged and no new relevant informants where pointed out by the interviewed experts, the inquiry was terminated. The interview guide is to be found in appendix C.

\subsection*{3.2.2 Case study strategy}

The primary empirical foundation of this thesis consists in four case studies of the product development effort of different Danish food-producing companies collaborating with a customer or other market actor. The choice of using case study methodology is related to the notion that \textit{‘the interaction between a phenomenon and its context is best understood through in-depth case studies’} (Dubois and Gadde 2002:554). Case studies are thus a unique method for building and utilising in-depth un-

\textsuperscript{19} The Foodture network was a regional initiative implemented by the former Vejle County to support and service regional actors in the food industry. The network was however closed down March 1st 2008.
derstandings of empirical phenomena that may develop and refine existing theory. Additionally, case studies may be considered a preferred research strategy when ‘how’ or ‘why’ questions are being posed; when the researcher has little control over the setting (or event), and when focus is on a contemporary phenomenon in a real-life context. Using a case study method will allow for retaining a holistic and meaningful characteristic of real-life events such as organisational and managerial processes and relationships (Yin 2003: 1-2). In a critical realist perspective, the use of a case study methodology can, building on multiple data sources, provide descriptions and reflections of different perceptions of reality related to an empirical event (Easton 1998).

Using the methodology of case studies for the study at hand will set focus on joint product development meetings, the product development process and the structure within which it unfolds. Through the use of the case study method, this study will search for links between what happens in a given situation (the joint product development meeting and the process of organising product development activities) and the ongoing business exchange of the collaborating partners and their other activities. To a lesser degree links are also searched for in relation to the surrounding institutionalised context shaping and influencing the situation. Generally, this resembles the ‘extended case method’ presented by Burawoy (1991b). Applying a case study strategy gives the possibility for getting close to the collaborating companies in the quest for seeking understanding and insight into their interaction and mutual organising by studying modes of exchange (cf. figure 2.5). Interviews and secondary sources have constituted a basis for inquiring the actors’ network pictures and strategic intentions for product development (to be accounted for in greater detail in section 3.2.3). In the initial stages of the study I got the unique opportunity to participate in the joint meetings of collaborating companies for product development. Participating in these meetings provided an opportunity to observe the parties’ interaction ‘live’ and hence, an opening for studying the theoretical questions posed in figure 2.6. Being part of these meetings, I experienced the
relationship atmosphere and observed situations where the strategic intentions of the collaborating companies collide. Further, I could witness how and which type of information and knowledge one party may request from the other. Observing joint product development meetings has, hence, provided a basis for studying who and how the product development task at hand is defined, who is taking care of what, and how coordination of activities is achieved (to be elaborated in more details in section 3.2.3.3). Interviews with meeting participants have provided the basis for clarifying and deepening questions that emerged from my observations and experiences from meetings. Likewise, interviews have provided insight of the ongoing division and coordination of product development activities (for details see section 3.2.3.2). Overall, the use of a case study method has provided an opportunity for furthering the insights obtained throughout the course of the study by gaining understandings of opportunities, challenges and barriers in the joint organising of collaboration companies as well as insights of the interface between the joint organising, each company’s own (other) activities and activities in third party relationships.

The use of case studies can furthermore be claimed to be appropriate because this method can handle the rich sources of data obtained through observations and interviews. This is advantageous when reflecting on the complexity of links within and between actors collaborating for product development (Easton 1998). This relates to how case study research, building on a critical realist epistemology, needs “to be inquisitive, to look for the roots of things, to disentangle complexities and to conceptualise and reconceptualise, test and retest, to be both rigorous and creative and above all seek for the underlying reality through the thick veil which hides it” (op.cit.:81).

In this study, a multiple-case design has been used concerning both multiple social contexts and multiple studied events. Whereas a single-case design by Easton (1998) from a critical realist perspective has been emphasised as providing more depth and width to a study, multiple designs
have been criticised for being a choice for researchers seeking statistical
generalisation. However, a multiple-case design has for the present pur-
pose been chosen in the endeavour and quest for exposing variations in
the organising of product development activities in the special setting
of the Danish food industry. In this context-specific setting with a focus
on obtaining detailed enhanced knowledge for refining and developing
existing theory, the issue of generalisation becomes irrelevant (this no-
tion is also claimed by Kragh 2007).

An essential outcome of building case studies on critical realist episte-
mological ground is the emphasis on investigating processes and iden-
tifying the underlying mechanisms of a process being observed by con-
tinuously seeking for valid explanations of these mechanisms (Easton
1998). In order to investigate and identify the underlying mechanisms of
organising product development in an inter-organisational perspective,
it can be argued to be a reasonable place to start by identifying product
development activities as events to be organised. Likewise, actors and
their resources can be identified as objects that can cause events such
as product development activities to occur (Easton 1998: arguing that
activities may also be objects with causal powers on other activities).
Accordingly, a sensible place to start analysing the organising of product
development activities, which is in alignment with a critical realist per-
spective, is to take point of departure in the ARA-model of the industrial
network approach (cf. figure 2.3 and figure 2.6).

3.2.2.1 Selection of empirical cases

The criteria set for the selection of cases are critical for the strength
of the study. Eisenhardt (1989) points out how the selection of cases
should be based on theoretical ‘sampling’. In this thesis, three case
companies are selected theoretically and differ on their positioning in
a value chain perspective. The differences in value chain positioning are here claimed to provide a potential variation in the organising of collaborative product development activities by the actors. A primary concern for selecting cases has naturally also been the notion that food-producing companies actually collaborate with industrial customers for product development. It is, however, important to underline how the three companies do not constitute the cases of this study. Instead, four cases embedded in the three companies are selected (as pictured in figure 1.2) for studying the organising of product development activities between the company and an involved customer.

The following criteria were employed in the selection of cases:

- positional strategies in the food industry
- collaboration focus
- developmental focus
- degree of internationalisation

As product development in the food industry happens continuously and is initiated by the case companies and the involved customers, I have, as a researcher, not been able to dictate which product development projects to study. I have instead let the situation and development in the empirical field guide the sequence and use of methodologies for collecting data. To the extent possible, I have interviewed key informants of the food-producing company as well as informants from the involved customer organisation before joint development meetings. When the parties were holding development meetings, I participated as an observer. Subsequent to every meeting attended, I have interviewed every participant from the food producing company as well as the involved customer. After meetings, I have collected notes and documents made by participant (e.g. summaries or decision notes). Hereby, it has been

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20 Additional four potential case companies have been contacted and interviewed to evaluate their ‘fit’ into the research design on the above discussed criteria.
difficult to plan the research process in advance. This is, however, in harmony with the abductive approach applied.

The determination of the sufficient number of cases to study has been widely discussed. The notable work of Eisenhardt (1989:545) is often cited for recommending conducting four case studies to reach theoretical saturation. This universal prescription is, however, rejected by critical realists (Easton 1998; Harrison and Easton 2004). Instead, it is argued that “(t)he nature of the phenomenon to be studied, the importance of the contexts, and the research questions should determine the number of cases”. For the present purpose, a number of four cases have been selected, not for complying the suggestions by Eisenhardt (1989) but building on theoretical considerations. It is thus assumed that the contingencies related to the position of each focal case company in the value delivery network will differ. This is e.g. argued by Grunert and colleagues (2005) how the distance of the companies from the end consumer influences the orientation of their product development effort. Accordingly, it can be argued that this may provide different explanations related to the organising of product development activities of the companies with direct customers. As the ambition of the present research is to refine existing theory, it can also be considered useful to investigate a selected range of different contexts for studying the organising of product development activities. Using a multiple case approach thus provides the ground for seeking several explanations or pictures related to the stated research question.

3.2.2.2 Obtaining access

Since the research design and strategy of this study entails observation of product development activities critical to the case companies and meetings not easily accessed or open to the public I have had to negotiate with the participants to gain access. This entails a process of building up a relationship of trust and confidence with the participants that
are to be observed (Lüders 2004) and very often also presenting the research purpose and project to an authority that can grant the access. In this study, access to conduct participant observation was obtained as part of the case selection process. Negotiating with a focal company to engage in the research project also involved negotiations for doing interviews with different informants as well as observing product development meetings. When the focal companies had committed themselves to the project, they were the means to secure the acceptance from customers to also engage in the project. In every case, it was my primary contact person, who presented the customer with the idea of letting me study their joint product development effort. Although the customer in every case consented to participate in the research project, their reactions differed quite much. Customers’ reactions and comments have been ranged from expressing their profound interest in the project, asking clarifying and elaborating questions to almost just consenting because the partner was very committed to the project.

3.2.3 Data collection

3.2.3.1 Informants

Due to the overall focus on product development in this study, the key informant in every of the four cases was the responsible for product development in the company. This key informant and contact person was not only to provide me with valuable data and information but also to help me contact other informants in the company as well as at the involved customer. In all of the four cases, informants were restricted to those employees engaged in the product development project under study. Thus, every employee from the product developing company and the involved customer who were participating at joint product development meetings were appointed informants.
Valuable information concerning overall business and product development strategy could have been obtained from interviewing managing directors. Likewise, helpful insights could have been gained from interviewing employees that are central to product development although not participating at the joint product development meetings. However, in a quest to create a similar and consistent dataset across the four cases, only employees participating at joint product development meetings were appointed informants.

### 3.2.3.2 Semi-structured interviews

A total of 30 semi-structured interviews have been conducted for the four cases in this thesis. The interviews lasted from 15 minutes to three hours. Seven of them related to the Aston Proteins - Stern case as well as seven related to the OTZ - Chicken Delight case. Six semi-structured interviews have been completed in the OTZ - Euretail case whereas ten interviews were done in the Allstar - PROmotion case. Appendix D lists the interviews and observations of product development meetings related to each case.

In semi-structured interviews, the researcher uses a guide for interviewing informants, while at the same time allowing for new themes to emerge during the interview. As such the researcher seeks to understand the viewpoints of the informant, and the informant is encouraged to express himself on his own terms (Maaløe 2002). On one hand, the semi-structured interview thus provides the opportunity to cover the research issues of interest, while on the other hand, it opens for new and unexpected insights. For this study, I have strived for interviews to get more a character of a dialogue with informants. The sequence of themes and issues brought up has thus not followed the interview guide. However, during interviews I have used the guide as a sort of checklist to make sure that every theme of my interest indeed was covered. Sometimes I have also taken on a more listening role, letting the
informant tell his story on his own terms. Here, my role has been to follow up and ask questions for elaborating and clarifying relevant issues (Darmer 1996).

The conducted interviews may be characterised as focused (Darmer 1996) since their purpose on one hand has been to collect data on themes and issues related to the evolving theoretical frame of reference. On the other hand, the purpose of interviews has also been to reveal new angles and insights not covered by the theoretical frame of reference. Therefore, the interviews conducted can also be characterised as in-depth interviews (Darmer 1996). Due to the ongoing analysis inherent in the systemic combining approach (for details please consult section 3.2.4) interviews also included elements of elaborating or clarifying issues from earlier interviews or from observations. The first interviews were mostly focused and in-depth. Later interviews were following up on observations and these were thus characterised by more in-depth and with the purpose of clarification. Most interviews have been personal and face-to-face. A few interviews have been completed by telephone and two interviews have been completed with a group of two and three informants respectively.

In the four cases, interviews have been conducted before and after observations of product development meetings. In every case, interviews have been conducted with informants at the product developing company before joint meetings with a customer. When possible, interviews have also been completed with the involved customer before joint meetings. This was possible in the case of OTZ – Euretail and OTZ – Chicken Delight. Every participant at joint product development meetings representing either the product developing company or the involved customer has been interviewed after meetings. Several informants have been interviewed more than once.

The purpose of interviews, conducted before product development meetings, has primarily been to obtain insights on the companies’ prod-
uct development effort in general. The informants have been inquired on the general challenges related to product development in the Danish food industry as experienced by their company. Likewise, interviews have highlighted the companies’ internal setup for product development. Furthermore, interviews have focused on the relationship with the development partner as well as with other customers and suppliers. These interviews have also highlighted the companies’ expectations for and intentions related to the joint product development effort. Interviews completed after joint product development meetings have primarily focused on the actors’ experiences from the meeting as well as the subsequent completion and coordination of various product development activities. In those cases where it was not possible to complete interviews with the customer before product development meetings, the interviews after joint meetings incorporated questions from the before-meeting interview guide.

Preparing for an interview, I listened to previously conducted interviews or read transcripts and went carefully through my notes and observation logbook. During the course of data collection and the ongoing analytical process, the interview guide was continuously developed and adjusted. Examples of interview guides are to be found in appendix E.

3.2.3.3 Observing product development meetings

Observation studies are an advantageous method for collecting data of many facets of human existence from an insider’s point of view. By observing managerial or organisational activities in its natural settings, the observer can reach an in-depth understanding of the phenomenon of interest and the complexity and contrasts of the observed event (Carson et al. 2001). Jorgensen accentuates how observation studies makes it “…possible to describe what goes on, who or what is involved, when and where things happen, how they occur, and why – at least from the standpoint of participants – things happen as they do in particular situ-
Organising Collaborative Product Development Activities. The methodology of participant observation is exceptional for studying processes, relationships among people and events, the organization of people and events(...)” (op.cit.:12). Since observation studies are furthermore especially appropriate in descriptive studies with the aim of generating theoretical interpretation and critically discuss existing theory, observations have been applied in this study as a valuable input when aiming at theory development.

In the early search for potential case studies for this thesis, I was invited to participate in a joint product development meeting between Allstar and PROmotion. Reflecting on my first participation, I realised that observing such meetings could provide a unique opportunity to gain insights on the ‘live’ interaction between partners collaborating for product development. Insights that could complement personal interviews as part of a case study design. Whereas observation studies within the marketing tradition have primarily been employed for studying consumers (Carson et al. 2001), the method has in this study been applied to the study of product development meetings between a food-producing company and a customer, as already accounted for in section 3.2.2. A total of eight development meetings have been observed. In each of the four cases, a least one joint development meeting has been observed. Development meetings lasted from one hour to three days. Appendix D summarises personal interviews and product development meetings observed in each of the four cases.

The extent of observations has been rather limited, at least compared to traditional ethnographic studies, covering the hour’s duration of product development meetings. Taking point of departure in the stated research question, the observed meetings have, however, been central elements in the data collection concerning how actors are trying to coordinate their product development activities with those of their collaborating counterpart. Product development meetings have been essential events in the partners’ interaction and in the organisation of their joint product development effort because these meetings have
included ‘more’ than the evaluation and selection among new product prototypes. In this sense product development meetings have been vital ‘windows’ for collecting data on the organising attempts of the actors. Data that differs from data obtained through personal interviews. Observing development meetings has provided data on aspects of interactions that participating actors are not necessarily aware of.

When conducting participant observation, Jorgensen (1989) emphasises several considerations that must be taken (Adler and Adler 1994; Carson et al. 2001 provides similar listings). These will be addressed in the following.

Selecting the setting

The observational process evolves through several activities of which the natural first activity is to select the setting and event for observation. In this study participant observation has been conducted as part of a case study design making the natural setting for observation the relationship between a focal company and a customer collaborating for product development. However, the implications regarding the selection of the setting need to be considered carefully because they are closely interrelated to the studied problem and will thus limit and facilitate the data accessible for investigating the phenomenon of interest (Jorgensen 1989).

In this thesis, observations were completed in the natural setting of the actors, and the events to be observed and the actual collection of observational data have been determined by the actual activities in the empirical field. As already explained, the selection of the setting and the access to the setting were negotiated as part of finding companies willing to participate in the research project. In this sense, the selection of the setting can be claimed to be both based on theoretical considerations as well as possibility (Adler and Adler 1994). However, as also discussed by Jorgensen (1989) permission to conduct observational
studies is only the first and initial step in a larger process. To complete the study, it has been vital to build and maintain friendly relationships with every individual in the empirical field.

Observation roles

Deciding which role to take on is an important issue, as the role of the observer will influence which data are collected and the way in which data are collected (Miles and Huberman 1994). The observer role also says something about the relation between informants in the field and the researcher (Babbie 2001). Depending on the research problem and the characteristic of the field, including the degree of access gained, the researcher may choose between several roles with varying degrees of participation.

In general, observation studies can be characterised as either covert or overt (Jorgensen 1989; Lüders 2004). When conducting covert observation, the informants are not aware that they are being observed. This may be an advantage because informants will not change their behaviour because they know they are under observation. However, there are ethical considerations to take into account. Observations of e.g. managerial behaviour in an organisation will require a commitment and consent from management, and therefore it will be ‘overt’ and with informants’ knowledge (Carson et al. 2001). Between the complete covert observations and overt observations we may find several variations e.g. when management allows for observations to be undertaken, but where none of the employees are informed.

Different observer roles may thus be more or less overt or covert, and the researcher may be considered more or less of an insider or outsider to the field (Jorgensen 1989). The latter has traditionally been emphasised as the most objective (Adler and Adler 1994) where the researcher observes from a distance and thus is less likely to influence the field. Being a complete insider is claimed by e.g. Gold (1958) to be demanding
of a researcher because the more success the researcher has in playing his insider and covert role in the field, the more he has to question what is observed to be able to report his findings and prevent from ‘going native’21. The role as observer demands both personal involvement and detachment from the field (Lüders 2004). Others e.g. Jorgensen (1989) and Adler and Adler (1994) take the opposite claim when they argue that the researcher will provide more valid and trustworthy findings when being a complete insider because of the opportunity to verify conclusions. By being a complete insider, not only pretending to be one, the researcher will be provided with a deeper understanding. What is an important issue here is whether the researcher will influence the field by conducting his role. It is claimed that these problems can be overcome by e.g. seeking to ensure that informants continue to be unaware of being under observation, or when the researcher is hanging around for so long that informants become accustomed to the presence of the observer to such a degree that their behaviour is not influenced (Gold 1958). However, it is inevitable that the researcher will never know what would have been the behaviour if the field had not been observed.

Gold (1958) presents four different observer roles ranging on a continuum from complete insider to complete outsider. These are the complete participant, the participant-as-observer, the observer-as-participant and the complete observer. Being an observer-as-participant involves less informal and more formal observation. According to Babbie (2001), taking a role as observer-as-participant is equivalent to a decision to have a focus on a limited aspect of the social setting under investigation e.g. just participating or observing selected events. This role thus fitted the present study excellently. It provides the researcher with the advantage of assuming a stranger’s role and the option to ask questions of ignorance. Also, there is less risk of ‘going native’. However, due to less participation in the field, researcher and informant face the potential problem of misunderstanding each other (Gold 1958). Such issues have, however,

21 To ‘go native’ simply means that the researcher stops wondering what is observed and accepts the informant view as his own.
been attempted to be avoided by comparing observational data and interview data and by asking clarifying questions in subsequent interviews.

Registration of observations

An essential part of conducting participant observation is the registration of the researcher’s observations because these registrations so to speak constitute the data obtained from the study. In this sense the registration is both an aim to help the researcher to provide the necessary information in the written report of the study and thus also a means for a third person to audit and validate the research. The registration or recording of observations may take several forms, e.g. video recording, taping as well as taking notes during and/or after observations. To create useful field notes, Babbie (2001) suggests the following simple guidelines (similar basic rules are pointed out by e.g. Carson et al. 2001; Jorgensen 1989):

- Do not rely on memory – it is not trustworthy. If it is not possible to take notes during observations, it is important to do this as soon afterwards as possible.
- Take notes in ‘stages’. In the first stage, notes in form of keywords and phrases are needed. At the second stage, these notes are rewritten in more detail.
- How much to record? The general guideline is that is it impossible to know beforehand what is most important, and therefore it is a good idea to record as much as possible. This will be rewarded in later phases of analysis.

Observation notes may either be of a more standardised or predefined nature in the sense that the researcher, before going into the field, prepares an observation sheet that will guide what to be observed as well as where, when and how these observations should take place (Carson et al. 2001). Such observational data may compose the ground for quan-
titative and statistical analysis. Alternatively, observation notes may be of a more qualitative nature including the researcher’s interpretations, feelings and hunches related to the observed setting. This resembles the method that has been used in this study. Lüders (2004) stresses how the researcher must enter the field with as little prejudice as possible and being open for new arenas to unfold.

According to Babbie (2001) and Lüders (2004), it is of importance to distinguish between empirical observations and the researcher’s interpretation of them. In other words the researcher’s notes from observations may contain both what is ‘known’ to be happened and what the researcher ‘thinks’ has happened at the setting. Jorgensen (1989) is accordingly emphasising that notes should both include recordings of dates, times, places, events, roles and activities of key individuals as well as notes regarding personal feelings, hunches, guesses and speculations.

In this study, notes have been recorded in a field journal (Jorgensen 1989) including:

- a calendar with dates of interviews, observed meetings and events;
- a chronological logbook for each of the four cases in the study containing more substantial notes from observations (e.g. rewritings of keywords cf. stage-two notes in Babbie’s guidelines cited above);
- as well as recordings of learnings and reflections for later interviews and observations, tentative interpretations; expectations and personal experiences and feelings.

For this study the calendar has simply been a means of keeping track of completed interviews and observed events while the logbook has included more detailed recordings related to interviews and observations. Before observations, I have recorded my expectations for the meeting and afterwards my thoughts and reflections in the logbook,
including clarifying questions for later interviews or learnings for later observations. Thus the logbook primarily contains what I ‘think’ will or has happened during observations whereas transcriptions of tape recordings comprise what has actually happened at observed product development meetings. ‘Before-meeting-records’ were intended to help me to lay aside my prejudices and enter the setting with an ‘open mind’. My notes during product development meetings included recordings of observed roles and actions of individuals e.g. who is chairing and directing the course of meeting activities and how do other participants react; how do participants come to an agreement on the activities to perform during meetings; who and how is dividing activities during meetings and who and how is it decided which subsequent activities to perform; and what is the content of questions posed at the meeting i.e. what knowledge and information is sought from the counterpart, etc. ‘During-meeting-notes’ also included recordings of my experiences and feelings on the collaboration atmosphere e.g. my sensing of tense situations, my sensing the participants mutual understanding of each other’s situation, the degree of closeness and mutual familiarity, as well as hunches on the participants’ mutual reactions, etc. Whereas ‘after-meeting-records’ consist in my rewriting of notes made during observations. During this study, I have experienced the difficulties as well as the value of careful note-taking.

The use of video records and tapes has complemented written field notes in this study. Recordings have the advantage of reproducing the observed event, making it possible for the researcher (as well as third persons) to return to and re-experience the situation. Recordings on video additionally provide the opportunity to review the more unspoken behaviour in an observed event and thus offer a basis for further analysis of e.g. the relationship interaction between individuals in the observational setting and their body language. However, audio and visual recording may impede participant observations. Individuals in the observational setting may feel uncomfortable and awkward of being recorded. Moreover, the setting may be inadequate for recording e.g.
when the researcher has to move around in the company buildings to observe.

Since the setting of the event of every observation in this study has taken place in meeting rooms, it has been possible to utilise the advantages of tape recording. In the beginning of product development meetings, where I participated as an observer, the participating individuals were informed of the recording. Participants objected at no time to the recording, and as every single meeting went on, the participants seemed to ‘forget’ the recording, paying no attention to the small Dictaphone placed in the middle of the meeting table. The use of video recording was in most cases opted out due to the inflexibility of operating a camera and taking notes at the same time. Neither was the use of a camera tripod an option because participants at most meetings were actively walking around in the development kitchen. Only in the case of Aston Proteins, video recording was chosen as a means to secure the best empirical material because the product development meeting language was German, and video recording thus provided an extra resource to secure my understanding of the setting.

Even though recording provides a basis for re-experiencing the observed event, the researcher should be aware that it is not possible to observe everything. Several factors will influence what is being observed. A first factor to mention is the ability of the researcher; secondly, convenience, opportunity, resources and research interest.

### 3.2.3.4 Transcriptions of interviews and observations

Since my study was completed in the context of the Danish food industry among Danish food-producing companies and their involved customers, most interviews have been conducted in Danish. Every interview and observation has been taped on a Dictaphone and transcribed. When starting an interview, whether face-to-face or by telephone, in-
formants have been asked to accept my recording. Every informant accepted. When observing joint product development meetings, the product-developing company informed the involved customer beforehand in order to get their acceptance of my participation. In every case the acceptance was given. In the beginning of joint meetings, participants granted me the permission to place my Dictaphone in the middle of the meeting table and tape the meeting. While taping, I was freer to engage in dialogues during interviews and to make notes during observations.

The first interviews, as well as shorter subsequent ones, have been transcribed by me. Working with transcriptions has provided a first step in the analysis of the collected data. The rest of the interviews and observations have, however, been transcribed by different bachelor students who have been carefully instructed. Afterwards, I have read transcriptions while listening to the taped interviews or observations to correct potential misunderstandings.

In the case of Aston Proteins, the involved customer and distributor are German. In this collaboration, the working language is thus German. Consequently, the interview with the customer and the distributor, as well as observations of the joint product development meeting were also completed in German. Interviewing on a second language naturally entails limitations, potential misunderstandings and loss of insights. This interview has thus been handled extra carefully during subsequent analysis. Initially, the interview was transcribed and translated to Danish by two skilled bachelor students. Their transcriptions were then compared while I listened to the taped interview, and mistranslations were corrected. Similar procedures where applied for tapings of the joint product development meeting. To secure a minimum of mistranslations and misunderstandings, the joint effort meeting of Aston Proteins and the involved customer and distributor was, as already mentioned, also recorded on video.
3.2.3.5 Secondary data

Company documents in terms of annual accounts, strategy reports and meeting minutes as well as mail correspondence and e-mails exchanged between development partners have been consulted for this study. To a limited extent, newspaper clippings and company homepages have also provided company background information. These sources of secondary data have on one hand contributed with additional insights to be triangulated with data collected through interviews and observations. On the other hand, these sources have also, although to a limited degree, contributed with new understandings of the organising and coordination of product development activities by the collaborating actors.

3.2.4 Data analysis using systemic combining – an abductive approach

In this thesis, data analysis is characterised by an abductive approach named systemic combining (Dubois and Gadde 2002). The aim of this approach is to obtain a deepened and enhanced understanding of both the theoretical and the empirical world. Systemic combining is applied in this thesis because it is especially useful for theory refinement and development. Abduction is not to be contemplated as a combination of inductive and deductive approaches but can be regarded as an autonomous and distinctive form of logical inference often applied in critical realist studies (Danermark et al. 2002; Walters and Young 2001). According to Danermark and colleagues (2002:91) ‘abduction is to move from a conception of something to a different, possibly more developed or deeper conception of it’. Abduction differs from deduction, since the latter verifies that something must be in a certain way (e.g. by developing propositions from current theory and testing them), whereas abduction demonstrates how something might be (Danermark et al. 2002; Dubois and Gadde 2002). Thus, the abductive approach differs clearly from deduction since the main purpose of an abductive method is not to test
existing theory but, through the increasing detailed insights, to develop and refine existing theory. Systemic combining and the related abductive approach is somewhat closer related to an inductive approach where theory is systematically generated from data (Dubois and Gadde 2002; Abnor and Bjerke 1997). As Dubois and Gadde (2002:555) argue, the main purpose of research is ‘to confront theory with the empirical world’. Therefore, the use of an abductive approach is claimed to create a stronger foundation in theory than induction. The premise of abduction is thus to discover other and new variables and relationships and thus explain already known occurrences in a novel way (Danermark et al. 2002; Dubois and Gadde 2002).

The fundamental principle of abduction is to confront theory with observations from the empirical field during the research process. That is, based on a preliminary analytical framework, empirical observations are made and theories are studied, and through analysis and interpretation, the analytical framework develops over time. This process is replicated and thus systematically combines the ongoing confrontation between elements in the empirical world, available theory, the evolving case and the analytical framework (Dubois and Gadde 2002). This is illustrated in figure 3.3. The abductive approach provides the possibility to utilise the advantages of the systemic character of both the empirical and the theoretical world. The ‘matching’ of the process can lead the researcher in various directions. Indeed, the process is not linear or entails a defined pattern but may rather be characterised as a cyclic or spiral process (Walters and Young 2001). However, the continuous effort of creating a ‘match’ may be path-dependent (Dubois and Gadde 2002).
Using systemic combining for abductive reasoning implies using two basic elements in the data analysis: ‘matching’ and ‘direction and redirection’. The effort of matching theory and the empirical world is a main objective of the systemic combining approach (Dubois and Gadde 2002; Eisenhardt 1989). In the initial data collection for this thesis, the ARA model (presented in section 2.3 and 2.4) functioned as a general and preliminary framework for approaching the empirical field. As data collection as well as preliminary analysis and interpretation revealed areas were the theoretical framework and what was going on in reality did not match, additional theories were studied in search for conceptualisations that could better explain and refine explanations of the observed empirical phenomenon. In practice, this meant searching for and studying existing research and conceptualisations of e.g. strategic intentions, relationship atmosphere and routines. Applying this method does not involve squeezing observations into predefined categorisations but a
process where categories develop in meeting with the empirical data (Dubois and Gadde 2002). On the other hand, Dubois and Gadde (2002) argue that in this process the theoretical framework is developed concurrently. This implies the use of various theoretical elements and concepts to guide and shape the analysis and growing understanding of not only the empirical world but also of theoretical models and conceptualisations.

For achieving the matching of theory and the empirical world, a direction and redirection of the research is necessary, according to Dubois and Gadde (2002). Directing and redirecting data is, in a systemic combining perspective, a means of using several different data collection methods in forms of triangulation for revealing and disclosing new and additional dimensions related to the studied research question and theme. In this sense, application of triangulation and several sources for data collection is, however, not a means for controlling or verifying empirical findings as elsewhere suggested (e.g. Yin 2003). Instead, the intention is to collect data from as many sources and using as many methods as relevant for creating a broad and varied ground for revealing aspects unknown to the researcher and leading to new perspectives on the research question. New dimensions appearing and emerging throughout the research process are thus a potential trigger for a redirection of the study. In this study, interviews have been triangulated with observations of joint product development meetings between a company and an involved customer as well as secondary data (company documents, homepages, etc.). These different methods and the data collected have served as mutual inputs in the sense that what was observed at meetings was sought, elaborated and clarified in additional and following up interviews. Likewise, interview data generated new themes to observe. This process is illustrated in figure 3.4.
When dealing with the empirical world in the abductive approach of systemic combining, it is important to consider the lines of time and space of the study, since this will have implications for the potential conclusion of the study. The nature of the approach, however, implies that these may change during the course of the research project. The evolving analytical framework is the cornerstone of systemic combining. Miles and Huberman (1994) discuss the use of either a tight or a loose framework as related to induction and deduction respectively. In the systemic combining method, the analytical framework is a collection of theoretical concepts that acts as a guideline for data collection in the empirical field as well as a device for reflections of the diversified meaning of conceptual elements. Therefore, the analytical framework in an abductive study should be both tight and evolving (Dubois and Gadde 2002). The evolving case is both a tool in the process and a final product. During the process, the case should be confronted through presentation to other researchers facilitating discussions of other and new potential areas that may develop the picture drawn by the case.
the present study, this has been searched for through presentations of evolving cases and preliminary analysis at PhD-courses, research workshops and conferences. Finally, the role of theory is not related to tests or entering the empirical field without theoretical prejudice. Rather, the need for consulting theories arises continuously during the process where the aim is to find and discover new dimensions, variables and relations that can contribute to the researcher’ (and the readers’) understanding of the phenomenon in question.

In the beginning of this study, the abductive process could be characterised by a more searching and open penetration of the empirical world and covering a broader theoretical area. However, closing in on the abductive process entailed more intensive and detailed investigations of those themes evolving through the ongoing analysis and systemic combining. Throughout the process, elements of time and space have been taken into consideration, inquiring informants and secondary sources on the historical specifics of the situations and actors under investigation. In the closing theoretical analysis, I have relied on the ‘extended case method’ recommended by Burawoy (1991a). Although this method does not provide a specific procedure, Burawoy’s guidelines have framed the analysis, as described in table 3.5.
Theoretical analysis

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>Searching for deviations in the single case compared to existing theory and the historical context</td>
</tr>
<tr>
<td>Searching for explanations of a given situation by relating to its setting</td>
</tr>
<tr>
<td>Comparisons across cases for finding differences (and similarities)</td>
</tr>
<tr>
<td>Searching for varying explanations through descriptions of similar phenomenon</td>
</tr>
<tr>
<td>Providing richer, more thick and deep understandings of existing theoretical concepts</td>
</tr>
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</table>


Figure 3. 5: Closing in on the abductive process using the guidelines of ‘the extended case method’
(Burawoy 1991b)

3.2.4.1 Data coding

During the course of the present study, coding has happened continuously as also recommended by e.g. Miles and Huberman (1994) and Spiggle (1994). From the early data collection to the final writing up of the research, coding has been used to organise and categorise data. Transcriptions of interviews and observations have been coded using the software QSR NVivo 7. As illustrated in figure 3.6., the process of coding and analysis has in general terms fallen in three stages. The figure also illustrates the function of NVivo during the process. In the early stage of the process, NVivo was used intensively, whereas at the third stage NVivo was essentially ‘abandoned’ for further coding. In this last analytical stage, other approaches were found more appropriate.
<table>
<thead>
<tr>
<th>Analytical abductive process</th>
<th>Coding and case writing</th>
<th>Use of NVivo</th>
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<tr>
<td></td>
<td>Descriptive and categorisation coding</td>
<td>Use of NVivo</td>
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<td>1st drafts: Allstar + OTZ/Euretail</td>
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<td></td>
<td>Detailed coding</td>
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<td></td>
<td>2nd drafts: Allstar + OTZ/Euretail</td>
<td>Use of NVivo</td>
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<tr>
<td></td>
<td>1st drafts: Aston Proteins + OTZ/Chicken Delight</td>
<td>Use of NVivo</td>
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<tr>
<td></td>
<td>Theoretical analysis</td>
<td>Use of NVivo</td>
</tr>
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**Figure 3.6: Overview of the analytical process**

Transcripts of interviews and observations in the Allstar case and the OTZ – Euretail case formed the basis of the first stage of coding. Constructs from the theoretical frame of reference were used as point of departure in the coding. The coding was descriptive (Miles and Huberman 1994) and categorising (Spiggle 1994). Going through transcriptions line by line, smaller or larger sections and passages were categorised as belonging to or explaining a theoretical construct or theme (e.g. strategic intention or wider network setting). During the course of coding, phenomena not covered by the current theoretical frame of reference were assigned ‘free’ codes. The ‘free’ coding was used as part of the systemic combining process for identifying interesting phenomena. In this sense the coding also produced reflections used as point of departure for searching further theoretical inspiration. This first major stage thus produced input for further theoretical studies in search of conceptualisations that could better explain and refine explanations of the
observed empirical phenomenon. Additionally, this first stage in coding led to new questions to ask informants to elaborate on issues not fully understood or for bringing new insights on new areas. Furthermore, the first stage of general categorisation produced large clusters of data, which in second stage was coded in more detail.

At the second stage, general themes and categories of coded data were scrutinised and re-coded in more detail using more nuanced concepts (e.g. chunks of data initially coded ‘strategic intentions’ were re-examined and coded in more detail according to the concurrent theoretical studies and the evolving theoretical frame of reference). This process resulted in the second drafts of the Allstar case and the OTZ – Euretail case and the first drafts of the OTZ – Chicken Delight case as well as the Aston Proteins case. Applying the systemic combining approach thus resulted in case descriptions being less ‘free’ of analysis in what is usually considered the descriptive part of a research project. In essence, these case studies did not precede the actual analysis but the initial interpretations and analysis shaped and formed them.

The third major stage of data analysis consisted of the ‘theoretical analysis’ of the four case studies. Building on the drafts of the four cases this stage was less dependent on the use of coding. Instead, case drafts were used as points of departure for scrutinising and discussing deviations and discrepancies in the single case and relating these to the immediate context in the quest for finding explanations of particular outcomes. Explanations that may rebuild theory or provide richer or thicker descriptions of existing theoretical concepts (Burawoy 1991b). Furthermore, at this stage, explanations where sought to describe variations or similarities across cases. In plain words, the analysis at this stage was focusing on providing analytical explanations of how the companies within and across cases were trying to organise product development activities. During this process, point of departure was taken in potential collisions between the actors’ different perceptions of the situation as well as the historical specific causality of the situation.
3.3 Judging qualitative research from a critical realist approach

Taking on a critical realist approach has an impact on the criteria used for validating the results and research from the present study. Traditionally, the critical realist approach has relied on criteria adopted from positivism and/or constructivism research (Healy and Perry 2000). Healy and Perry (2000) have, however, identified six criteria that explicitly can be used for judging the quality of the case study research conducted within this paradigm. These are shown presented in the following sections also including the possible techniques proposed by Healy and Perry (2000) for researchers to use.

3.3.1 Ontological appropriateness

The criterion of ontological appropriateness concerns the character of the phenomenon under study. In other words researchers should present their paradigm as well as consider the system under analysis (as also emphasised by Gummesson 1991). Whereas a positivistic paradigm operates with an objective world and the constructivistic paradigm with a subjective world, the critical realist approach assumes ‘that the research is dealing with complex social phenomena involving reflective people’ (Healy and Perry 2000:121). According to Healy and Perry (2000), the criterion of ontological appropriateness is, in a critical realist perspective, related to asking how and why questions. How and why questions are argued to deal with the complexity of the research setting.

3.3.2 Contingent validity

The second criterion presented by Healy and Perry (2000) is contingent validity, and it corresponds to the criterion of internal validity used by Yin (2003). However, contingent validity is in contrast to the positivistic interpretation of internal validity concerned with open systems (Paw-
Research Design and Methodological Considerations

This means that critical realists consider the social phenomenon under study to be fragile by nature, implying that causal effects are not fixed but contingent on their environment. Using a critical realist approach hence entails a necessary focus on the context. In order to provide insights into the generative mechanisms, focus is to be on investigations of why things happen. Furthermore, it means that the actors under investigation may thus hold different perceptions of the ‘real’. Research should be designed to capture and highlight the variations in these different perceptions. The techniques suggested for reaching this criterion are related to in-depth questions, descriptions of the context of cases and emphasis on ‘why’ issues.

3.3.3 Multiple perceptions of participants and of peer researchers

Whereas a constructivist assumes a subjective relationship between the researcher and the participant and thus a value-laden reality, a positivist assumes that reality is ‘out-there’ to be discovered objectively and value free (Guba and Lincoln 1994; Healy and Perry 2000). In contrast, Healy and Perry (2000) claim that critical realists are value-aware. This implies that the real world is only imperfectly apprehensible (e.g. Easton 2002; Fleetwood 2005). Therefore, the participants’ multiple perceptions of reality are used as windows through which pictures of reality can be triangulated. Healy and Perry (2000) suggest triangulation of several data sources (e.g. multiple interviews) and supporting evidence to obtain these different windows of insight into reality. Furthermore, it is suggested to use the feedback and interpretations of peer researchers. This is in line with Gummesson (1991) arguing that also the actors under study should be able to recognise the reality presented in presentations of the research and in the final research report.
3.3.4 Methodological trustworthiness

Being somewhat similar to the constructivistic criterion of consistency and dependability, the criterion of methodological trustworthiness refers to the extent to which the research can be audited by a third person. The criterion of methodological trustworthiness may also be considered somewhat similar to that of reliability. However, as also explicitly stated by Healy and Perry (2000) the criterion of methodological trustworthiness should be regarded as broader than the criterion of reliability. Within the critical realist approach, replications are viewed as less applicable since it would rarely be possible to conduct a similar study under the same conditions as the original one (Bøllingtoft 2005). The possible techniques suggested by Healy and Perry (2000) are the development of a case study database and the use of quotations in the written report. Furthermore, the research report should contain detailed descriptions of the procedures for case selection, the methods used for interviews and the observations and coding procedures (Gummesson 1991). These descriptions should cover the entire research design employed in a level of detail, allowing a third person, very often being another researcher, to follow the different steps throughout the research project.

3.3.5 Analytical generalisation

We may in broad terms define two different ways for generalisation. One can be considered related to statistical representativity and generalisation. Then, generalisation equals extrapolation in terms of how an empirical observation can be generalised to and considered valid for a larger population (Danermark et al. 2002). As already argued, another approach to generalisation is utilised in this thesis in the form of analytical generalisation (Danermark et al. 2002; Healy and Perry 2000). The use of analytical generalisation has to do with the analysis of data and the domain to which the findings of a study may be generalised.
Furthermore, analytical generalisation refers to theory building and the confirmation and disconfirmation of theory.

3.3.6 Construct validity

The final criterion put forward by Healy and Perry (2000) is construct validity and is primarily related to the collection and analysis of data. The criterion is somewhat similar to the construct validity criterion put forward by Yin (2003). The suggested techniques for reaching construct validity are related to using triangulation, a case study database and the use of prior theory (Healy and Perry 2000). Furthermore, as suggested by Yin (2003) having key informants reviewing a draft of the case study report is a way to enhance construct validity.
Aston Proteins is a supplier of proteins utilised as functional ingredients or additives for meat products such as various sausages, cold cuts as well as soups and snacks. The business of the company is to a wide extent based on the development of customers’ products to include the applications of Aston’s products. Therefore, Aston Proteins holds application meetings in which they invite existing, new and potential customers to demonstrate the application of Aston’s products and potential development of the customers’ products. At these meetings, Aston Proteins continuously obtain enhanced knowledge and understanding of the usability of their products. This case presents the collaboration with a German customer that is holding uncharted insights sought for a new application of Aston Proteins’ products. The organising of the joint development effort is strongly influenced by a mediating German distributor also participating at the application meeting. While the parties engage in a joint development effort for exploring the possibilities for applying Aston Proteins’ products, the case further reveals how the insights acquired are independently exploited.

The data for the following case was collected from July 2006 to July 2007, and the case descriptions cover that time period. On the companies’ request real names of directly involved individuals and companies as well as the company’s line of business have been made anonymous.
4.1 Presenting Aston Proteins

The Aston Group is a large, privately owned supplier and trader of ingredients and meat for selected businesses and industries. The company was founded and is situated in Denmark, but today it is part of a larger international corporation. In the 1980s, the company’s internationalisations lead to the establishment of several subsidiaries in Scandinavia and Europe, later followed by market expansions in the Baltic area, Russia and Oceania. The Aston Group employs nearly 600 employees worldwide (Aston-Group 2007). It has several divisions, all servicing different sectors and areas of the food industry. Most of the corporation’s business is related to trading and onward sale coupled with services. The Aston Proteins division is the smallest business area in the Aston Group and diverges from the others by building its business on manufacturing. Aston Proteins manufactures branded functional proteins to the food processing and food-producing sectors that are utilised in fresh and chopped meat products, emulsified as well as dried meat and food products. The proteins are advantageously applied as functional ingredients in e.g. soups, snacks, various sausages and cold cuts as well as several other meat products. Aston’s functional proteins are manufactured in a rather complex process, and they are based on animal residual products from slaughterhouses. As much as 95% of the company’s production is based on pork residuals (mainly skin) which is technically easier to process, compared to poultry or beef. However, recently the company has developed a branded functional protein based on beef.

Aston’s customers are mainly meat processors and ingredient companies using protein products as part of their recipes in ready mixes and mixtures for various food products. These ready mixes are sold to food-producing companies. However, ranges of food-producing companies buy directly from Aston Proteins. The protein company is thus situated rather far from the end consumer in the food chain from earth to table (see figure 4.1). Using proteins as ingredients in e.g. sausages, provides functionality as binding material. Protein is simply added to bind fat and
Proteins added to meat cuttings provide the possibility of substituting five to ten percent of the meat weight with bonded water and fat. Additionally, proteins provide the possibility of substituting phosphate additives. The functionality brings both economic values, and it improves product quality e.g. texture and juiciness. Aston Proteins serves customers around the globe with the exception of the Middle East where the pork-based products of the company cannot be sold due to religious reasons.

**4.1.1 Network setting – structure, characteristics, interactions**

As an international division, the business of Aston Proteins is influenced by the varying structures and characteristics of different local meat and ingredient industries around the world. In general, the meat industry and the ingredients industry are characterised by a number of large companies that often take the lead in creating and building local business practices. Therefore, different structures have emerged in different countries. In Denmark, the structure of the meat industry builds on the tradition of co-operation that has emerged through the historical development forming the institutionalised business practice of this part of the food industry. A different structure has emerged on e.g. the German market, where the ingredients industry is characterised by warehouses, mediating the business between ingredient producers and meat processing companies. Even though the food industry in general is characterised by large players in each sector, national and regional differences and traditions may call for companies to use agents or mediating distributors when building a global business. However, the use of agents and distributors may also pertain to the gradual and incremental internationalisation of a company’s business before potentially later establishing subsidiaries with own sales and/or production (Johanson and Mattsson 1987; Johanson and Wiedersheim-Paul 1975). Even though Aston Proteins holds several sales subsidiaries as well as a few foreign-based production facilities, its engagement on numerous foreign markets is
still based on distributors, thus bringing in yet another actor in the chain from earth to table before reaching the end consumer.

The use of distributors provides Aston Proteins with access to a wide range of small and large customers on a given geographical market. Since the distributor may be presumed to know the home market, have cultural insight and understand the traditions of business conducts, using a distributor on a foreign market can in many instances be beneficial (Johanson and Wiedersheim-Paul 1975). Since the food industry to a wider extent than many other industries can be considered anchored in local traditions, tastes and preferences, using a distributor may form a way of entering and acting on a geographical market. The distributor creates the day-to-day access to many potential customers with whom the company may not have the same option to service to the same extent without establishing a local office.

The chain-like structure of the food industry (as discussed in chapter 1) and Aston Proteins’ position rather far from end consumers (as illustrated in figure 4.1) influences the extent to which the company experiences consumer driven trends. Through the chain of various actors, consumer trends and demands will become potentially modified and influenced by the different business policies and practices of these actors. The consumers’ concern on functional ingredients may thus become modified by the activities of intermediating business actors in relation hereto. Even though Aston’s protein product is not a superficial additive in the sense that it needs to be declared as such on the final food product (in Denmark declared with so-called ‘e-numre’), some of their products are mixed with additives that need an explicit declaration. Some industrial customers find it difficult to accept such products. The rejection of ingredients and additives by industrial customers whose market requires an ‘e-nummer’ declaration may be presumed to be derived from considerations regarding consumer preferences.
Accordingly, the consumers’ concerns on functional ingredients may influence the use of Aston Proteins’ products. However, whereas some consumers may find it unethical to add proteins to food, less may be aware of the actual scale and use of protein additives in a wide range of food products. Besides, consumers may be less attentive or have fewer demands on the texture of e.g. a soup, while having more preferences regarding taste. Even if new food products were developed based on consumer trends related to texture, this will not affect Aston Proteins’ products directly, but instead place demands for adjustments in or development of new recipes thereby not judging Aston’s products out. The protein will in itself not be altered – only its application.

![Figure 4.1: Aston Proteins – related key actors and their sectored positions](image)

It should be noted that the central position of Aston Proteins, pictured in figure 4.1, is only intended to be illustrative and emphasise the analytical centre of the company of this case description. As has already been stressed, customers on different international markets may play
Aston Proteins has no direct business with retailers or caterers. Due to the dominance of retailers on national markets, these actors are able to put pressure on various sectors in the industry, including the meat sector. In relation to the meat sector, retailers are particularly focused on the price (Grunert and Valli 2001). However, retailers seem less concerned with functional ingredients in meat products, and Aston Proteins has not recorded any changes in recipes which are affecting their products on this account.

4.2 Aston Proteins’ product development focus and strategy

Development at Aston Proteins is characterised by two different setups. One is application development, where Aston Proteins advises and assists customers on how to improve their products by applying Aston’s proteins. Application development is perceived to be vital in servicing customers, but application development is also intended to be a way of strengthening customer relationships and continuously enhancing the company’s insights and knowledge of the functionality of their products. Application development is driven by and related to the food production development at Aston’s customers in the sense that Aston’s proteins are supposed to either increase and enhance the functionality of customers’ food products, or lead to product optimisation. Enhancing functionality is related to improving e.g. the texture or juiciness of the final food product. Optimising the food products of customers means adding Aston’s proteins to render a more effective production process or replacing other more expensive additives thus yielding economic rents. Optimising may also be related to the end-market in terms of replacing an allergenic ingredient with protein. Enhancing functionality and product optimising may, in some instances, naturally be closely related, or one may even be a by-product of the other. Application de-
development may also pertain to mixtures of Aston’s products and various other additives or functional products that in a special and tested combination may render any of the two outcomes of the development effort. To customers incorporating Aston’s proteins in their products prompt several adaptations, not only in the product, but also in e.g. production, testing and declarations. Finding the right recipe for using Aston Proteins’ functional ingredients plus the ensuing adaptations may result in an application process running for several years.

Given Aston’s position in the value delivery chain of the food industry (see figure 4.1), its application development is production and functionality oriented. In other words application development is, in that sense, not driven by new trends and the inquiries of the customers. However, consumer trends do have some influence on single application projects with customers e.g. when an Aston customer sees a potential new consumer market or trends that it wishes to pursue.

The second development setup at Aston Proteins is related to the development of new protein products, and builds on a continuous search for incremental improvements.

*Our process development is continuous. If you take a look at the past twenty years from where we started originally (...) we have gone from some relatively functional protein with a relatively simple processing, to having today some highly developed and highly functional protein products requiring heavy processing. Looking at a longer period of time, we have had a good product development.*
*Vice-President Sales and Marketing, Aston Proteins*

These incremental developments of new protein products have built the basis for application development involving the customers.
Through the years, much of our process development has been based on taking an existing product or on the acquisition of another company, doing some optimisation on the product or taking some known technologies and combining them in a new way. By doing so, we have developed some products with some really interesting features. Being totally honest, many times it has been – I wouldn’t say a coincidence – but it has not been like taking a deliberate decision on developing a product with some specific features and functionalities. It has rather been the other way around; where we have tried to optimise or find some interesting solutions and then suddenly you realise that you have developed a product or process with some interesting features.

Vice-President Product Development, Aston Proteins

As opposed to application development, the development of new proteins is kept close to Aston’s chest. Only occasionally, suppliers or knowledge institutions, such as universities, have been invited to contribute or take an active share in new protein product development. Management simply fears that valuable technological knowledge could leak to competitors through the potential relationships of the development partners with third parties. So even though these collaborations do take place, the focus on protein development at Aston Proteins is related to internal activities and an internal endeavour. The internal development of new products at Aston is characterised by focusing on developing the functionality of protein products. In these activities, the development department works with issues about the way proteins added to meat products react to e.g. cold or heat, and how the functionality of proteins may support the functionality of the final food product. However, a perceived barrier to new protein development is related to the raw material. Since new protein development requires access to large quantities of raw material in terms of animal residuals, mainly skin, there are several limitations to the development of proteins. Developing proteins based on chicken or fish is not easily capitalised simply because it is difficult to get enough raw material. Likewise, proteins based on cattle
are more difficult to obtain since residual cattle products require more demanding processes for extraction. Even though new protein products developed at Aston Proteins may take point of departure in requests from customers, the primary driver is technological and internal.

Based on the present research interest, the main focus of the remaining case study is the application development involving customers at Aston Proteins.

During the past couple of years, product development with customers has been challenged by increased competition. Servicing a niche market, Aston Proteins has not had many competitors during its history. This has given Aston Proteins a special position in business relationships with customers, since customers had very few alternatives. Several smaller competitors are, however, threatening Aston’s position by enhancing their investments in the protein business and thus increasing the customers’ possibilities to build relationships with other protein manufactures. Whereas Aston Proteins have been used to sitting around waiting for customers to call, this situation is now changing. This has lead Aston Proteins to set an increased focus on building direct and close relationships with customers. With a strategic intention of building direct relationships with customers, Aston Proteins is trying to enhance its understanding of the customer in order to retain exchanges by continuously providing customers new services.

However, exchanges as well as joint application development efforts between Aston Proteins and customers are conditioned by mediating distributors. At Aston Proteins, distributors are perceived to be central actors for building relationships to customers. Since customers in general are not very glad to disclose product-related or production-related knowledge, a closer relationship and trust are usually a necessitated basis for getting information for application development. Distributors are thus seen as essential for reaching customers and for attaining information for actually being able to service customers with application devel-
opment as well as part of the daily and general business exchange and flow of goods, services and information between the parties. The mediating role of the distributor is also a way of building a high degree of perceived mutuality between Aston and their customer, because both partners see the distributor as a security for retaining the exchange flow. Doing business through distributors and agents will however also amount to several disadvantages. As when Aston Proteins is seeking to build closer relationships to selected customers on a local market that previously was handled by the distributor.

*We used to have a more indirect leadership of relationship through our distributor. However, our competitive situation has proved to us that it is all about building direct relationship to customers using the distributor as a means to reach customers in the way we choose (...). If we want to make sure that we at Aston Proteins have relationships and keep them, then we have to get closer to the market. When building relationships simply having a closer dialogue more often with customers.*

*Vice-President Sales and Marketing, Aston Proteins*

*Sometimes distributors are disturbing. Or they are the reason that we are not able to follow-up directly at our pace. Or get orders as fast as we would like to. Or in general control the development on the market. The Area Sales Manager is dependent on distributors’ capabilities to build the relationship. And that might be an advantage, but can also be a disadvantage when we are not the ones setting the agenda, i.e. who to visit and what to focus on. Additionally, going through the distributor we risk losing information or not being attentive to what is happening out there, i.e. finding out what makes the customer buy the product, getting that kind of market or user information, right.*

*Corporate Marketing Manager, Aston Proteins*
The inability or difficulties related to building closer customer relationships through engaging in joint product development activities may also be related to Aston Proteins’ wider network picture (illustrated in figure 4.2). Due to the limited durability of the raw material, Aston Proteins is very dependent on easy access to the production residuals of slaughterhouses. Therefore, location of production plants is of importance, since transportation of raw material is rather costly. For the production of Aston’s protein products to be effective, large raw material volumes are necessary. To some degree the relationship with raw material suppliers and the conditions for production appear to frame application development with customers, in the sense that raw material access may limit the development of customised products and solutions. At Aston Proteins it is the volume that drives its business.

Relationships with suppliers of machinery and production equipment are not very close. On the contrary, Aston Proteins make an effort to keep them at arm’s length, in simple fear of them bringing knowledge obtained at Aston to competitors.

We try to avoid involving suppliers because we want to control the knowledge. We know that equipment suppliers make their business on
selling equipment. And it would mean the world to them to know how we do things; simply because they could bring that knowledge to their customer next door. How I see it, this is a growing problem and challenge, to keep your knowledge to yourself. It is extremely dangerous, simply lethal to pass on that kind of knowledge.

Vice-President Product Development, Aston Proteins.

Most of the knowledge in proteins is thus related to the production of the protein products. Companies in related sectors of the ingredient industry are, on the other hand, from time to time used as collaboration and development partners e.g. for developing insights and knowledge of how Aston’s products cohere with other functional ingredients and how the products will function when combined. This knowledge is utilised in application developments involving customers using different functional ingredients in their food products.

In general, the meat business – from meat product producing customers to end consumers – is considered very traditional by Aston Proteins. The types of products – Danish meatballs, ham, rolled seasoned meat – remain the same, thus limiting the possibilities and the room for innovations at Aston Proteins, due to assumed institutionalised traditions and assumed consumer preferences. The development effort at Aston Proteins is accordingly technology-driven and the horizon on which markets are viewed tends to ‘stop’ after meat processing companies. The consumers’ demands are not of particular interest and Aston Proteins does not have a history of being driven by these.

It has much to do with availability of raw material and our own product development (...) Being an ingredient supplier to the food industry and being based on functionality and creating texture or other types of functionality or value optimisation of products, well then we do not have that many parameters to play on as [a food-producing company (ed.)].
Looking at what is the trend right now, what kinds of demands consumers raise, and incorporating these with our product development, that is extremely difficult to us (...). It is extremely difficult for us to make a totally consumer-oriented development process. Of course we may see some needs in the market, but it is difficult for us to respond due to scarce availability of raw material and so on. Besides, our development process is very lengthy.

*Vice-President Sales and Marketing, Aston Proteins*

Based on Aston Proteins’ picture of the network setting and its strategic intentions of building stronger and closer customer relationships, Aston Proteins defines product development activities as acts of legitimising its role as a significant development or application partner. Joint application seminars and product development activities are thus perceived as part of the positioning game and a way for Aston Proteins to retain or create positioning advantages in what is believed to be an increasingly competitive environment. In this sense, the company is trying to maintain stability in the network. However, past relationship strategies, the historical dependence on the distributors’ mediating role, as well as the perceived boundaries for organising product development activities seem to be limiting Aston Proteins’ search for more direct customer relationships.

### 4.2.1 Involving customers and distributors in product development

For Aston Proteins, application development is considered a means of increasing sales. This is a formulated part of the sales and development strategy of the company. In this sense Aston Proteins’ strategic intent for product development builds on the possibilities seen for creating economies of scale in its internal organisation in consideration of what is considered valuable business to customers and mediating distributors.
The application development in the interaction between a customer and Aston holds two important elements. Firstly, application development provides customers with specialised and technical support on the features of Aston’s protein products. This support may relate to specific problems in a recipe of an existing product or as a general way of improving one of the customer’s existing product. The support may also relate to the customer’s actual production process e.g. the process of mixing the ingredients of a recipe. Whereas technical support, in terms of advice and suggestions, is a part of the daily communication with a customer, application development most often involves an actual meeting between Aston and the customer. Application development meetings take place as joint meetings, held at either the premises of the customer or in Aston’s development kitchen. Since the application of Aston Proteins’ products may take rather long for customers to implement due to the related adaptations in e.g. production, joint application development meetings are considered an important entrance to show the customers the potential and advantages. We shall return to the content and significance of these meetings later (in section 4.2.2).

A second essential element of application development is the opportunity provided for Aston to get to know the business foundation of involved customers. Customers are in general reluctant to reveal the composition of ingredients or the recipe of their products as well as to invite suppliers such as Aston into their production facilities in the simple fear of suppliers letting product or process-related information pass on to competitors. Depending on the degree of trust and confidentiality in a customer relationship, Aston may be able to access and share information directly related to the customer’s product and production process. In some sense this degree of mutual knowledge sharing is related to the degree of novelty in application development projects. The degree of novelty related to application development can be explained by the different application services that Aston offers customers. This is illustrated in figure 4.3. Thus, application development may range from learning customers about the general benefits of Aston’s products in
terms of functionality and optimising, through actually testing the products of the customer to illustrate the abilities of Aston’s proteins e.g. in the course of helping and assisting the customer to approach actual problems, to investigating new solutions based on new combinations of mixtures incorporating Aston’s products, seeking a joint and mutual development effort that will benefit the developmental knowledge of both, the involved customer and Aston. Still, in general terms, the novelty of Aston Proteins’ application developments is characterised by incremental steps.

![Figure 4. 3: Product novelty at Aston Proteins](image)

Summing up, application development between Aston and an involved customer is both an inherent part of daily communication and embedded in activities related to their general business exchange. In this sense application development is an influential factor for developing the relationship with the involved customer as well as to improve the ground for business development.

*Therefore, our building of relationships and the way we collaborate with customers are very long-termed. It takes six to twenty-four months to start such a technical project. We have a long start-up period due to sev-
eral factors. The customers get to know the products and so on. Then they decide whether they will use our products. When our product is added in the recipe and thus in their product, well then they also need to adjust labels, packaging and so on. For instance, if it needs a declaration, right. This means, well, it has rather large consequences for our customers.

Vice-President Sales and Marketing, Aston Proteins

The distributors that handle the daily contact to Aston Proteins’ customers have a significant importance and influence on the relationship between Aston and the single customer. Since only one of Aston Proteins’ 42 distributors worldwide is servicing only Aston, the company is continuously arguing with distributors to pay its products the most attention when visiting and selling to customers. In an endeavour to catch the attention of distributors, Aston Proteins has been developing a ‘marketing kit’ offered to distributors. The intention was to make distributors think that working with Aston is easy. Even though a few distributors applied the marketing kit, it was no success and some distributors even named it the ‘marketing shit’. Another part of trying to govern the customer through the distributors’ relationship is the request from Aston Proteins management to sales representatives to be more focused when visiting distributors. Sales representatives are to build more detailed knowledge about current and potential customers and other significant actors when visiting a market, and place more demands on the local distributor’s scheduling for customer visits. This is considered a way to maintain and improve the company’s share of a given geographical market.

4.2.2 Product development meetings

As part of Aston Proteins’ strategy for developing closer relationships to customers, the company invites potential, new or existing customers and distributors to application development meetings held at Aston Proteins’ premises.
We have some 30-40 customer meetings a year, with distributor or with distributors and their customers. So that is a large part of our toolbox, you can say, in selling to customers.

*Corporate Marketing Manager, Aston Proteins*

An application development meeting between Aston, a selected customer and the mediating distributor is in essence about providing the customer with a specialised and technical insight as well as getting a ground for deepening the knowledge of the customer’s business foundation.

*Vice-President Sales and Marketing, Aston Proteins*

There are two aspects in it. It is essentially a hidden approach for building relationships. During the day it is very technical. You get to know the customer’s business or their products. It is also about winning their confidence. Just by accepting to come here they have crossed a barrier for sharing information. We would like to share our knowledge, and they share theirs and we promise to handle it confidentially. We help people with technicalities. On the top it is the social part, which is not related to work – dinner, staying the night [at Aston Proteins’ special guest house (ed.)]. (...) For building relationships this is an extremely good instrument.

A joint meeting often has a duration of several days, which means that the parties meet at either the customer’s place or at the special equipped facilities at Aston. The Aston application facilities consist of a development kitchen equipped with the necessary machinery, similar to what is found at the facilities of most customers. The development kitchen resembles the production facilities of a small food processing or producing company. Recently, Aston Proteins invested two million DKK in improving these facilities. Additionally, the company employed a technician to manage and operate the development kitchen facili-
tivities as well as assist sales representatives when holding application meetings for customers. The reasons for allowing meetings to last for days are several. The technicality of adding proteins to different meat products demands time to carry through. Even though recipes are prepared beforehand and ingredients are added to the meat and products before the actual meeting, the testing may additionally require that the products be frozen and/or cooked before being evaluated by the participants. However, recipes are often developed in a joint effort at the meeting, added to the meat and then tested. Similarly, these procedures often result in further testing to be terminated by either Aston or the customer after the meeting (as illustrated in figure 4.4).

Figure 4. 4: Product development activities and application development at Aston Proteins

The procedures related to application development meetings may in some senses seem rather simple. Several recipes are developed and tested in a repeating process at the meeting. However, at least two
dimensions add to the complexity hereof. For one, evaluating the functionality and optimisation of a tested recipe is not a straight forward matter. Participants may get a realistic understanding and insight of the potential optimisation stemming from Aston’s products by calculating the price of a recipe or evaluating the activities and steps related to adding and handling Aston’s products in the production process of the final food product. However, meeting results still have to be tested in large scale production to be evaluated in its full potential. Furthermore, evaluating the functionality of products is complex. Even though customer representatives are professionals, it is considered difficult to evaluate only the functionality (e.g. texture and juiciness). Consider e.g. evaluating the texture of a sausage without being biased towards the taste, or rather lack of taste, in the prototypes developed at application meetings. When meetings are held at Aston, this problem is sought to be solved by using the customers’ spice mixtures throughout testing. Depending on the characteristic of trust and empathy in the relationship with the customer, this is, however, not always possible. Another complicating matter concerns the time related to handling tests. While the duration of a meeting allows for e.g. freezing products to be tested from day to day, some additional and further testing may need to be done after the meeting. Since Aston do not have the direct contact to customers, reporting from these additional test need to go through the distributor, thus leading to a potential slack in time as well as in obtainable information and knowledge.

4.3 Presenting the involved customer – Stern and the mediating distributor – Gellert

For the present purpose, an application development project involving the customer, Stern, is in focus. Stern is a German-based supplier of ingredients and additives, casings and packaging for food products. The company also supplies machinery, tools, working clothes and equipment for butcher shops and factories as well as meat processing companies.
As a warehouse, Stern is holding a significant position for accessing the German market, since warehouses in Germany by tradition act as intermediary to the meat producing and processing industry. The company Stern was founded in the 1920s by a butcher, and today it is managed and run by the third and fourth generation of the Stern family. The company has around 80 employees and the customer base is mainly regional. Stern has no actual production, but mixes customised functional ingredients and spice mixtures, which are practically always developed and adapted at the request of the customers. The company also acts as a consulting partner for customers in the meat industry related to both products and production.

If we do product development, it is in co-operation with the customer. (...) The customer might develop a new product themselves, a completely new product, and then he might ask for help. (...) The customer might also just want a new supplier for an existing product. It is a question of money; I may be able to do it cheaper than them (...) There are these three possibilities; he makes something new, he needs something new or I have an idea (...) We do not have a strategy for the introduction of a product to the market because it is not a universal product. There are only special products with special uses, and the customers are interested in also getting special product i.e. a product that the others do not have. We make finished solutions that have it all, a mixture of raw materials, and there are no standards for that. We sell solutions for a customer, and therefore we have no strategy; we are dependent on the customers coming to us and saying that they need something and ask us if we can help.

Development Manager, Stern

In monetary terms, Aston Proteins is not considered an important supplier. The volume delivered is modest, and the selection of product exchanged is narrow although the variation of product exchange has
been growing over the years. Still, Aston Proteins is a respected business partner whose products are seen as a special and unique offering. However, the contact between Stern and Aston Proteins is mediated by the distributor Gellert. There is only a limited degree of direct interaction between the two companies bypassing the distributor.

The distribution company Gellert has for decades been Aston Proteins’ distributor on the German market as well as a couple of other European markets. Especially during the last couple of years, Aston Proteins has been prioritising the building of a stronger relationship to the distributor making plans and strategies for expanding on the important German market. Gellert is a privately owned medium-sized trading company founded in mid-1950 and with approximately 120 employees. Gellert’s business is based on the trading of ingredients and additives for the food and feed industry as well as pharmaceutical ingredients and excipients for human and veterinarian medicine. The distributor holds a varied and broad assortment of complementary products from different producers. Furthermore, Gellert is specialised in consulting the customers on the development and registration of generic drugs. As a trading partner, Gellert is connecting suppliers and customers through services and communication.

4.4 The Aston Proteins – Gellert – Stern relationship

Although the customer has widened its use of various Aston Proteins products over the years, Aston Proteins is not a large-volume supplier to Stern. Likewise, the German customer is not considered an essential customer to Aston Proteins. However, Stern is considered to be an interesting customer holding the potential entrée to other customers in its regional surrounding area, as a warehouse, in essence, gatekeeping the access to German food-producing companies. Even though the relationship between Aston Proteins and Stern is not characterised by a large-
scale exchange of products, both parties regard the other as relevant development partner due to their complementing knowledge areas.

*These are special products, and it is a special supplier [Aston Proteins (ed.)]. We, as the customer, have to have knowledge of the product, and we help the supplier with our knowledge. That way they can get more knowledge about their own product, which effort, which difficulties or problems, which quirks (...) You cannot read about the product anywhere, about the abilities of the product; there is a public description of the product, but when I talk to the supplier I learn a lot more than I could learn from reading e.g. because he talks about a special way to use it or some special abilities; that is what I learn.*

*Development Manager, Stern*

The daily contact and business exchange between Aston Proteins and the German customer Stern is mediated through the distributor Gellert. The distributor advises the customer about the use of Aston Proteins’ products as well as the use of the products of other companies. However, when visiting the German market, Aston Proteins’ representatives visit Stern along with the distributor to discuss their ongoing business relationship. In general, Gellert, the distributor, plays a significant role in the business exchange and relationship of Aston Proteins with the German customers. Accordingly, the parties meet to discuss various customer relationships and their development as well as Gellert’s mediating role.

The mediating role of Gellert, the distributor, is not only important for exchanging products and services, but it is also considered a foundation for knowledge exchange between the supplier and the customer. Because Gellert has the daily contact and direct relationship with Stern and therefore may be considered to have a close and most trusted relationship to the customer, Gellert mediates and facilitates the customer’s
willingness to share their knowledge. Questions and suggestions may more easily get raised, as well as potential tensions and conflicts may also more easily get fixed.

It is of great importance that the distributor comes along, who knows the customer really well and comes there maybe once a week or once every two weeks. You can also feel that. You can also feel that he has often been there, and that he is very well liked by them. You can feel that they know him well, and (...) that they trust him. If I were to come alone they might not show me the same trust and give me their recipes.

Area Sales Manager, Aston Proteins

4.5 Joint product development project

For Aston Proteins the German meat industry is interesting because it is its biggest market measured in volume. Whereas the German market for meat is stable, it is growing in one area - kebab. The joint development effort brought out here thus concerns the development of a recipe for döner kebab\textsuperscript{22}. Through this project, Aston Proteins is seeking new application areas for a newly developed beef-based branded protein product and thus a new market that is interesting as a way to expand the business of the company. For Aston Proteins, the significance of this application development project is also to be found in Stern’s position on the German market for kebab. Whereas this market in Germany is mostly dominated of immigrated Muslims, Aston considers Stern to be a pathway for entering this market. In Europe, immigrants tends to do business with immigrants of the same country of origin (e.g. Razin 2002).

\textsuperscript{22} Kebab refers to a variety of barbecued, grilled or broiled meat dishes in Middle Eastern, Central Asian and South Asian cuisines. Döner kebab, literally meaning “rotating meat” in Turkish, is sliced meat loafs which are slowly roasted on a vertical rotating spit.
This tendency may be considered strongly related to products that are considered part of a religious matter as halal meat, which is Islamic permissible, of which kebab is made. Since Aston considers the market for halal meat and kebab in Europe to be an attractive area for expansion, an agreement is reached with Stern to participate in a joint application development meeting focusing on döner kebab. Even though Stern has not been an important or big account in the past, the future potential is thus more promising. Since Stern possesses contacts and knowledge of the halal meat market in Europe, its value as a business partner to Aston Proteins is growing.

However, composing a recipe of functional additives and ingredients for making döner kebab is not an easy quest. There are no official recipes, and the Muslim kebab producers in Europe are keeping their knowledge to their chest. During the years, Stern has nevertheless gathered pieces of information that is used as a basis for the developments of the joint project. Different kebab-customers order different additives for their production and based on this knowledge different recipes are developed and tried out at the joint seminar with Aston Proteins.

*The very special thing about this story is that this subject, kebab, we do not know that much about. [Stern] only knows a little more than us [Gellert and Aston (ed.)], and we basically do not know anything at all. What differences are there between working with soy and comparing different proteins etc.? We simply want to know more about these connections, which product attributes have any influence and which do not have any influence.*

*Sales Agent, Gellert*

Thus, the joint project focuses both on the process of handling kebabs as well as the development and testing of recipes with combinations of Aston’s beef proteins and Stern’s spice mixtures. In view of the fact
that the daily contact and business between Stern and Aston Proteins is handled through the distributor, Gellert is participating as well. Furthermore, the German distributor is by Aston Proteins considered a pathway to other German customers on the kebab market.

*If we start up completely from scratch in Turkey or another Muslim country where this [product] had the opportunity...well, there we do not have particularly good connections. There, we will not come with a distributor to whom we are as closely connected, one such as Gellert for instance, who has a good line of approach to the various German customers and who works for us. We will work a lot more from the distance because it could be in markets on which we have not yet defined a distributor because it has never been of any interest to us. And therefore, it has simply been the way which has been the easiest to go, and then later you can use it as a reference.*

*Vice-President Sales and Marketing, Aston Proteins*

At the outset, the joint development effort is focusing on kebab by building on the complementary knowledge and resources of the partners providing a ground for developing new business possibilities for each party. Even though none of the companies are entering entirely new fields, the novelty may still be considered new to the customer, Stern, as well as for Aston Proteins. Through the joint effort, Stern reaches the possibility of developing new functional ingredient mixtures customised to kebab-producers. For Aston Proteins, the joint effort is, for one, a way to sell more to Stern but also a way to enhance the service to other customers producing ingredients for kebabs or to kebab producers. The project is thus intended to provide both parties with new business opportunities although individually pursued. In other words the intention is not to build a joint business.
4.5.1 Joint application meeting

The agreement to have a joint three day application meeting focusing on kebab is reached during a sales visit to Germany weeks before the parties meet at the Aston Proteins premises to work on the project. Details concerning the meeting schedule, recipes to test, proteins and ingredients to use are arranged in the intervening period. Aston Proteins has made a tentative programme for the three-day meeting even though the character of this particular application renders less certainty of which activities to carry through. Since the development of a recipe for kebab is uncharted sea for the collaborative partners, much is expected to be agreed upon during the meeting. Nevertheless, prior to the meeting Miss Opal purchases meat, spices and additives, the latter from companies producing additives complementary to Aston’s, based on information from Stern passed on by Gellert. The scene of the joint application meeting is Aston Proteins’ development kitchen facilities. The participants are listed in table 4.1.

<table>
<thead>
<tr>
<th>Company</th>
<th>Representatives</th>
<th>Job description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aston Proteins</td>
<td>Miss Opal</td>
<td>Area Sales Manager</td>
</tr>
<tr>
<td>Aston Proteins</td>
<td>Mr Knudsen</td>
<td>Senior Application Manager</td>
</tr>
<tr>
<td>Gellert</td>
<td>Mr Knudsen</td>
<td>German distributor</td>
</tr>
<tr>
<td>Stern</td>
<td>Mr Helfert</td>
<td>Development Manager</td>
</tr>
<tr>
<td>Stern</td>
<td>Miss Danielle</td>
<td>Development Assistant</td>
</tr>
</tbody>
</table>

Table 4.1: Participants representing Aston Proteins, Stern and Gellert at the joint kebab application meeting
When the German guests arrive to the meeting at lunchtime, the participants right away engage in a discussion on how to approach the joint development task. Early in the discussions, the representatives from Stern suggest that the initial programme is rescheduled. Instead of using the first day to develop various recipes to be tested the following days, they argue to prepare several prototypes immediately due to the requirement of freezing the kebab before grilling and testing it. To convince Aston Proteins of the benefits of rescheduling, Stern reports its knowledge of kebab production as well as informs about the requirements this will demand from Aston Proteins’ products and the activities at the meeting. Gellert, the German mediating distributor also participating at the meeting, is supporting the rescheduling and presses for a change in the programme.

During these opening discussions, several issues facilitating or limiting the pending development activities are touched upon. When Aston, somewhat reluctantly, agrees to reschedule, the capacity of the development kitchen machinery as well as the kebab grill is discussed to settle the number of prototypes to prepare. The Aston Proteins development kitchen is equipped with machinery for different developmental purposes, and the participants naturally discuss how these are best used for the present project. Stern has brought a rented kebab grill for the meeting. Moreover, the functionality and features of different ingredients and additives to compound recipes to be tested are discussed. Additives for kebabs from a European-based competitor have been acquired and Stern suggests using this as a standard to compare and test developed recipes against. Additionally, two different meat combinations, minced beef and sliced beef, are to be tested as well as two different meat sorts: beef and turkey.

Upon entering the development kitchen, Stern seems eager to get started, and straight away they start cutting and slicing the meat, commenting on the quality of the meat. Aston’s representatives are slightly irritated and frustrated both in relation to the apparent misinformation
they have received on the meat to buy for the meeting as well as the rescheduling. They often intimately discuss in Danish: ‘well, we just have to wait and see of their plans, what they want to do next’.

In developing the composition of recipes, Gellert and Stern lead discussions focusing on proportions and which proteins, additives and ingredients to test first. Eventually, Aston Proteins draws a conclusion and decides on three recipes to develop and test for a start. Recipes are calculated; brines are made and tumbled into the meat using the development kitchen machinery. After minor adjustments in recipes, the first three kebabs are made. The meat has to be spiked to fit the kebab grill. None of the participants have ever experienced or observed the production of kebab spikes but only know of the final result. This turns out to be more difficult than expected, and in their joint endeavour to spike the meat the participants are having fun, and the atmosphere is optimistic. The first three kebab prototypes are stored in the freezer for the following day’s testing. Gathering in a meeting room, the meeting participants consider which activities to proceed with based on the experiences from the first day. Their discussions revolve around potential and relevant ways to measure and test the first three kebab prototypes, and the representative from Stern leads the discussions.

**Development Manager, Stern:** Firstly, we must decide on how it looks, will the discs hold, is there something that looks odd, do we attract the attention; we must see if it burns too quickly. We have to cook all of them so they have the same temperature and then see if one burns more than the other. We have to see the firmness, juiciness, dryness; basically everything that goes on in the mouth. There we can cut off a little bit and taste it and say if it tastes well, it tastes like this, it tastes like “shit”, no matter what. The rest we might as well put in the convection oven; all of it.
Area Sales Manager, Aston Proteins: Yes

Senior Application Manager, Aston Proteins: Yes, precisely.

Development Manager, Stern: A defined amount in the convection oven, we always make a bowl marked A, B and C and put it in the convection oven for an hour, no matter what, at 90 degrees or something like that, 120 degrees with the lid.

Area Sales Manager, Aston Proteins: That is possible, yes.

German distributor, Gellert: I would do it differently: cut off the meat, the raw meat, weigh it and then put it under the grill heating it from above because a convection oven is with steam or dry heat, but with heat from above it is basically the same effect as that of a döner-roast on spike, not completely but almost.

Development Assistant, Stern: Yes, heat from above.

German distributor, Gellert: Right.

Development Manager, Stern: On the outside it is cooked but not in the middle; there it is still frozen. We only need to what we need from the top and then we put rest in the oven.
German distributor, Gellert: Right.

Senior Application Manager, Aston Proteins: Yes

Area Sales Manager, Aston Proteins: Yes, that is how we will do it, I think.

Development Manager, Stern: I think that will be good.

German distributor, Gellert: Yes, that is a possibility.

Development Assistant, Stern: On the face of it I would think that it is faster.

Area Sales Manager, Aston Proteins: Then it just has to be on a grill with a roasting tin underneath.

Senior Application Manager, Aston Proteins: Yes, it can go into the new oven that we have.

The test criteria are considered generic and related to weight and water loss, texture and juiciness, the methods for testing and evaluating these criteria are, however, the crucial step and thus the centre for discussion. Furthermore, the participants debate which recipes to develop and prepare the following day and potential activities to ensue the meeting. During the discussions, Stern is setting the agenda by pointing out essential tests to perform, which recipes to develop and activities to conduct. From time to time, Gellert questions Stern’s suggestions (as also
shown in the above quotation) and provides alternatives while Aston’s employees are attentive to the suggestions from the visitors. They are to a lesser degree being actively involved in the discussion, but confirm or disconfirm clarifying questions. To some extent, this may of course be related to a language barrier (since the meeting language is German).

On the morning of the second day, the three prepared kebab prototypes present undesirable results. Stern denominates the testing as a ‘catastrophe’. Prototypes are evaluated on the criteria which were decided upon on the first day and tested by using the agreed upon methods. At the request of Aston Proteins, Gellert takes notes for a meeting report. Stern dictates new recipes to be tested and the leading German competitor’s product is once again selected as the standard. Recipes are recalculated and the composition of ingredients is discussed. Whereas Stern is also rather bothered with the subsequent test results Gellert argues and suggests alterations and encourages the participants.

During the day, tasks seem to be divided between participants. Gellert takes notes and recalculates recipes; Aston Proteins weighs out ingredients and additives according to developed recipes while Stern prepares the meat. Anyhow, tensions and conflicts arise. Aston Proteins is correcting Gellert for not keeping the meeting journal accurate, and the atmosphere seems oppressive. Furthermore, Aston Proteins is not satisfied with the recipes they decided upon and approach Stern with a new suggestion. Every participant immediately approve of the idea. The distributor and the Aston Proteins sales representative go to discuss recipes to be developed and tested in private. The German guests calculate the new recipes and ask for Aston Proteins’ advice on the detailed composition. The following prototypes are based on two different meat compositions used for diverse recipes. Stern and Gellert engage in a discussion concerning technical matters related to the functionality of the different recipes and their effect on the kebab meat. In particular, the minced beef is proving more troublesome than expected, and the right texture is not reached. The day ends with the final preparation of
additional kebab prototypes. As on the previous day, this is derived with great fun and the second day of the meeting ends in a positive atmosphere.

On the third day of the meeting, the German visitors arrive one hour later than the Danish hosts. The previous evening, the entire party went to dinner, and Gellert insisted on getting a full night’s sleep. Waiting for their guest to arrive while preparing for the third meeting day the Aston representatives discuss how successful the meeting have been until now, and how much they have learned about kebab production and in relation hereto, the functionality of Aston’s proteins. Even though several tests have turned out failures, these are considered valuable input and experiences that will help eliminate methods and ingredients in future testing of kebab. Upon their arrival, Stern and Gellert discuss additional recipes to develop based on untested additives. The Aston Proteins sales representative questions their decisions in her mind, but does not confront the visitors with her disbelief in their recipe, instead she assists them in the preparations.

However, I just do not understand why they want to add more of those breadcrumbs because I would definitely add some starch. I feel that I can do it a hundred times better. But now we will have to see; then I can bother with it by myself later.

Miss Opal, Area Sales Manager, Aston Proteins.

During the day, the last kebab prototypes are tested. It turns out that this meat combination, which was expected to work unhindered, gives several problems. The reaction of Aston’s protein products was not as expected, and these tests result in mutual technical discussions of different probable causes as well as plausible solutions to the problem. Stern asserts how important it is to get this meat composition ‘right’ and maintain the standards of the current kebab market, if they want to
enter it successfully. Therefore, new possible recipes are discussed, and it is agreed that Aston Proteins should make further testing after the joint meeting. On order to carry out the jointly agreed upon tests, Aston Proteins orders a kebab grill from Stern.

As a recapitulation of the meeting, the sales representative of Aston, Miss Opal concludes and informs the guests that Aston considers the meeting very successful. She thanks the participants for their enthusiasm and ascertains that Aston will continue their joint effort by making more tests.

4.5.2 Subsequent activities

Being all surprised by the difficulties of handling minced beef, Stern decides to contact an assumed expert on the area after the meeting. The information collected is passed on to Gellert and from there on to Aston Proteins with suggestions for new recipes. This information is also included in the meeting report completed by Gellert and sent to both Stern and Aston Proteins. The report contains follow-up tasks to be conducted by Aston Proteins. However, a couple of months pass by before Aston Proteins do additional testing of kebab recipes. Three recipes developed by Aston Proteins based on their own evaluations of the joint meeting are tested and the results are given to Gellert for further distribution to Stern. In the meantime Stern orders samples of the Aston Proteins products used at the seminar in order to do additional tests themselves.

At the termination of data collection for this case no further specific testing or actual plans of doing so are considered by Aston Proteins. Furthermore, the results from Stern’s are not reported to Aston Proteins.
4.6 Concluding remarks

In general terms, it is the strategic intention of Aston Proteins to retain their nice position and bind together product application development, customer relationship development and sales through joint meetings with customers and distributors. The joint application meeting presented in this case may be considered special in the sense that the customer involved also to a large extent contributes to the mutual knowledge sharing. During the three day application meeting focusing on recipes and methods for kebab production, the atmosphere is very professional and the dialogue between the three participating companies is relatively equal in the sense that everyone is enthusiastic and contributes to the developmental discussion. However, Stern possesses crucial knowledge, and in many instances the customer is taking on the chairing role in technical discussions. The mutuality and equality between the actors may stem from the compatibility of their strategic intention. The actors hold a joint interest for the kebab product and for obtaining usable knowledge as the output from the joint effort. Still, the three companies have different visions for the use of the knowledge obtained and plan to use it independently; they are all eager to gain knowledge that they can use with each of their different customers.

Gellert, the distributor, plays a significant role as a mediator when the parties share complementary knowledge. Still, the joint and direct meeting between Stern and Aston Proteins was essential for the knowledge sharing to occur. This is especially obvious when taking into consideration the practically non-existing transfer of information and knowledge subsequent to the joint meeting. The lack of succeeding joint discussions and evaluations of the parties’ further testing may be caused by the actors holding no shared intentions of e.g. a joint market expansion. The value of the knowledge and insights achieved at the meeting will consequently depend on the single company’s utilisation and combination with other resources. Whether or not Aston Proteins e.g. succeed in building a business of application of its proteins in kebab produc-
tions will not depend on Stern outside the German market. Still, the joint meeting and development effort is to some degree creating and enhancing the mutual interdependencies between the actors. Even though there are no plans of a joint effort to reach kebab producers, the joint development of knowledge and recipes has provided a ground for Stern’s increased use of Aston Proteins’ products. In building their knowledge and competencies to reach other customers, Aston Proteins may very well also be dependent on additional information from Stern.

Different factors may explain why the parties do not make a joint effort in utilising the knowledge obtained at the kebab meeting. Firstly, the potential of the kebab market may be considered less important compared to other of the activities of the parties. Secondly, the characteristic of the Aston Proteins – Gellert – Stern relationship may constitute a barrier for a joint effort. Past relationship strategies as well as the position and dependence on the mediating role of the distributor may limit the possibilities for building a closer relationship to Stern, necessary for a joint effort. A third explaining factor may be the institutionalised praxis of industry actors to keep decisive developmental possibilities to themselves.
5 CASE: W. OSCHÄTZCHEN AARHUS A/S AND CHICKEN DELIGHT

W. Oschätzchen Aarhus a/s is a producer of spice mixtures, functional mixtures and marinades for the meat processing industry. This chapter presents the company’s collaboration with an industrial meat producing and processing customer for developing new products for the coming summer barbecue season. Whereas the joint efforts are aiming at developing new products e.g. to be introduced under the customer’s premium brand, the collaborative endeavour is also resulting in the customer’s feedback on new product ideas to be launched in the spice company’s seasonal product line. Even though the relationship is only a few years old, W. Oschätzchen Aarhus a/s has already become one of the customer’s selected development partners who every season contribute to new product developments. Issues related to the final appearance of newly developed products and the customers internal organising are decisive for the joint organising of product development activities.

The data for the following case description was gathered in the period from May 2006 to March 2007, thus covering that time period. The name and identity of the customer presented in this case are kept anonymous. So are the real names of the involved individuals.
5.1 Presenting W. Oschätzchen Aarhus a/s

Founded in 1919, W. Oschätzchen Aarhus a/s (www.otz.dk) is a small actor and supplier employing 45 people. The company operates in the Danish food industry producing spice mixtures and marinades for various ranges of meat products. The product portfolio extends from simple mixtures of different spices to marinades that provide a certain taste when added to a meat product (e.g. a combination of onion and mustard or garlic and pepper). Furthermore, the product line also contains functional mixtures that not only give taste to the meat, but also contain consumables, food preservatives or food additives and therefore also provide a function of e.g. starching and/or improving keeping qualities (e.g. functional mixtures for pâtés or Danish pork sausage). Moreover, the company sells guts for sausages, packing material and assorted smaller slaughter tools. The company’s gross profit has been growing organically through time, but has been further strengthened during the last couple of years. Today, the company’s turnover is distributed evenly between three product groups, with 35% generated through marinades and spice mixtures, and with functional mixtures as the highest revenue-generating product. The development and sales of marinades and spice mixtures became part of the company’s product portfolio in the 1960s and has been growing steadily, turning into an important part of the company’s business. Onward sales of packing material for various meat products account for 30% of the turnover, and 35% stems from guts and assorted slaughter tools (Financial data2005).

In 1972 and later in the mid 2000s, W. Oschätzchen Aarhus a/s (hereafter named OTZ) introduced a smaller selection of functional spice mixtures and marinades sold as branded products23 directly to consumers through retailers. Most of the company’s products are however sold in larger quantities to industrial producers of consumer meat products, retail chains with their own in-store butcher shop and delicatessen, as

23 frikalet® and Slagtermesterens
well as private butcher shops. The latter customer group has, following a change in the strategic course of OTZ, been given lower priority.

For three generations, OTZ remained family owned, but in 2003 the company was sold to two partners. From the beginning, the formulated goal of the new owners was to develop the organisation and company into a modern development-oriented producer of spice mixtures and marinades on the Danish food market. As part of an organisational development and reorganising process, a development department as well as a marketing function were established to put more emphasis on customised product development and production. Similarly, the sales force has been fortified. Two events marked the year 2006, which have had significant implications on the company’s possibilities for involving customers in product development. The company moved into a newly built plant and residence counting with a large development kitchen suitable for holding joint product development meetings with customers. Furthermore, OTZ formed a holding company with a larger competitor, thus changing the scope for product development, as the potential joint forces of the new holding company provide the spice company with new resources and opportunities.

Since the remaining of this case description will revolve around the joint developmental effort of OTZ and an industrial customer, less attention will be given to the two other groups of customers whom OTZ is also servicing (these will instead be discussed in greater detail in chapter 6).

5.1.1 Network setting – structure, characteristics and interactions

The industrial customer base of OTZ, constituted by the meat producing and processing industry, operates in different sectors of the meat industry – i.e. poultry, beef and pork. Whereas the concentration of the meat industry in wider Europe is rather fragmented (although concentration is in general increasing), the structural picture of the Danish meat
industry has been influenced by many mergers and is today generally characterised by relatively few large slaughterhouses especially for pork but also for beef and poultry (Hansen 2005). These large meat producing and processing companies are depending on retailers (as well as the catering sector) for their meat products to reach end consumers. Therefore, it is vital for these actors to maintain good relationships with retailers for building a sound business performance (Strandskov 1999).

A special characteristic of the meat industry in Denmark is its roots in farmer cooperatives. In general the industry is therefore to some extent characterised by farm owners focusing on getting high prices for their animals. Historically, actors in the Danish meat industry have thus been focusing on continuously optimising slaughtering processes and production for increasing their return. Today, production methods for bettering animal welfare as well as processes for securing food safety and hygiene are also considered essential (Danish-Meat-Association 2005).

Whereas it has been argued that both process and product development are important elements in the business performance of meat processing companies (Strandskov 1999), slaughtering still results in the same cuttings of the animal (tenderloin, chop, mignon, etc.). On one hand, the development of value-added meat products is thus restricted to the breeding of animals with special features such as organic breeding, feeding with specialty fodder (e.g. chicken raised on corn), raised on special locations (e.g. marshland or highland) as well as developments related to environmental considerations, animal welfare and last but not least food safety. These latter value-adding factors are closely related to legislative requirements. On the other hand, meat processing companies are increasingly getting involved in activities that add value to end-consumer products (Nielsen and Jeppesen 2001). This value adding may relate to the refinement and utilisation of variations of meat cuttings by e.g. adding mixtures or marinades to elevate the convenience of the consumer. With relatively few and large actors in the industrial meat processing sector, characterised with a main competence of optimising
production processes, the increasing attention on adding value to the final product provides opportunities for companies and suppliers, such as OTZ, to offer their services.

The retailing sector in Denmark is rather concentrated with few large players dominating the scene. Because of a decreasing number of private butcher shops and a growing number of retail chains with in-store butcher shops and delicatessen, retailers are also interesting customers for companies such as OTZ (for a more extensive discussion of retailers please consult section 6.1.1). OTZ’s competitive situation is characterised by a limited amount of companies producing functional spice mixtures and marinades, operating on the Danish market (for a more detailed discussion of OTZ’s competitive situation please consult section 6.1.1).

Since prototyping does not demand large technological investments, costs associated with prototyping functional spice mixtures and marinades are mainly related to the price of spices, which are affordable. In principle, prototypes can be developed in a household kitchen, placing limited demands on companies’ investments in R&D equipment. Therefore, companies in this sector of the food industry can, by large, ‘cook-and-look’ when they prototype. Still, the novelty in prototyping at OTZ (and in the spice mixture and marinade industry in general) cannot be considered radical. Product development and the innovations sought are characterised by small incremental steps (more radical product development may instead be found in the additive industry – but will not be further explored here).

The enhanced awareness and knowledge of food safety have raised the legislative requirements for testing and control before launching new products. This has placed increasing demands for quality documentation of e.g. keeping qualities, descriptions of content, etc., on food-producing companies in general. These legislated demands are also reflected and passed on in relationships with sub-suppliers of spices and other
raw materials (for more information on OTZ’s relationships to suppliers please consult section 6.1.1).

Figure 5.1 summarises OTZ’s network setting by highlighting related key actors. It is important to note that the figure is not supposed to picture OTZ as centre of a spice network. Figure 5.1 is only intended to illustrate OTZ as the analytical point of departure for this case description. The company is positioned rather close to the final consumer as they also produce and market branded functional spice mixtures and marinades for consumers. However, OTZ’s main business and customer base for reaching final consumers comprises industrial meat producing and processing customers, retailers as well as private butcher shops. Especially industrial customers as well as retail customers are essential players in
the spice industry. This is due to their size and the industry concentration, placing substantial buying power in the single customer. Going from mainly servicing smaller private butcher shops, OTZ is challenged by gearing up its product development efforts and general business to match the requirements of single large actors represented by industrial and retail customers.

5.2 The product development focus and strategy of W. Oschätzchen Aarhus a/s

When two partners in 2003 acquired the spice company from the Oschätzchen family, they initiated an organisational restructuring placing more focus on product development. The overall strategic intention was to build a strong position as a development partner. Furthermore, the company stated an ambitious goal of doubling its turnover in a six-year period. Several initiatives were therefore launched in the company. In the newly established product development department, the innovation manager felt a strong pressure for changing and adjusting development procedures.

*We are really trying to structure our way of working. (...)There are many inventive businesses out there and we all hold the same objective – to become world champion in what we do.*

*Innovation Manager, OTZ*

Building a reputation as a development-oriented supplier and partner, OTZ has the objective of retaining a certain level of novelty in its product portfolio. Also, as they are engaging more resources into product development, OTZ feels a need of not disappointing customers by introducing less new products from season to season. Still, the company is not willing to compromise on the value offered.
We hold the ambition to be at least as innovative this season, as last year. However, it is not the quantity in itself that is decisive.

Innovation Manager, OTZ

Product development at OTZ serves as a way to introduce and offer new spice mixtures, marinades and functional mixtures to customers. The development efforts are focused on refining the company’s product portfolio where new products replace existing, less performing products. The product development at OTZ may thus be characterised as incremental. At OTZ, the development of new products is, on one hand, cyclic and closely related to the summer barbecue season. The cyclic product development efforts are initiated months before the barbecue season to secure time for generating ideas, prototyping, development and presentation for customers who are invited to evaluate the new products before some are selected to be introduced as part of OTZ’s complete product portfolio. In this sense, customer input and evaluations are incorporated directly into the product development activities and efforts at OTZ. Another important part of OTZ’s product development efforts is based on customers’ requests and specifications, which in many instances are also related to the summer barbecue season, festivals or holidays. Product development based on customers’ requests may thus be closely related to OTZ’s own cyclic development activities or may run parallel. Whether it is one or the other depends on the customers’ own development setup and requests.

Figure 5.2 illustrates the parallel and potentially overlapping development of new products at OTZ. The figure also incorporates OTZ’s branded consumer products that only twice in the company’s history have had an influence on product development activities.
An essential element in the company’s striving for reaching its objectives of growth has been to use more resources on developing relationships to customers and involving customers in product development activities.

*If you want organic growth based on product development with your customers, then the process is somewhat slower. But then you also gain a more interesting profit on your products. Our growth has primarily been based on product development involving customers. We do have a few products and customers where our turnover is based on competitive prices. But the most exciting sales stem from our way of doing [product development (ed.)].*

*Innovation Manager, OTZ*

Since this focus has been paying off, in terms of increased turnover, more resources have been allocated to the development of customer relationships (see also section 6.2.1). Furthermore, the development of
new relationships has occasionally been growing out of existing ones. In several instances, industrial customers or retailers have requested OTZ to orchestrate the development of a new product to be produced by the industrial customer and sold as a private label product by the retailer. Accordingly, the company is picturing itself as a development partner connecting the product development effort of industrial customers and retailers.

*We are really trying to positioning ourselves as the link between these two types of companies [retailers and industrial producers (ed.)].*  
Innovation Manager, OTZ

![Diagram](image)

**Figure 5.3: The network picture of W. Oschätzchen Aarhus a/s**

Figure 5.3 illustrates the network picture (as introduced in section 2.3.1.2) of OTZ placing focus on the perceived interconnecting position of the company. Being the interconnecting actor between industrial customers and retailers is conveyed in OTZ’s role of e.g. working with optimising the quality of new food products (on the retailer’s behalf) and at the same time providing the ground for an efficient production process by the industrial customer. Essentially, OTZ perceives its role as to provide cohesion between the internal processes and criteria for product
development of these actors. In the daily business exchange and joint product development effort with each of these partners, OTZ often makes references to the third party to accentuate its potential interconnecting role. Even when the company is developing new products for a single customer, the interconnecting focus is thus influencing the joint efforts e.g. referring to the choices and evaluations of new products made by retail customers when presenting new product ideas to industrial customers.

In essence, OTZ views its role as providing the involved customer with flexible services adjusted to the customer’s internal product development setup as well as other processes and activities influenced by the joint efforts. While OTZ used to rely more on suppliers for specifying new products to be developed, the company’s current focus on value creation through product development is closely related to OTZ’s rather ambitious objective to increase the company turnover. In its quest for developing new products that create value to customers, OTZ’s strategic intent is to focus on those activities and processes that build value into its products. In other words the spice company defines the product development task as closely related to building an interconnecting position and by acting as a flexible, service-oriented and development-oriented partner. Furthermore, product development activities are seen as closely linked to the customers’ new product criteria as well as adjusted to the customers’ other activities.

5.2.1 Collaborating with industrial customers for product development

During the last couple of years, OTZ has prioritised involving customers in its product development efforts to accommodate with the customers’ needs and requests. Most resources in joint developments with customers have been placed in relationships, where the customer’s reactions and expectations to the joint endeavour merge with OTZ’s
organising collaborative product development activities

expectations. In this process, OTZ has been trying to be rather selective when choosing which customers to involve in product development.

*We have placed most development resources in those customers having the greatest potential, you see. And naturally, this is where we have had our main expansion (...). We are very selective in the use of our development resources. Well, those customers giving a positive feedback on our joint efforts are of course the ones we would like to allocate most resources to. When we feel we are not getting anywhere with a customer, we shut off, use no more resources. In this sense, the picture is rather selective, right.*

Innovation Manager, OTZ

Through customer involvement in product development, OTZ is seeking access to insights and knowledge on consumer behaviour and current trends. When collaborating with various customers, OTZ is aiming at building personal relations, not only with product developers and purchasers, but also with the customers’ marketing departments. At OTZ, it is considered essential that the customer also values the joint efforts.

*That the collaboration is working, that you feel connected, that they also have a perception of the value of development and what it provides to them, rather than the joint effort is aiming at steeling our ideas. (...) how to put it: that we are running a decent partnership.*

Vice Managing Director, OTZ

To enhance the value created and delivered to industrial customers, OTZ’s product developers are responsible for building and maintaining selected customer relationships. Furthermore, OTZ seeks to build customer relationships through the customer’s product development de-
partment, to provide the direct possibility to initiate value-adding activities. Customers with fewer requirements for joint product development are serviced by the OTZ sales department.

In the collaboration with industrial customers, new ideas for new products developed by OTZ are presented and offered to customers as a means to contribute to the ideation of the customer’s own product development endeavor. New ideas for new products may also stem from the customer with a request for OTZ to develop the idea into a new spice mixture or marinade product ready for being added to meat at the customer’s mass production facilities. Part of turning customer ideas into new producible products is also holding an eye on costs. These considerations are a concern both to OTZ themselves but also to the customer.

*I think a lot about how to capitalise on new products. Some product developers [at customers (ed.)] are going for all sorts of exotic things. But we also need to develop a product that we can profit from. We simply have to. And that is essentially how we approach the development task.*

*Product Developer, OTZ*

Developing products in a joint effort with industrial customers also has its inconveniences. Often, involvement and collaboration are related to the development of new products for a special season, ranging from ideation to prototyping, testing and production of the spice mixtures and marinades at OTZ. Often the process also includes production testing at the customer’s – potentially leading to adjustment of the marinade or spice mixtures – as well as selling to the customer’s customer (retailers or caterers) who may also have wishes for additional adjustments or complementing products. The process may thus stretch over what is considered a long time period.
So, you might say it is a long process. From making the first presentation to the customer’s product developers, to the products reach the shelves at the store. Our experience is that even though we have made a lot of work, presenting it to the customer’s product developers, who are presenting it to their sales personnel, who are presenting it to their customers, who have accepted the new products... Then we reach March and the retailers say, ‘By the way we would also like a new Greek marinade, could you please develop that?’ And then it goes all the way back again. Innovation Manager, OTZ

However, OTZ considers that the efforts are worth the while because the company is experiencing how product development involving customers has strengthened its position as a development partner. Its efforts can achieve closer relationships with selected customers as well as lead to increasing turnover.

5.2.2 Seasonal product development meetings

The dual purpose of OTZ’s cyclic product development efforts is, on one hand, to improve and renew its seasonal product portfolio consisting of various marinades and spice mixtures of which some are functional. On the other hand, the cyclic process also serves as an input to the product development activities of industrial customers. Regarding the barbecue season, OTZ invites selected important customers – one at a time – to taste, evaluate and select among new product prototypes that each customer may want to incorporate in its own product line. The rationale for inviting industrial customers to joint product development meetings is also to discuss current trends, consumer demands and the interaction in the industry in general.

Preparing for joint product development meetings with industrial customers involves restarting the cyclic product development process with...
an internal meeting brainstorming for new product ideas, drawing on the experiences and knowledge of employees from marketing, quality as well as the development department. Among the many ideas created, the development department chooses the ones to prototype and develop further. These activities result in 30-40 prototypes for new products ready to be presented to selected customers. The joint product development meetings take place at OTZ’s development kitchen, which resembles a large very well-equipped household kitchen. The seasonal development process, including joint customer meetings, provides OTZ with a solid ground for selling new products to customers.

*Our total process includes canvassing, contact, and identification of the customers’ needs. We do the product development, we present the solution to the customer, we quote prices, and obtain the order. In this sense we are essentially tying the purchaser’s hands and feet. If we do product development with the customer’s product developers and the sales department, and the customer’s customers approve of the product... Well then, the purchasing department can do nothing but accept what we are presenting.*

_Innovation Manager, OTZ_

### 5.3 Presenting the involved customer – Chicken Delight

Chicken Delight is the largest poultry processing company in Denmark and the company holds one of the most advanced poultry processing plant worldwide. The company exports to all of Europe. Today, the company is private limited, but has its roots in smaller farmed-owned cooperatives. The founding of the company is, however, not easily determined since Chicken Delight has risen from a wealth of mergers throughout the second half of the 20th century (Hansen 2005).
In Chicken Delight’s overall strategy and product development focus, the company strives to optimise the value chain and increase the processing of products by developing new products close to consumers. Whereas the company’s strategy reflects its close collaboration with poultry suppliers and its attention towards consumer trends, Chicken Delight’s relationships to retailers and caterers are not directly incorporated in the company’s stated strategy or key organisational goals.

The present presentation will take a closer look at Chicken Delight’s fresh poultry product development for retail, which includes private label poultry products to retailers, retail-packaging of various poultry products sold under the Chicken Delight brand as well as the company’s premium consumer brand ‘Dinner Delight’. The product development department is functionally placed under production, and the department’s collaboration with the sales and marketing departments is ongoing and related to specific product development tasks. Most of the resources of the development department are utilised for customer specifications provided through sales, including new product developments as well as adjustments of existing products. The customers’ specifications may be associated to private labels as well as Chicken Delight branded retail packaging. Requests from customers are continuous throughout the year. In collaboration with the marketing department, Chicken Delight’s product developers are responsible for developing new seasonal products for the summer barbecue season as well as the winter period. The product development for the summer season concerns a barbecue assortment of retail packaging and new products to be introduced under the premium Dinner Delight brand. To improve the quality and consumer experience of Dinner Delight products, professional chefs are often involved in the company’s ideation activities. Selected suppliers of spice mixtures and marinades are then invited to prototype the chefs new product ideas as well as to present their own new products for the coming season. Drawing on the development activities of these suppliers, Chicken Delight’s product developers put together a potential barbecue assortment of retail packaging which is
presented to the company’s sales department. The sales department evaluates the products and suggests adjustments before the final new barbecue product assortment is selected and later presented to retail customers. For the last couple of years, the new barbecue assortment of retail packaging has been composed by a selected range of products offered throughout the season while others are campaign products offered only for a limited time period. This arrangement has been introduced in consideration to the company’s production to avoid too many resource-consuming shifts.

This is working rather well. Because then we do not have to produce only ten packages of some products. Then we get clear of too many shifts in our production including new labels, new products and the like (...). We have our regular product line and our campaign products. At least the production personnel are happy. And it is all about making people happy. Product Developer, Chicken Delight

The rather complex and lengthy process naturally influences the collaboration with suppliers of spice mixtures and marinades, among those OTZ. The company operates with a number of selected suppliers for its fresh poultry products sold through retailers who are invited to contribute to the company’s product development season by season. Additionally, new suppliers may be encouraged to bid in. Besides, holding the ability to prototype new product ideas developed by chefs, suppliers must also be able to ramp-up new products for mass production. Since new products are introduced as retail packaging, Chicken Delight holds strong criteria for the appearance of spice mixtures and marinades as they have to look delicious for days when placed in the retailers’ refrigerated display counters.
Today, retail packaging has to lie in the refrigerated display counter for a week. Therefore it is of no use, if it is not looking good after three days. This is really the most important issue. Naturally, it also has to taste good, so we get a repurchase and all. But the first sales argument is of course the product appearance.

Product Developer, Chicken Delight

Price is an issue which is not discussed until new product prototypes are presented to Chicken Delight’s sales department, when products are also evaluated on considerations to the retailers’ potential pricing of the finished product (e.g. three packages at the price of 100 DKK). Furthermore, selected suppliers have to live up to Chicken Delight’s requirements with no tolerance for aromas and flavour enhancers. Even though Chicken Delight’s specifications seem detailed, suppliers are left with some initiative for presenting new product ideas of their own and in their prototyping of the involved chef’s ideas. Chicken Delight selects its final barbecue assortment by the evaluations of the single product and not based on the origin of the idea. Suppliers’ ideas as well as those put forward by the chef may thus end up not being selected at all.

5.4 The W. Oschätzchen Aarhus a/s – Chicken Delight relationship

The relationship between OTZ and Chicken Delight has especially been developing through the last couple of years. The first change in the companies’ exchanges was related to the reorganisation at OTZ as part of the new partners’ taking over of the former family-owned spice company. Another and vital event laying the ground for the current developmental collaboration between the two companies was facilitated by the retail company Euretail. The retail company brought the meat processing company and the supplier of functional mixtures together to develop a Danish pork sausage to be sold under the retailer’s private label. Then, when another retail chain also chose Chicken Delight to produce its private la-
bel pork sausage, Chicken Delight invited OTZ to participate. This was the real beginning of Chicken Delight and OTZ’s joint development efforts.

*It is obvious that our business with Chicken Delight is closely related to our contact to Euretail. They introduced us to each other. There are two employees in its [Chicken Delight (ed.)] product development department to whom we have built a very close relation.*

**Innovation Manager, OTZ**

Today, OTZ is one of the preferred suppliers, competing with two to three other suppliers for various development projects initiated by Chicken Delight. At Chicken Delight, it makes sense to have several different suppliers of spice mixtures, functional mixtures and marinades. Often, each supplier holds its special field of expertise for Chicken Delight to benefit from. Sometimes, one supplier may not be able to offer the needed services in due time and another well-known supplier can be contacted instead. But Chicken Delight would not play its suppliers against each other by asking them to bid for another supplier’s products.

*We are trying to play fair. If a supplier is putting energy and love into developing something, then we buy it from that supplier. Anything else would be unfair. We have had situations where suppliers have been bidding on products developed by others, and, well yes, that is just a pity.*

**Development Assistant, Chicken Delight**

At OTZ, being against other suppliers is not perceived a problem, but a challenge.
I don’t mind them using other suppliers because it gives them a possibility to compare and then they can see that we can do what our competitors cannot. It also keeps us on our toes.
Innovation Manager, OTZ

However, for OTZ there is a divergence between being a single supplier or a preferred supplier. In the latter, the engagement and commitment is different and a little less enthusiastic.

It might sound strange, but you can say that in the case of Chicken Delight we are competing for every project, and then of course we need to show that we are really skilled. But in terms of this, our engagement with Chicken Delight is also a bit different. Simply because they have chosen to let us compete with other suppliers as well.
Innovation Manager, OTZ

Still, the relationship to Chicken Delight is very valued by OTZ. They are considered a loyal customer and are offered special services related to product development, e.g. OTZ visits the Chicken Delight production if special problems occur, and detailed data sheets for internal information and for Chicken Delight’s customers are developed for every new jointly developed product. When OTZ presents new product ideas to Chicken Delight, they are certain to get an honest and outspoken response no matter the customer’s own interest in the product. OTZ can use this feedback for the further development of its product line. Even the personal relations are rather close.

We almost see each other as colleagues, when we phone or e-mail, it is pretty much like they [the development employees from Chicken Delight
The appreciation of the relationship is mutual. Even though OTZ is considered stronger in some product areas than others, Chicken Delight views the suppliers as a competent and very flexible development partner. It is also considered an advantage that OTZ is a rather small supplier thus being able to supply marinades and spice mixtures in smaller batches.

*OTZ is truly good at finding some really fine tastes, they are really strong at this (...) and we are very pleased with the functional mixtures they deliver. Their mixtures match our production facilities rather well.*

*Development Assistant, Chicken Delight*

The relationship to Chicken Delight is, on the other hand, also considered very demanding by OTZ.

*Their weakness is in their planning. When we have to develop something to them, then it is always at the last moment. It always ends up with Mrs. Gade calling and saying: ‘Next week I have to present something to somebody, can we make it?’ And we always manage. But it is stressing and if they have not been that important a customer, then it would really have been a burden. If we had seven customers like that, then it would suddenly become difficult to comply with.*

*Innovation Manager, OTZ*

As the partners grow to learn each other, their knowledge of any of the partner’s special requirements is enhanced as well.
Since we have been working quite a lot with Chicken Delight, I know, for instance, their attitude towards additives and so on. Additives, aromas and stuff like that, they want to avoid. I know that even before a project is initiated.
Product Developer, OTZ

From the first joint development project with Chicken Delight, OTZ has been very active to build and strengthen their relationship. Today, being a preferred supplier, OTZ more often receives a specified assignment e.g. developing a new marinade for a particular Chicken Delight customer with special requirements. The dialogue concerning product development projects is thus becoming more and more mutual. Simultaneously, the mutual interdependencies grow.

When the product is finally accepted, when it has gone to production and supply is consistent... then we [product development (ed.)] alone cannot deselect OTZ. Neither can production – even if they wanted to.
Product Developer, Chicken Delight

5.5 Joint product development effort

The joint development efforts in the OTZ and Chicken Delight relationship are, on one hand, characterised by ongoing projects initiated by the customer giving specifications for new mixtures or marinades to be developed. On the other hand and central for the partners’ developmental endeavour, is the seasonal development of new products for the summer barbecue season. The seasonal product development is vital since it constitutes the backbone of the new product assortment of both companies to be offered to customers. Accordingly, both companies put great effort and resources into these development activities that entail
the development of a broader palette of new products. For Chicken Delight, the collaboration with OTZ serves as a vehicle for obtaining new ideas for new products as well as translating its own ideas for new spice mixtures and marinades into industrialised units for mass production. In relation to the seasonal development of new products, OTZ also views the collaboration with Chicken Delight as a means of attaining a customer’s opinion on its ideas for new products.

I know that I can use the information from Chicken Delight. Because they give me honest answers and give me something to work with. Since we meet with Chicken Delight early on in the process, its input is influencing the final product.
Innovation Manager, OTZ

Preparing for the coming summer barbecue season, OTZ has prototyped new ideas for new spice mixtures and marinades ready to be presented for selected customers (as described in section 5.2.2). When these preparations are finished, OTZ invites Chicken Delight to participate in a joint product development meeting. Chicken Delight accepts – as it has done for the last seasons – and repays by sending detailed recipes with ideas for new products developed in collaboration with a professional chef. By accurately specifying the poultry cuttings to be used for these recipes, Chicken Delight asks for the supplier’s abilities on developing the chef’s new ideas into new industrial products. The product development activities of OTZ are illustrated in figure 5.4.
In the quest for prototyping the chef’s ideas, the product developers at OTZ have to take several issues into considerations. These considerations are related to the possibilities for turning each idea or recipe into an industrialised product that is amenable to produce and does not render too many costs in terms of expensive ingredients. Recipes may thus be added emulsifiers; ingredients may be taken out or replaced. Meanwhile, OTZ obtains new inspirations from working with the chef’s ideas.

To us it is also very exciting to get recipes from a chef because this is not how we normally think. Our thoughts are concentrated on how to get it into scale production. He just writes oil and water at random. He doesn’t think about emulsification or product appearance [the appearance of the raw or pre-cooked product (ed.)]. We have different mindsets. But the composition of ingredients sure is exciting, compositions that we might not have considered.

Product Developer, OTZ
Getting ready for the actual joint product development meeting with Chicken Delight, the product developer at OTZ prepares every prototype by hand and marinates the prescribed poultry cuttings, and makes sure all is ready for meeting participants to evaluate and taste. Meanwhile, the innovation manager prepares a power point presentation to go with the tastings of every prototype. The range of prototypes for the meeting include the new ideas and recipes composed by the chef as well as a selection of OTZ’s own new ideas for summer barbecue products.

5.5.1 Joint product development meetings

The activities at the joint product development meeting between OTZ and Chicken Delight are centred on tasting and evaluating the broad range of new product prototypes prepared by the supplier based on their own ideas as well as ideas from the chef engaged by Chicken Delight. As part of its preparation for fine-tuning its product assortment for the summer barbecue season, Chicken Delight visits several suppliers. The company wishes to utilise the suppliers’ ability to develop ideas into new manufacturable products by formulating recipes of spice mixtures and marinades that can easily be incorporated into the production process at Chicken Delight. Furthermore, the product developers of Chicken Delight hold expectations of the suppliers presenting marinades and spice mixtures that live up to the company’s requirements for product appearance and taste. Since OTZ has been prototyping the ideas of the chef engaged by Chicken Delight, he is also participating in the joint meeting (see table 5.1). To OTZ, the joint meeting is considered an opportunity to obtain the customer’s evaluation and opinion on new product ideas. These are valuable input for the company’s later decisions about which new products to incorporate in its seasonal assortment of spice mixtures and marinades offered to all customers. In addition, the meeting is an occasion for discussing current consumer trends in spices and tastes and especially recent developments in the demands of retail customers.
Table 5.1: Participants at joint development meetings between OTZ and Chicken Delight

The joint product development meeting is hosted by OTZ and takes place in one of its regular meeting rooms. The product developer prepares and cooks every new prototype in the company’s canteen and kitchen for the visitors to taste and evaluate. OTZ takes on a leading and chairing role at the meeting, guiding Chicken Delight through every new prototype served, whether based on OTZ’s ideas or the chef’s ideas. The séance starts by the participants evaluating the appearance of the prototypes since this is considered an important parameter for consumers to pick a poultry product from the refrigerated display counters. However, taste is also an important parameter for consumers to repurchase a product. Both parameters are, therefore, discussed at the meeting for evaluating the necessary fine-tuning of either one.

While tasting each prototype one by one, OTZ is contributing to the discussion with its specialised knowledge on how to combine different

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24 In the introduction to this case it was emphasised how OTZ in its new premises has a large and well-equipped development kitchen, but this particular meeting between OTZ and Chicken Delight took place just before OTZ moved to these new premises.
spices and tastes based on its experience of the spices’ ability to support or suppress specific taste nuances or the appearance of the final product. The chef engaged by Chicken Delight also contributes to these discussions. During the meeting, OTZ puts an effort into inquiring exactly how Chicken Delight experiences the appearance and taste of the different prototypes.

During discussions, Chicken Delight highlights from time to time potential limitations in its production facilities that may restrict the manufacturability of an idea. The partners engage in joint discussions on possible solutions by adjusting spice mixtures and marinades to fit to the Chicken Delight production facilities. Due to the experiences with Chicken Delight’s production facilities from earlier joint development efforts, OTZ is able to participate equally in these discussions. The meeting dialogue also revolves around current trends and especially the development in retailers’ demands. When presenting various prototypes, OTZ is directing attention to these trends e.g. referring to observations on what other actors in the industry are saying or doing.

_Innovation Manager, OTZ:_

*Then we have developed a marinade with chilli. It is a wood species growing in North America used as charcoal for barbecuing in North America. It has a special taste, and for this product we have found some chilli fruits, a very mild chilli, smoked on this wood. This is providing a special taste. It is providing a taste of smoke in the marinade without adding smoke aromas. So I thought…*

_Product Developer, Chicken Delight:_

*… that it would be something just for us.*
Innovation Manager, OTZ: Well, our idea of using this smoked product is that Weber has told us that they expect to sell fewer charcoal barbecues but more gas barbecues.

Development Assistant, Chicken Delight: You are on to something there.

Innovation Manager, OTZ: So, if the trend is heading in that direction then you suddenly would not have that smoked taste from the barbecue. Then instead, if we could somehow build that into the product, it would be advantageous.

Product Developer, Chicken Delight: Yes, even without using smoke aromas.

The atmosphere is very professional and friendly, and the partners also use the occasion to clarify issues related to other ongoing exchanges as well as plan for the following up on the meeting. Since no immediate decisions are taken on whether and which of the presented ideas and prototypes Chicken Delight would like to incorporate in its summer barbecue assortment, OTZ reminds Chicken Delight to just ask for samples of prototypes in the following days. Further, OTZ inquires when Chicken Delight is having its internal development meeting evaluating prototypes from several suppliers. One outcome of the joint meeting is the ideas, information and evaluations exchanged, but OTZ has to wait a couple of days for information on how many and which new products Chicken Delight will buy.

Well, we can only do our part for Mrs. Gade and Mr. Nielson to think that our products are good; that they are so good that they will present...
the products to their sales department. When they present them to the
sales department, we are dependent on how well a job we did in selling
the products to Mrs. Gade and Mr. Nielson, because now they have to
sell the products to the sales department. That is why we are very con-
scious when having these meetings, providing the arguments that can be
used when presenting the products to the sales department. And at that
time, the result is, well, out of our hands.
Innovation Manager, OTZ

5.5.2 Succeeding activities

While waiting for Chicken Delight’s decision on which products to in-
corporate in its summer barbecue assortment, OTZ reflects on the ex-
periences gained from the joint meeting. The customer’s evaluations of
the ideas presented by OTZ are used as input in the company’s further
discussions of how to compose its own summer barbecue assortment of
spice mixtures and marinades. Collaborating with the chef engaged by
Chicken Delight has also been an inspiration and positive experience.

Well, it doesn’t hurt my professional pride if Chicken Delight chooses the
chef’s ideas rather than ours. I think that is quite okay. Our goal is crystal
clear: to obtain sales. Whether obtained one way or the other doesn’t re-
ally matter.
Innovation Manager, OTZ

Returning from the joint meeting, the product developers of Chicken
Delight prepare a presentation to the sales department of new product
prototypes from a few selected suppliers. For this presentation, Chicken
Delight’s product developers choose a range of the new product proto-
types evaluated at the joint meeting with OTZ. Part of preparing for the
presentation is further testing of OTZ’s prototypes. To be certain of the chosen products’ appearance and keeping quality, Chicken Delight does some additional testing. Since the product developers are not fully satisfied with the testing results, OTZ is requested to adjust its products accordingly. At OTZ, this process is judged lengthy and resource-demanding although necessary for servicing this customer.

*It requires a lot of work before we start selling something. We have the dialogue [at joint meetings (ed.)] and the adjustments. So we use many development resources when collaborating with Chicken Delight. But our costs are not priced. When calculating the revenue on our products, we have to count in these costs. Because of the proportion of the development, our price is what it is.*

_Innovation Manager, OTZ_

Even after the development department has decided the final composition of Chicken Delight’s barbecue assortment along with the sales department and the marketing department, one last testing on the products’ appearance is conducted. The marketing department makes presentations of the final summer barbecue assortment, and these are presented to Chicken Delight’s retail customers by the sales department. A total of five new products from the joint development efforts with OTZ were selected and part of Chicken Delight’s final summer barbecue assortment.

**5.6 Concluding remarks**

Involving customers in product development is intended to strengthen OTZ’s position as a development partner. For OTZ, joint meetings with customers are to fulfil two purposes. On one hand, joint meetings with customers serve as a means for evaluating new product ideas. On the
other, it is OTZ’s strategic intention to do customised product development, and the company is thus collaborating with customers in its quest for servicing and contributing to the customers’ product development effort. The strategic intention of OTZ seems to match the strategic intention of Chicken Delight. For Chicken Delight, collaborations with suppliers are not only a means of getting new ideas for new products but also to utilise the suppliers’ capability for converting new ideas into manufacturable marinades and spice mixtures that fit into the production at Chicken Delight.

In many ways, the collaboration partners in the case presented here seem to share understandings of the product development task at hand and the definition and coordination of product development activities in their relationship and interaction. The division of product development activities between them is, to a large extent, conditioned by their respective specialisation or strategic requirements. OTZ presents new ideas for new products that get adjusted to fit the customer’s production processes, whereas Chicken Delight, due to its standard demands for high quality, tests and defines the fine-tuning of the appearance of the new products.

An inherent part of their joint efforts which characterises their interaction and relationship is OTZ’s competition with other suppliers that contribute to Chicken Delight’s product development. OTZ understands Chicken Delight’s policy and its situation. Moreover, OTZ is confident that the range of services offered to Chicken Delight provides a solid position as preferred supplier. Still, OTZ feels that its relationships with customers, to whom it is the single supplier, are even closer.

In several ways, the case reflects joint development efforts supporting OTZ’s strategic intention of being a customer-oriented development partner. One effect from their joint product development efforts is that the coordination of activities is adjusted to the internal product development procedures and activities at Chicken Delight. Especially, routines
have been built for handling Chicken Delight’s circumstantial testing of product appearance. However, since prototyping and adjustments of prototypes are neither very expensive nor very time-consuming, the resources mobilised in relation hereto are manageable. In this sense, the collaboration is a direct input to Chicken Delight’s product development activities related to ideation and testing.

In a wider network context, the organising of product development activities in the OTZ – Chicken Delight relationship is related to the timing of presenting new barbecue products to the retailing sector. Since new summer barbecue products are presented to retailers around New Year, the development process begins in the early autumn. From the initial new ideas until the product is in the refrigerated display counters at the retailers’, a year has gone by. However, Chicken Delight’s barbecue assortment is, to a larger extent, orchestrated for optimising its internal production than for the actual demands of the retail customers. In order to optimise production, Chicken Delight offers a few barbecue products throughout the season, complemented with time-constrained campaign barbecue products. This is indirectly influencing the relationship between Chicken Delight and OTZ. When retail customers request new barbecue products other than campaign products, Chicken Delight takes this request to OTZ who often has to be flexible and react fast in developing these customer-requested new products.

Reflecting on the case, it presents what seems to be a well-functioning and mutual product development collaboration between a large food processing company - that through its size dominates the industry - and a smaller supplier. However, it can be questioned whether both parties obtain the full potential from the relationship. Through the joint development efforts, OTZ only obtain input for its evaluation of new product ideas. At OTZ, they are not challenged as a development partner in a sense that entices the development of their capabilities, so maybe the relationship does not really support their strategic intention. Chicken Delight’s product development focus is very closely related to optimis-
ing internal production processes as well as securing food safety. It can thus be questioned whether its organising of product development activities in a longer perspective will provide a beneficial return. The consumers’ concern for infected poultry may further enhance the company’s current way of organising product development in the quest for guaranteeing safe products. However, being a large influential actor, implicitly directing the product development activities of other actors in the industry may potentially limit innovativeness. This may challenge Chicken Delight’s long-termed return.
6 CASE: W. OSCHÄTZCHEN AARHUS A/S AND EURETAIL

This chapter presents W. Oschätzchen Aarhus a/s, a food-producing company collaborating with a retail customer in developing new spice mixtures and marinades for meat products mainly characterised as convenience products branded under the retailer’s private label. The case description highlights the parties’ efforts in developing products to be introduced in two of the customer’s retail chains. During the studied period, the parties meet twice to taste, evaluate and decide which prototypes to be further developed and prepared for mass production. The joint product development efforts rest on a lengthy relationship. During the years, the joint product development activities and general business exchange activities of the parties have become closely interwoven. Especially the internal working procedures at the customer’s retail chains turn out to be influential on the joint organising endeavour.

Most of the empirical material for this case was gathered in the period from May 2006 to March 2007. Accordingly, the case description covers that time period. Since this case will revolve around the collaboration with a retail customer, less attention will be given to the relationships of W. Oschätzchen Aarhus a/s with industrial customers. For an extended discussion hereof, please consult chapter 5. The involved retail customer has requested that the real identity of the company is kept anonymous.
6.1 Presenting W. Oeschätzchen Aarhus a/s

W. Oeschätzchen Aarhus a/s (www.otz.dk) is a small supplier of spice mixtures, functional mixtures and marinades to the Danish meat industry. A detailed presentation of the company is provided in section 5.1.

6.1.1 Network setting – structure, characteristics and interactions

As a consequence of the decreasing number of private butcher shops (Statistics-Denmark 2009a), the influence of retailers as a main place for consumers to shop for meat products has been increasing. Consequently, OTZ has outsourced most of their sales to private butchers to a business partner and distributor. The basis for involving customers in product development has thus been altered. Private butcher shops are usually small, which entails less economic potential for one-to-one customer collaboration for product development compared to the larger retail companies dominating the Danish food industry. The reorganising of the company’s sales efforts has lead to a redistribution of the company’s turnover. Whereas private butchers accounted only five years ago for more than 60 % of the company turnover, today this customer group only yields 25% (industrial customers equally account for 25 % and retail customers for 50 %).

The increasing presence of retailing companies on the Danish market is thus also reflected on the consumers’ buying pattern of meat products. Today, on the Danish market, several (non-discount) retail chains have in-store butcher shops and delicatessens employed with trained butchers to sell consumer meat products. With the retailers’ general centre of attention focused on increasing the use of private labels also in meat products, they are potential and interesting customers for OTZ. Even though only a limited selection of OTZ’s products is sold directly to consumers, the company is not positioned that far from the end-users of their spice mixtures and marinades, as illustrated in figure 6.1. The com-
pany’s branded consumer products are, however, not OTZ’s main business area.

In Denmark, the consumption of certain meat products is related to seasons and (religious) festivals (e.g. barbecue products for the summer season, duck for Christmas time and lamb for Easter). Furthermore, Grunert and Valli (2001) highlight that beef products are to a large degree unbranded, with a low degree of differentiation and with a focus on price competition. The same is assumed to apply also in other branches of the meat industry. However, a slight increasing consumption of spices in Danish households (Statistics-Denmark 2009b) and the growing use of convenience products are solid platforms for meat processing companies and retailers to draw on the services of OTZ and similar suppliers for adding value to meat products, providing the ground for increased sales and earnings.

In Denmark, relatively few and large actors make up the industrial meat processing sector. Since these actors are characterised with a main competence of optimising production processes (Strandskov 1999), the increasing attention towards adding value to final consumer products opens up opportunities for companies and suppliers, such as OTZ, for offering their services. These meat processing companies constitute the industrial customer base of OTZ. As meat producing and processing companies, these industrial customers operate in different sectors of the meat industry e.g. pork, beef and poultry.

OTZ’s competitive situation is characterised by a limited number of other producers of spice mixtures, marinades and functional mixtures operating on the Danish market. Most of these are Nordic-based and also small and medium-sized companies. The related sector of spice import

25 frikalet® and Slagtermesterens
26 For an extended discussion of the industrial meat processing sector in Denmark, please consult chapter 5.
and production of additives is on the contrary rather fragmented. The services provided to customers from the different sectors of the meat industry do, however, vary to an extent, not rendering strong competition. During the collection of data for this case study, OTZ acquired the large Danish-based competitor SFK Foods, making them the largest Danish company of functional spice mixtures and marinades. The two former competitors are now merged in a holding company, but continue to a wide extent as two separate business entities. Nevertheless, the resource base for product development has been extended and may in a longer time perspective alter the joint companies’ position as a supplier of spice mixtures and marinades. For this case study, OTZ is considered an independent business unit.

Relationships to spice sub-suppliers have also changed in relation to product development\(^{27}\). As the company started to develop and produce more advanced marinades in closer collaboration with customers, the company became less dependent on sub-suppliers of spices and marinades. Today, OTZ specifies the ingredients and products from sub-suppliers thus making sub-suppliers’ resource input to product development activities much less. Relationships to sub-suppliers of packaging material and guts are mainly based on purchase and onward sale of standard packaging material to smaller customers.

\(^{27}\) For more details concerning relationships to sub-suppliers, please consult chapter 5.
Figure 6.1 summarises OTZ’s network setting by highlighting related key actors. It is, however, important to note that OTZ’s central position is only intended to be illustrative for analytical purposes. OTZ is positioned rather close to the final consumer. Still, OTZ’s main business and customer base for reaching final consumers comprises industrial customers, retailers as well as private butcher shops. As also emphasised in section 5.1.1, especially industrial customers and retailers with in-store butcher shops and delicatessens constitute central players in the spice industry. This is due to their size and concentration, placing substantial buying power in the individual customer. Going from mainly servicing smaller butcher shops OTZ is challenged by gearing up its product development efforts and general business to match the requirements of the single larger actors e.g. retail customers.
6.2 The product development focus and strategy of W. Oschätzchen Aarhus a/s

Summing up from the more detailed description of OTZ’s product development strategy presented in section 5.2, the company’s product development efforts are based on the new owners’ dedication to growth. Providing a ground for building a position as development partner and for reaching its ambitious goal of increasing the company turnover with 100% in a few years time, initiatives for restructuring the organisation and enhancing innovation novelty have been implemented.

The company’s product development efforts are considered closely related to building close customer relationships. Development activities are intended to introduce and offer new spice mixtures, functional mixtures and marinades to customers. Joint product development meetings with customers are considered forums for receiving the customers’ reactions on new product ideas. The joint development activities involving selected industrial and retail customers are furthermore considered a way of servicing and contributing to the customers’ own product development endeavours. With the aim of building more value into new spice mixtures, functional mixtures and marinades, the company thus enhances their focus on value-adding activities in their collaboration with customers, convinced that this may lead to higher margins and revenues. By increasing resources allocated to building and maintaining customer relationships, OTZ is striving to reach its ambitious goal for growth.

This is also reflected in OTZ’s network picture (illustrated in figure 5.3 of the previous chapter). The company aims at building a position as an interconnecting development partner, bridging the development efforts of industrial food producers and retailers. OTZ’s perceived role in the network is based on offerings of flexibility and services reaching beyond the development of new products. Through the mutual effort with customers, the company is expecting to gain the customers’ input and evaluations of new product ideas as well as access to new customer
relationships in return. The relationship to selected customers is considered exceptional and pivotal to OTZ’s position and options in the network.

6.2.1 Collaborating with retail customers for product development

Going from mainly servicing many smaller private butchers to collaborating with fewer but larger retail companies has demanded an extensive effort from OTZ. Many resources have been used to win retail customers, but OTZ has also put an effort in developing existing relationships to retailers (as will be illustrated in this case description). Whereas private butcher shops were serviced by OTZ’s sellers individually, today the company aims at a more centralised collaboration with customers.

We had three order-taking sellers who drove round to the customers. They simply brought the order book which stated what the customer usually bought. Then they asked how many boxes of Danish pork sausage mixtures the customer needed this week? But this was not what we wanted, we actually want sellers to visit the customers and give them something they actually need. Some consultant aid, introduction of new products, a general dialogue of how the trade [cooperation (ed.)] is working, what we can do better etc.

Innovation Manager, OTZ

Retail customers are treated as key accounts and, depending on their perceived potential and requests for getting involved in product development, they are serviced by either the OTZ sales department or the development department resulting in some customers being more involved in product development activities than others. The product development collaboration with most retail customers is character-
ised by yearly or seasonal negotiations, and the daily communication is placed at the OTZ sales department. However, the product development collaboration with Euretail is handled by the OTZ development department. In general, key account relationships are handled by the development department and supported by retaining a strong flexibility and service orientation both in general business exchange as well as in product development collaborations with customers. OTZ’s strategic intent and developmental objectives are thus based on enhanced customer relationships. However, this process can neither be contemplated as planned nor as straightforward.

*It is important how we build this network and how we use it actively. Much of it has evolved continuously – and we have realized that it is actually rather fantastic that we are able to act this way. But not all of it has been planned from the beginning (...), neither have the relationships that we are building, nor has our belief in, that we can achieve some things. It is also based on a certain kind of gut feeling.*

*Innovation Manager, OTZ*

As the company has reduced its engagement and exchange with private butchers and utilised its resources to build and strengthen relationships with industrial and retail customers, OTZ has experienced several positive effects. Based on positive reactions from new and existing industrial and retail customers, the company feels certain that one achievement is having built closer customer relationships.

*And the reason that we have been able to gain ground from our competitors is because we have created these very close relationships. And if we do not have those, then I am pretty sure that someone else will come along and build some close relationships with our customers. Then I would much rather base my work on the fact that we have a limited*
number of customers, and treat them properly – with regard to prices, service, data sheets and all other things.

Innovation Manager, OTZ

Another achievement is an increased turnover. In an attempt to evaluate on its increased use of resources, OTZ has studied the turnover among larger important customers – industrial as well as retailers and large private butchers. And the picture is considered satisfying.

And this is pretty obvious, I would say. Where we were active in product development, there was good stable growth (in turnover) from these customers. The customers, for which we for some reason were not active – either because we were not allowed or because we did not think the size justified it – it [turnover (ed.)] is stable or (...) diminishing. Thus..., as product developer it is a beautiful picture to see that where you spend your resources, you get something in return.

Innovation Manager, OTZ

Consequently, the company has allocated an increasing rate of organisational resources to the development department. During the last year, the number of employees in the development department has risen from three to six. In the company’s new residence, a large, well-equipped development kitchen has been established as well. These new facilities make room for hosting product development meetings with customers, giving OTZ and its development partners the opportunity to jointly prototype and evaluate potential new spice mixtures and marinades.
6.2.2 Continuous product development meetings

A central element of OTZ’s product development efforts is to service customers and support their product development and related activities. Joint product development meetings are held with selected customers – one at a time – to present new ideas for new spice mixtures, functional mixtures and marinades. These meetings (as also accentuated in section 5.2.2) are however also intended to discern input and evaluations from the customers’ taste and preferences regarding OTZ’s new product prototypes. Whereas joint product development meetings with customers are often related to OTZ’s own cyclic and seasonal product development process, the single customer’s requirements can facilitate more continuity in joint meetings. Additionally, joint meetings with customers are also a way of increasing sales to the involved customer.

To us the overall purpose of the meetings is to increase our sales to Euretail. But many things are included. Included is that we would like to develop new products. We are also inspired by the things that Euretail tells us. And use it as appropriate as we can, right.

Innovation Manager, OTZ

Depending on the product development activities of the customers and internal working procedures, joint product development meetings may thus be seasonal or a continuous part of the parties joint development effort.

6.3 Presenting the involved customer – Euretail

Euretail is a primarily Danish operating retail company founded in 1964 but with roots back to the beginning of the 19th century. Today, Euretail operates a number of different retail chain concepts with more than
40,000 employees and 1,000 stores in Denmark and four foreign countries. Euretail is one of the three biggest and most profitable retail companies in Denmark and has a higher earning power than some of the bigger European retail companies (Ellemose 2006).

One characteristic of Euretail is centralised purchasing, where most commodities are purchased jointly for the different chain concepts operated by the company. The centralised purchasing function is intended to control the flow of goods in the retailer’s different chains and stores, and accordingly, Euretail’s has a highly stipulated purchasing policy in negotiations with suppliers.

*If there is something we do not wish to do, it is to have a supplier determine what products that are in our stores, because then we are no longer in control.*

*Purchasing Manager, Euretail*

The function as purchaser is, however, not confined to purchasing since the purchaser holds the responsibility of everything from developing new products to launching and marketing. This is also the case for the purchasing manager in terms of maintaining and assuring a wide product line of various fresh meat products in the refrigerated display counters of the retail stores. This responsibility involves maintaining the existing product programme, that is, deciding which products to market when, and removing products that are not flying off the shelves, as well as developing new consumer meat products. Marketing decisions concerning introduction of new and seasonal meat products go together with the purchaser’s responsibilities. Finally, the central purchaser is responsible for the quality of existing and new fresh meat products, which includes optimising the work flow in the local in-store butcher shops and delicatessens of selected retail chains, including securing that products are produced in an effective way and in the wanted quality.
The responsibility for the local in-store butcher shops and delicatessens and related production differentiates this purchasing function from that of other product categories within Euretail. The difference is also related to the fact that products being produced at the in-store butcher shops and delicatessens essentially compete with branded fresh meat products provided by meat processing companies, thus making selected meat processing companies not only suppliers but also competitors. The purchaser has the joint responsibility of developing a full portfolio of private label fresh meat products as well as branded or non-branded products, including new introductions sold through each of the company’s different retail chains. New products are introduced throughout the year, even though most spiced and marinated products are sold during the summer barbecue season and to a minor degree in relation to festivals. The product development activities are thus spread out during the year, requiring the purchasing manager to constantly search for new input and ideas to attract consumers to the stores.

According to Euretail, the main rule of thumb for new meat product development is to develop products that are not too complicated and thus resource and time consuming when produced at the local in-store butcher shops and delicatessens. The main objective is to produce what provides the best earnings, taking into consideration the cost of raw materials and wage-intensive manual work. Products that will provide a better earning by being produced industrially are outsourced to the meat processing industry (e.g. pâtés and sausages).

*How does the product look when it is for sale, and how does it look when it is cooked? It is the taste, how does it taste? And then there is also the question of how easy it is for the butcher to prepare. It has to be easy for him to cook. For example, we have had some products that have been insanely good, but we have had to take them out again, simply because they were too time consuming. We are under extreme time pressure with the butchers. If the products are too complicated for the butchers to*
prepare, then they are simply not prepared and as a consequence they do not sell. These are the three most important criteria.

Purchaser, Euretail

6.4 The W. Oschätzchen Aarhus a/s – Euretail relationship

Even though the commercial exchange relationship between OTZ and Euretail has lasted for half a decade, the continuity in terms of the partners’ joint development efforts builds, however, on only a few years of closer cooperation. Previously, the relationship was characterised by occasional exchanges, but OTZ’s strategic turn and reorganisation as well as Euretail’s increasing focus on private label convenience meat products are events laying the ground for strengthening the parties’ joint development efforts. During these last couple of years, the relationship has grown tighter and closer as a result of OTZ becoming the single supplier of spice mixtures and marinades to Euretail’s in-store butcher shops and delicatessens. As the collaboration and business exchange between W. Oschätzchen Aarhus a/s and Euretail has grown stronger and tighter, the coordination of their joint product development efforts has become closer too. Using OTZ as a single supplier is perceived to save time and resources at Euretail.

If this should be split up in two suppliers, then there was not much for each. And if I had to split it up, I would have to spend time on it, to maybe save a few peanuts, and I am not interested in that because the entire saved amount is eaten by my salary for the time I spend on it.

Purchaser, Euretail

The joint efforts started out by the Innovation Manager from OTZ attending internally-held product development meetings at Euretail. Later,
OTZ became deeply involved with the outsourcing of a non-value-added meat product (Danish pork sausage) from the retailer to an industrial producer. When Euretail in late 2005 came up with the idea of launching the fresh meat private label convenience product line ‘PRIMA’, the joint development efforts really gained speed. From the outset, the joint efforts were to ease the working procedures at in-store butcher shops and delicatessens.

*That is also why we always work on using some of the same mixtures. Previously, the butcher mixed tomato, garlic and other ingredients himself. But now we have entered into cooperation with OTZ to make the finished mixtures, thus always making it easier for the butcher out there. In order for it to be as prepared as possible.*

*Purchaser, Euretail*

However, introducing the ‘PRIMA’ concept at the retailer’s in-store butcher shops and delicatessens encountered several problems. The new products launched under the ‘PRIMA’ concept simply were not prepared correctly by employees (the mix of meat and spices or marinade deviated from the developed recipes, leading to potential bacteriological problems). To remedy these problems, OTZ developed concept recipes for every ‘PRIMA’ product, providing in-store butcher shops and delicatessens employees with detailed information on the preparation. Following up on the concept, recipes, tags on buckets containing spice mixtures or marinades have been continuously improved in a joint cooperation between Euretail and the OTZ development team.

Euretail is not OTZ’s largest customer, neither in turnover nor revenue. Nevertheless, at OTZ, Euretail is perceived as being on the leading edge in Danish retailing in terms of organising and optimising the internal working procedures at in-store butcher shops and delicatessens as well as the most innovative actor in the consumer meat business. The rela-
tionship is perceived to demand a lot of resources and time from OTZ, but Euretail’s strong-hearted engagement in product development is highly valued by the development partner.

*If I take in a new product for Euretail, well then Mr. Hansen has to taste the product. We have to taste it two or three times before he says that it is okay (...) I consider it to be far more professional to have an attitude towards the things you buy. The things you want to sell in your store and personally vouch for, I like that. This also means that it is Mr. Hansen’s taste that is in all the boxes in Euretail’s different stores. But I respect that he has an individual attitude to things, instead of having no attitude. Some other customers they just accept, they do not even taste the products. They do not approve the products; they do not have an attitude to the products. They accept that they are the way they are, because the price is right, delivery conditions are right and we have been able to deliver in the right way for several years.

*Innovation Manager, OTZ*

Furthermore, the product development collaboration with Euretail is perceived to bring new opportunities to develop new products, also to other customers. At Euretail, OTZ is valued as a seriously engaged product development partner who also is perceived to be competitive on prices. Additionally, the relationship with OTZ is believed to be a rare constellation in a very traditional meat industry.

*This is slightly shamelessly said, but you can say it to all the suppliers I have: there is no one in the meat business, who has a cooperation like the one we have with OTZ that comes even close to matching it. There is no one in the meat business that has a cooperation that works nearly as well as ours since there is no one in the meat business that works in this way. Not at all, it is all about a stop watch and how fast we can slaugh-

6 Case: W. Oschätzchen Aarhus A/S and Euretail
ter a pig, the end. What we do with OTZ is retail-packaging, in the sense that it is ready for the consumer to take home and eat. The entire meat business does not think of the consumer, they think of us [the retailers (ed.)] as customer, but do not think all the way to the consumer link, which is a little scary.

_Purchasing Manager, Euretail_

### 6.5 Joint product development efforts

The joint product development efforts in the relationship between W. Oschätzchen Aarhus a/s and Euretail are closely related to the introduction of new products at the retailer’s in-store butcher shops and delicatessens. Through the collaboration with OTZ, new spice mixtures and marinades are developed and delivered to Euretail’s in-store butcher shops and delicatessens, where employees add mixtures and marinades to various meat cuttings obtaining finished consumer meat products. For Euretail, the main purpose of the ongoing product development collaboration with OTZ is to gain input for continuous new product introductions. The joint efforts are primarily related to the retailer’s private label convenience product line ‘PRIMA’ and to the development of new products to be introduced during the summer barbecue season. Furthermore, the joint efforts are expected to result in additional new products to be dispersedly introduced. By these constant new product introductions it is the strategic intent of Euretail to be conceived as a renewing and innovative retailer in the eyes of the consumer. Euretail regards the collaboration with OTZ as important for achieving this aim.

_To me it [the cooperation with OTZ (ed.)] actually plays a significant role (...) I consider it as being a part of our own product development scenario._

_Purchasing Manager, Euretail_
By using OTZ as single supplier of spice mixtures and marinades, Euretail considers the joint development efforts as an extra resource and an opportunity to utilise the supplier’s capabilities and time, also for additional services. Still, the price element is of some importance for the time frame of the collaboration.

In the agreement that I have made with OTZ, I have actually acquired an extra employee (...) an employee that is not locked by the mechanisms that I am, perhaps because I am here [in Euretail (ed.)]. And we do this based on the condition that the prices they set for their products are competitive, they are on the market and able to stay there. Well, then I buy my products there.

Purchasing Manager, Euretail

And even though the coordination with OTZ may require time and resources, and a collection of several suppliers might constitute a different setup with other possibilities, Euretail considers the close relationship with OTZ worth their while. Euretail thus values and appreciates the ongoing joint product development efforts in the collaboration with OTZ. An important element in coordinating the partners’ ongoing efforts is joint development meetings. To Euretail, these joint meetings, on one hand, have the purpose of developing new products to be utilised at the retailer’s in-store butcher shops and delicatessens. On the other hand, the retailer considers joint product development meetings as a means to develop the supplier’s capabilities for being a supervisory and governing development partner.

Somehow we have to ensure that OTZ participates in the role they are meant to participate in. That is that they are the ones that are in control and they are the ones that have to keep the wheels going and control the different things. For this we are in training, we are not quite in place
yet, we have not come as far as I would have liked, not at all. But we have to teach each other along the way and we talk very openly. Well, there is nothing there.

*Purchasing Manager, Euretail*

W. Oschätzchen Aarhus a/s considers the joint development efforts and involvement with Euretail as very rewarding. Being related to, and associated with, Euretail is considered a resource in the sense that it signals that OTZ is an innovative development partner. Therefore an important purpose of joint development meetings is to provide services to this customer and coordinate their joint efforts. However, another significant intention of joint product development meetings is to present new ideas for new spice mixtures and marinades and obtain the customer’s evaluation and comments as an input for OTZ to decide which new products to include in their summer barbecue season product line. All in all, the partners’ intentions as well as wanted benefits of the joint development efforts and product development meetings slightly deviate whereas they agree on the general purpose of evaluating and choosing new products to develop further for final introduction.

*Figure 6. 2: Product development activities at W. Oschätzchen Aarhus a/s involving retail customers*
Joint development meetings are thus a reoccurring activity in the relationships between OTZ and Euretail. The planning and execution of meetings are, however, ad hoc and informal even though at least one meeting is always held in relation to the summer barbecue season. Decisions to have a meeting are thus discussed concurrently with other daily commercial exchanges. Prior to joint meetings, the OTZ Product Developer ensures that ideas for new products from Euretail as well as the supplier’s own ideas are prototyped and prepared for the parties’ joint tasting and evaluations.

The following section describes two succeeding joint product development meetings between OTZ and Euretail. However, the detailed descriptions mainly revolve around the first of these meetings to illustrate the actors’ coordination. It is also the intention to illustrate the continuity and flow from one meeting to the next.

6.5.1 Joint product development meetings

The essential activities at the joint development meetings are to prepare, taste, evaluate and select among a range of different prototypes of various spiced or marinated meat cuttings. Meetings may last three hours, and approximately thirty different prototypes are evaluated. Throughout the meeting, prototype by prototype is discussed and evaluated by the participants (listed in table 6.1). Evaluation criteria considered important are appearance and taste related to the consumers’ expected buying behaviour and experiences with a meat product. Since the meat used for prototyping is brought from local in-store butcher shops and delicatessens, the Euretail representatives are evaluating the cuttings of the meat as well as the quality of their internal working procedures.
As prototypes are fried or cooked, they are served for the participants to taste. Some products are ruled out immediately due to the taste, others are compared and evaluated against each other, some may be ‘just perfect’ while the participants might agree on a certain product needing e.g. 10% less paprika. Considerations regarding the final price of a new product and the convenience to consumers are also touched upon. However, a very significant criterion for the introduction of new products is related to the production or preparation and refinement processes at Euretail’s in-store butcher shops and delicatessens. Essentially, it is important that a new product is relatively easy to produce and does not demand a lot of the employees’ time. History determines that complicated new products will not be prioritized, regardless promising sales statistics. To be a success, a new product has to be easy to produce.

During the meeting, Euretail informally takes on different roles. In the beginning of the meeting, the representatives from Euretail take on the chairing and leading role, deciding the order of prototypes to be evaluated, going through their list of notes making sure that every issue is discussed. When every prototype is evaluated, they instantly decide whether this is a new product to be introduced at Euretail. At the same
time, it is planned which products are to be introduced when, taking into consideration also the marketing of new products. This planning role is, however, not restricted to activities concerning Euretail as they also try to ensure that the planning is coordinated with OTZ. Finally, Euretail also takes on a teaching role, when the participants are discussing either new products to the ‘PRIMA’ convenience concept or advising OTZ in e.g. its handling of sub-suppliers.

**Purchasing Manager, Euretail:** Yes, on this we have to move... But I kind of picture that we make a timeline today for the upcoming 6 months, right, then we can try to anticipate where OTZ is situated.

**Innovation Manager, OTZ:** And where we have some holes that must be filled, maybe, right?

**Purchasing Manager, Euretail:** At least not now that we have the notes, and I think we should try to assign numbers to them as groups, thus we might come up with three to four products at a time, right? So, if we do this, we can try to make some timelines for the different groups afterwards, thus we have for the period up to, which might be September first that we say, now we have three intros, which is what we paper wise have room for, right?

The atmosphere at meetings is characterised by an informal and direct, sometimes almost harsh tone and discussion. Comments on presented prototypes and old stories from past interactions seem to be a recurring topic for mutual friendly muggings. Two examples may be illustrative. When the Euretail representatives arrive to the meeting held at OTZ’s new development kitchen, it is their first visit to the spice company’s new premises. They are openly joking in a friendly tone about the appli-
cability and aesthetics of an outdoor advertising for OTZ branded consumer product placed on the new building. The OTZ development staff laugh and shrug their shoulders, seemingly taking the joke as part of the social interaction in the relationship. During the meeting, the development manager from OTZ presents a new prototype based on a spiced mixture of dried vegetables. These are considered a sales success to other customers so OTZ once again presents a variation of this mixture in a new prototype to Euretail:

_Innovation Manager, OTZ:_ It is not like I am trying to stuff dried vegetables down your throat, but we have...

_Purchasing Manager, Euretail:_ Damn, you keep on, don’t you

_Innovation Manager, OTZ:_ ...a mixture of mushrooms and cranberries

_Purchasing Manager, Euretail:_ No! Just because you have found out that you can get canned mushrooms, even canned chanterelles.

_Innovation Manager, OTZ:_ Well, it is just because...

_Purchasing Manager, Euretail:_ So you can mix them with cranberries. You buy them canned and mix them with cranberries. I do not want those dried vegetables!

During joint product development meetings, other issues more closely related to the ongoing daily business exchange of the existing product line of spice mixtures and marinades used by Euretail are also discussed. The retailer seeks for information and draws on the knowledge and resources of OTZ e.g. by asking for advice on how to optimise keeping qualities and internal working procedures at the retailer’s in-store
butcher shops and delicatessens. In their quest for exploring ways to optimise, the Euretail representatives question OTZ on its experiences obtained from other customer relationships. Also, closely related to the daily business activities in the OTZ – Euretail relationship, the partners discuss the current flow of spice mixture and marinade deliveries as well as additional services that need corrections or adjustments. Furthermore, Euretail provides OTZ with information on new potential suppliers, asking the spice company to collect samples and information on prices. The retailer also reminds OTZ to check deliveries and agreements concerning the collaboration of Euretail with OTZ’s existing suppliers.

As a consequence of the partners’ evaluation of new product prototypes at joint development meetings, additional time is used for brainstorming on additional new product and concept ideas. In these discussions, the purchasing manager is constantly trying to keep the ideas on the ‘right’ track. For example when discussing new ideas for new products under the ‘PRIMA’ concept, he constantly draws the other participants’ attention to take into consideration the general intentions of this concept\textsuperscript{28}, or that new products are to fit the production processes of in-store butcher shops and delicatessens unless the new products would better fit to be industrially produced.

Another effect from prototype evaluations at meetings is Euretail’s instant selection of which products to introduce at the retailer’s in-store butcher shops and delicatessens, while the purchasing manager immediately decides and informs OTZ when he wants to launch a new product. The coordination of OTZ’s further testing and production of the chosen new products is important to Euretail. The marketing of fresh meat products consists of household distributed advertisement, and the printing of these runs several weeks before the actual launch of the products in the shops. Since the distribution of these advertisements is nationwide, Euretail does by no means accept the non-appearance of

\textsuperscript{28} A product introduced under the ‘PRIMA’ concept is to include only one consumer action: to put the product in the oven or a pot.
products and especially not of products labelled under their own private label. Throughout the meeting, OTZ representatives thus make notes on product adjustments as well as the customer’s decisions on when new products are to be introduced.

6.5.2 Concomitant and succeeding activities

At the end of the first joint development meeting studied for this case, Euretail suggests a new meeting in three weeks time with the purpose of evaluating once again those prototypes that needed adjustments as well as giving OTZ time for prototyping new ideas developed at the meeting. For this second meeting, Euretail has gone through and re-evaluated its plan for new product introductions for the coming six months. These changes are informed to OTZ, and they jointly discuss the composition of the retailer’s product portfolio for the coming period. Despite OTZ’s notes and summary from the first meeting, Euretail is not satisfied and feels rather frustrated because its representatives have to remind the development team at OTZ for some of the new products that were to be introduced. OTZ recognises the problems that late deliveries may cause Euretail.

But we see that it is very important that, when we make an agreement, we say that we will get these products into the stores at the specified time. That is, it is also very annoying for us, because we miss some of the sales; in principle, Mr. Hansen also misses some of the sales. I think that we all have great interest in keeping the deadlines and the right time for the launching. We have to identify the tasks at hand, in order to make it, and then we have to set some times, right? And these are probably some of the things we will try to work on. But I have taken so many initiatives, I think, in order to try to structure things. I have really worked on those things, and it still ends up with everything else.

Innovation Manager, OTZ
For OTZ, one purpose of the first joint development meeting was to get the opinion and comment on its own line of new product prototypes. However, the Euretail purchasers were neither impressed nor enthused about these products, and therefore OTZ got neither the feedback nor the constructive input they had hoped for. OTZ’s presentation of the prototypes seems, however, marked by previous experiences of the development cooperation with Euretail.

*Well that is... it’s always annoying to present new products that you have worked on for quite some time (...) and then they [Euretail (ed.)] say that it’s all crap. That they can’t use any of it. Well but eh, but I have kind of learned that it’s not necessarily a measure of their opinion, it might be their opinion today (...) and then when we later present them, some of these products, then they are actually suddenly good.*

*Innovation Manager, OTZ*

Such episodes have made the development staff at OTZ believe that Euretail to a greater extent wants them to be responsive to their ideas. In contrast to this, the purchasing manager from Euretail expresses how he wishes for a more dynamic and driving initiative in the generation of new ideas from OTZ. In a certain respect, however, Euretail reflects upon and recognises the frustrations of OTZ.

... *we have cut Mr. Johansen off when he has presented several ideas, right. For instance when he presented his dried vegetables, which is not worth shit, but he keeps on presenting new products [based on dried vegetables (ed.)].*

*Purchasing Manager, Euretail*
Later, OTZ invites Euretail to participate in a joint product development meeting with several other customers. The intention is to jointly discuss current trends and brainstorm for new product ideas. Euretail, however, declines the invitation to OTZ’s profound disappointment. The incident makes OTZ reflect on their deviating understandings of the mutual relationship.

*I actually consider Mr. Hansen as one of the innovative people in retail that would like to try and move boundaries, make something new and think something new. But I had a hard time convincing him that this could be to his advantage. That he was to sit with some marketing people from other companies that he could influence to come and show him some products. But Mr. Hansen says that he does not want to talk to them because he wants to make product development for Euretail with us [OTZ [ed.]]. And then one can say that in some way it is hard to get mad at him, right. I like to hear it. It is grist to my mill that he says that he would rather make product development with us than with industrial customers. Because it adds legitimacy to the position we have claimed, where we would like to position us between retailers and industry. Thus at the beginning, one could say that I accepted it for starters. But then I thought he was a pain when he said that he did not want to come and give a lecture (...) It might be because I have some expectations in my head of what kind of supplier – customer relationship it is we have, expectations that do not match the ones Mr. Hansen has.*

_Innovation Manager, OTZ_

### 6.6 Concluding remarks

Through the joint developmental efforts with OTZ, it is Euretail’s strategic intention to create an innovative collaboration with a partner: a partner that holds the capabilities and resources to provide creative
ideas for new convenience consumer meat products as well as contribute with services and developments that support the optimising of Euretail’s internal working procedures and activities. To OTZ the strategic intention and purpose of involving Euretail in product development is, on one hand, to engage in a mutual discussion of consumer trends and evaluation of new product ideas. On the other hand, OTZ wants to be a flexible and active development partner servicing the special needs of selected customers. This case has shown how product development partners’ strategic intentions collide and only ambiguously create the desired value for both partners.

The case illustrates how Euretail possesses a dominating and influential role for organising product development activities in relation to OTZ. Through the parties’ joint product development meetings, we are provided a window of insight into how Euretail is chairing the progress of events, holding the mandate to define, divide and coordinate development activities. OTZ’s role in providing new ideas for new products is however not to be neglected. Through its expertise in spice mixture and marinade production, OTZ influences the selection of new spice mixtures and marinades for Euretail to utilise thus creating a boundary for the retailer’s introduction of new products.

However, in the relationship between OTZ and Euretail, product development activities are strongly linked to activities of production or working procedure at the retailer’s in-store butcher shops and delicatessens as well as the retailer’s marketing activities. That is why the actual development task is not only tied to and defined by the development of new products, but also to the development of services and activities that support Euretail’s working procedures. To Euretail, it is essential to build a shared understanding with OTZ of the wider context that new products must adapt and adjust to. That wider context is the marketing activities at Euretail and the production activities at in-store butcher shops and delicatessens. To accommodate with internal restrictions at Euretail, the purchasing manager is making an effort to coordinate and
subordinate the product development activities at OTZ with the activities of the wider Euretail organisation. Through its powerful and central position, the retailer also holds the mandate to mobilise OTZ’s resources to support the operationalisation and development of marketing and especially production activities at Euretail.

Euretail is very dependent on the services and supporting activities of OTZ for optimising and developing the working procedures and production activities at in-store butcher shops and delicatessens. Therefore, the retailer aims at creating a product development outcome that supports the building of its internal routines. By engaging in the role as a flexible and adapting development partner, OTZ is complying with its strategic intention of mutual developments of new product ideas with an involved customer. In other words, OTZ becomes an expanded development office to Euretail and not a creative and innovative partner. Whereas the retail customer is dependent on OTZ in e.g. the building and maintenance of internal working procedures at in-store butcher shops and delicatessens for preparing and producing new products, the development of the relationship with Euretail is also an important means for OTZ to reach beyond the dominance of retailers and other actors in the food industry and actually reach end consumers.

At the wider network context, the coordination and organising of development activities in the relationship between OTZ and Euretail has some indirect effects creating value to the actors. When Euretail, in collaboration with various suppliers, seeks to secure the operationalisation of a new concept or new product to fit into its internal working procedures and production activities, the company from time to time draws on OTZ’s process development capabilities and resources. OTZ believes that the relationship with Euretail provides a valuable reputation as an innovative and creative development partner in the wider network context. The spice company’s engagement with other of Euretail’s suppliers has actually led to the building of new customer relationships characterised by joint product development. As well as OTZ’s investment in pack-
aging equipment emanating from the Euretail relationship has proven valuable in servicing other customers.
Allstar is a producer of branded cold cuts for sandwiches and Danish ‘smørrebrød’\(^29\). The company is based and founded in Denmark, but today it is a part of a larger Scandinavian group. In its product category, Allstar is experiencing the challenges of a stronger competitor. The competitive situation is affecting the company’s relationships with retail customers, placing strong demands on the company’s introduction of new products. It is the policy of the Scandinavian group to operate with a rather limited marketing budget. This is restraining the company’s marketing manoeuvring for supporting the introduction of new products. In the quest for strengthening, or at least maintaining its position through product development, Allstar is involving an advertising agency. Strong personal relations between Allstar and the agency, as well as the agency’s knowledge and insights of the food industry are to provide innovative input to the product development effort of Allstar. In essence, the agency is taking on the role of a market actor replacing the role of a customer as a development partner. The case shows how existing internal working procedures are restricting the joint product development effort. Furthermore, the joint effort is only to a limited degree affecting Allstar’s perceived position on the market.

Most of the empirical material for the following case description was gathered from September 2005 to November 2006. The case descrip-

\(^29\) Danish lunch specialty consisting of open sandwiches on dark bread.
tion, accordingly, covers that time period. On Allstar’s request real names of directly involved individuals and companies and the line of business which the company is in have been kept anonymous.

7.1 Presenting Allstar

The company Allstar was founded in the late 1940s by an entrepreneur selling cold cuts to local towns based on homemade recipes and a home-based production. The products were and are still branded under the Allstar name. For many years, the company was family owned, but in the late 1990s the family decided to engage a professional managing director to strengthen the company’s market position. Today, Allstar is part of a Scandinavian group and has grown to have 140 employees. Since mid 1990s, the distribution of the company’s products has reached national scale, although the company’s local anchoring is still reflected in a strong regional brand recognition and brand equity (Allstar 2005).

Allstar’s history is characterised by organic growth and by regular expansions of the company’s production facilities. Since the managing director accessed his position at Allstar, the company’s revenue has, however, increased 150% over a ten-year period, placing the company as a solid second on the Danish market for branded cold cuts. Furthermore, entering the Scandinavian group at the beginning of the new millennium brought along additional organisational and market-related initiatives to strengthen the business of Allstar. An organisational restructuring has lead to an increasing share of white-collar employees e.g. with the establishing of a marketing department and by hiring additional product developers. The organisational restructuring is thus placing enhanced strategic focus on product development and on the effort to strengthen communication to end consumers. Additionally, the strategic effort has encompassed a company value project including all employees, in an endeavour to create an innovative company culture. Since Allstar’s an-
nexation to the group, the cross-national collaboration with associated Scandinavian companies has strengthened. Collaborations are coordinated by the mother company, and the main focus is on activities related to marketing and product development, such as joint meetings, workshops and knowledge sharing. These joint activities are intended to spread and utilise innovative ideas and initiatives across the Scandinavian markets. Still, brands are kept locally anchored, and new products introduced in Denmark are only related to and marketed under the Allstar brand. Thus, Allstar holds the full responsibility for its range of products developed, marketed and sold on the Danish market.

Allstar’s sale is primarily national, and so far, the main strategic focus has been on keeping a competitive edge on the market for branded cold cuts, where the company receives the highest revenue. The company’s effort is however challenged by a larger competitor, placing Allstar as second in its product category. Over the latest years, the company’s turnover on private label products has increased, and the company is also servicing the catering sector. Still, approximately three quarters of Allstar’s production of branded products and private labels are sold through retailers.

7.1.1 Network setting – structure, characteristics, interactions

As a cold cut producing company, Allstar is situated rather close to end consumers (see figure 7.1) who are using Allstar’s products for lunch e.g. in sandwiches and Danish ‘smørrebrød’. Allstar’s branded and private label products are sold through both the large retailing companies in Denmark and in a range of smaller national and foreign retailers present on the Danish market.
Allstar is second on the market for branded cold cuts\(^{30}\) with one stronger Danish competitor on the national market. Competing for the same shelf space at retailers, the competitor has several times managed to manoeuvre Allstar out on a sidetrack, building themselves a strong brand position and winning market shares. On the other hand, Allstar has never succeeded in conquering shelf space from this competitor.

Since the total Danish market for cold cuts is stagnant (Allstar 2007), Allstar is placed in a rather challenging situation when introducing new branded products. Other players on the market for branded cold cuts are somewhat smaller than both the market leader and Allstar. Allstar’s brand equity is suffering in the competitive situation. Over the past years, the brand awareness among consumers has been in favour of the larger competitor (Allstar 2005: based on an analysis of Brand Awareness Valuation), and the Allstar brand seems to be eroding. Moreover, in relation to consumers the situation is characterised by the aging of a loyal segment. As the target segment of Allstar’s branded cold cuts is greying, the company has not been adequately successful in developing products that appeal to younger consumers. Thus, the customer base is to some extent eroding. At the same time, consumers in general are being less faithful to branded cold cut products. They are, to an escalating extent, viewing cold cuts as commodities, and they are going for private labels or discount products (Allstar 2005). This is considered a general trend for branded food products (Mortensen 2007). This is challenging the product development at Allstar since the consumers’ first purchase and their repeated purchase are important for the success of a new product on the shelves of retailers. If the product is not bought in acceptable quantities within a limited time horizon, retailers will decline buying more, and the product will eventually be withdrawn from the market.

\(^{30}\) Measured in market share.
In the quest for optimising their shelf space, retailers are continuously adjusting the appearance and availability of various brands, products and categories. To have a persistent and significant influence on the retailers’ category management, a producer has to be large, hold a really strong brand and an essential product, and preferably possess a dominant position in the value delivery chain from earth to table (Nordisk Ministerråd 2005; Grunert et al. 2005). In essence, many food-producing companies perceive that you have to meet all of these criteria and a little more to wrestle with retailers (Munksgaard 2006; Trail and Grunert 1997).

The shelf space made available is also influenced by the retailers’ increasing use of private labels competing with the branded products of the producers. The use of private labels has developed from mainly focusing on discount products to also incorporating high quality premium products carrying the retailer’s own brand31. The general trend of retailers being more accommodating of product development collaboration with producers of private label products compared to producers of brands (Elg 2002) is thus a challenge facing Allstar. Since Allstar is also producing private label cold cuts it is often both supplier and competitor in relation to the same retail chain. This is placing special demands on Allstar which the company has to take into consideration when developing new products. In the case of discount private label, the growth of discount retailing in Denmark (Statistics-Denmark 2008a) has lead to a competition between cheaper discount products and branded products. Since Allstar is also producing discount private labels for a growing discount retail market, the company is to a certain degree eroding the foundation for its own branded products, although they are rarely sold in the same discount retail store.

31 In a Danish context, there are two good examples of private labels marketed as high quality premium products: Änglemark of Coop (www.anglamarkkampagne.dk) and princip! of Dansk Supermarked (www.princip.dk). The latter also includes categories of cold cuts, spreads and salads for bread.
Summing up, although Allstar is positioned closely to the end consumer (as illustrated in figure 7.1) the company is not only dependent on consumer preferences and shifting consumer trends but also very dependent on the retailers’ stance and attitude towards new products developed under the Allstar brand. Ingredient suppliers are to a lesser degree influential on the company’s product development effort, although they are often asked for advice on concrete projects. The particular specialisation of suppliers may accordingly add to the development of a specific product, whereas suppliers in general are not directly involved in the company’s product development activities. It is of importance to note that Allstar’s central position in figure 7.1 is only illustrative, placing Allstar as the analytical centre of this case description.

Figure 7.1: Allstar’s positioning and related key actors in the company’s network setting
Allstar’s relationship to the Scandinavian mother group is characterised by a rather close strategic collaboration concerning product development. The Scandinavian group is the largest producer of cold cuts in Scandinavia, embracing several related product categories such as pâtés, spreads and salads marketed under a range of different brands. For one, the headquarters seek to standardise product offers across its various Scandinavian subsidiaries by introducing new products in more than one of the Scandinavian countries. This is, however, not always possible due to the cultural differences and related consumer preferences that can, after all, be found across the Nordic countries. Furthermore, the Scandinavian group is occupied with enhancing the marketing and product development competencies of the related subsidiaries. Therefore, the group has had a significant influence on the reorganisation which has already taken place at Allstar. Even though Allstar holds a wide authority for building and strengthening the organisation and forming the content of activities and processes in relation hereto, it is a persistent demand from the mother company that the areas of marketing and product development should be in incessant focus.

7.2 Allstar’s product development focus and strategy

When Allstar was still a family-owned business, the product development effort of the company was based on the ad hoc initiatives of one employee and of the management. Today, the former development endeavour at Allstar is seen as one of a low degree of product novelty and of infrequent introductions of new products.

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32 At the time the information for this case was gathered, the Scandinavian mother group owned 60% of Allstar. Today, the group has full ownership.
Previously, there were product development meetings once a month, where participants sat by chance around the kitchen table, taking a little look at some sales figures. Then we debated back and forth: “what does this take? We see that our salads actually do not sell very well anymore; maybe we should try something new? Yes, that might actually be a good idea”. And then we sat and talked a little about it, brainstormed a little and “then what do we do?” Sometimes it produced something and sometimes it didn’t. The frequency of new introductions was approximately one every two years, and that is just not sustainable and not at all good enough today.

*Marketing Manager, Allstar*

Based on an increased attention from the professional managing director as well as on group level initiatives for strengthening the innovative effort, Allstar has a formulated product development strategy today. The strategy has two parts: focusing on product development and on marketing. Firstly, Allstar has formulated the goal to:

*Continuously launch new and exciting products, which at any time match demands and trends of the market.*

*Company documents (Allstar 2006).*

Working with this goal, Allstar has decided to focus its development effort on one mayor introduction a year and two to four line extensions. The innovativeness is being measured in relation to products and concepts already on the market and primarily in relation to the products of the large Danish competitor. In general, the company is very focused on differentiating its product development effort from that of the competitor.
We really have to try to make something new. The novelty really needs to be high. Unless it is something that really generates a profit, we shouldn’t develop a product like XX [the competitor (ed.)]. We might also get requests from retailers saying we should develop products like XX’s. Otherwise what we develop has to be something neither XX nor we have had previously in our product line. It really has to be new, exciting and different. It has to create value. And at the same time, it should be easy for us to sell to retailers.

Marketing Manager, Allstar

The product development strategy divides new products into three different groupings as illustrated in figure 7.2. The first is new categories characterised by a high degree of novelty. To be characterised as a new category, a new product must have a large market potential and no existing and direct competition. The two other groupings are related to extensions or variations of existing product lines. The grouping named ‘conceptual extensions’ consists of new product ideas which are developments of existing products but with a twist in the sense that the novelty is more related to the concept than the actual product. The last grouping is line extensions and improvements of traditional products under the Allstar brand (Allstar 2005). In general, however, the degree of novelty of Allstar’s new products, including new categories, may be characterised as incremental.
The second part of Allstar’s formulated product development strategy states that the company will:

*Work to become the best in-store communicators in the category through the use of effective media.*

*Company documents (Allstar 2006).*

This goal has lead Allstar to mainly focus its marketing effort on various in-store advertisements, although supplemented with smaller national television campaigns. Both elements of the strategy reflect the company’s focus on using its branded products for retaining and preferably strengthening the company’s position in its product category. However, the strategic possibilities for creating value from the developmental ef-
As a producer we have limited influence on the retailers’ disposition to work with their shops, for them to seem more exciting and to provide opportunity to make nice displays and shops in shops. But we can try to affect their attitude towards it, and then we have to be ready to come out of the bush with a series of initiatives when the opportunity presents itself (...) Retailers have to think out of the box, dare take chances and move outside the conventional framework. First of all they have to create the framework for the creative expansion in the shops, and this is not done by organising your shop as the one next door. There has to be room for nice displays and shops in shops that the producers can manage in co-operation with the retailer. When the physical framework is in place and the retailers’ attitudes are open and progressive, suppliers obviously have the conditions for contributing to the consumer with an overall positive experience with the retail trade, which will generate the necessary preference for the shops and the producer’s products in the shop in question. Company documents (Allstar, 2006)

In an attempt to enhance the relationship and increase the selling of new products to retail customers, Allstar prioritises to have two representatives when meeting with retail customers to introduce newly developed products. This is considered an essential part of securing that new products are accepted. Since the Danish retail sector is characterised by three dominating players\textsuperscript{33}, the company is making an effort to obtain an even distribution so the dependence on any of these actors is not too strong. Moreover, the company strives to obtain full sale to all of the three large retailing companies providing the basis for a sufficient volume in the production. Allstar perceives retailers to hold the

\textsuperscript{33} For a short presentation of the three largest retailing companies operating in the Danish food industry please consult appendix A
upper hand in negotiations for shelf space. And this negotiation holds several aspects. When retailers announce less-performing products to be withdrawn to provide the shelf space for other new products, Allstar is trying to be attentive and sell in other of its (new) products. In the reverse situation, when Allstar is presenting new products to retailers, it is considered a balancing act to negotiate for extra shelf space or for only withdrawing as few existing products as possible. In essence, the proportions of getting new products introduced at retailers’ shelves are considered restricted.

*If we are making a new product, one might fear that when presenting it to retailers, they will accept this new cold cut based on chicken and bacon while simultaneously withdrawing our ordinary chicken product. Because these products are too much alike, and because the new product with chicken and bacon might generate a greater sale, then the old ordinary one is withdrawn. And we will not give them that incitement. We have to make something new and different which is not giving them an excuse for taking our existing products off the shelves.*

*Marketing Manager, Allstar*

Furthermore, Allstar is experiencing how retailers are trying to direct the product development of food-producing companies by setting quotas.

*Toda,y retailers are setting up quotas. And we don’t even know our quota at Allstar. When I say quota I mean in relation to sales. It might be that our quota next year is two new products or maybe one. We might get 10 new products accepted – which is however less likely. Therefore, it is of extreme importance that what we present [to retailers (ed.)] is really new and exciting. That we really believe will generate value to our brand and the category in general (…)*

*Marketing Manager, Allstar*
The options considered for gaining an influence are perceived to be closely related to the actual product. According to Allstar, the three largest retail companies operating on the Danish market are considered to be very central to the sales and to the product development effort of the cold cuts company. These central actors are also perceived to influence and determine the parameters judging who is in the centre and who is in periphery of the food industry in general. Together with some of the very large food producers dominating certain product categories, retailers are thus considered alpha and omega to the strategic possibilities and the developmental manoeuvring of Allstar. This is reflected in the company’s network picture as illustrated in figure 7.3.

![Network Diagram](image)

**Figure 7.3: Allstar’s network picture**

Whereas the retailing sector, the leading competitor and to a minor degree also consumers are considered central actors in Allstar’s product development field, so are dominating players from other product categories. For one, these large players hold the resources to back up new
products presented with extensive marketing campaigns. In the eyes of Allstar, this makes retailers anticipate a more profound marketing effort also from smaller suppliers, even though retailers acknowledge these may have less of a budget. Secondly, due to their size, these large food-producing companies are capable of influencing the retailers’ category management. Allstar perceives this influence to indirectly affect Allstar’s new product introductions and the placement of their new products on the shelves.

Another influential actor on Allstar’s product development activities and effort is the Scandinavian group. Taking into consideration the group’s goal of having a certain degree of standardisation across associated companies, the mother company may from time to time request Allstar to e.g. screen the market for the potential of making a Danish introduction of a new product developed elsewhere in the group. Furthermore, the management at the mother company has decided to operate with a rather limited marketing budget restricting the possibilities for e.g. making a more profound campaign on national television.

Summing up, at Allstar the strategic intent is grounded in a product perspective. The aim of Allstar’s product development effort is to develop more novel products supported by novel advertising initiatives. Therefore, Allstar defines product development activities as related to entering retailers’ shelves. Entering the retailers’ shelves implies contributing to retailers’ marketing activities as well as trying to influence the retailers’ category management. These aspects are considered the prime factors for complying with retailers, as well as other dominating actors and competitors, and thus central for reaching end consumers with new products.
7.2.1 A partner to involve in product development

With the formulated product development strategy, Allstar is aiming to retain its position by working more systematically and offensively with the challenge of getting new products to the retailers’ shelves and to end consumers.

The overall mentality (...) is actually just that we put innovation into frames and systems. (...) Thus, we have kind of chosen to aim very offensively now. Now something has to happen. (...) Innovation is simply a must for us if we have to justify our existence and expand our business. Marketing Manager, Allstar

However, Allstar is faced with several barriers when pursuing its product development strategy. Based on past experiences, Allstar perceives the pressure for product development neither to be derived solely from consumer preferences and evolving trends nor to be based exclusively on the wake of the competitive situation but certainly as a demand from retail customers. When visiting customers in the past, Allstar has received comments on the company’s lack of innovative achievements.

They simply thought that Allstar was too dusty, and we were not innovative enough. We were not progressive enough. (...) The purchase manager there [from one of the larger retail companies (ed.)] has given us this message many times. So has the former head of purchase [from one of the other big retail companies (ed.)]. He gave us a similar message. Marketing Manager, Allstar

These indications have led the management at Allstar to reconsider its development effort. Evaluating on different initiatives for enhancing the
novelty and frequency of new products introduced, Allstar has come to the conclusion that developing new products solely based on consumer analysis may not be sufficient.

We have to acknowledge that in retail there really are barriers that we must force first, and actually that is not even enough. We have previously performed some surveys of consumers, which we took to the retailers to prove to them that there is consumer acceptance for the concepts in question. That the consumers have an interest for this, and thus the retailers simply ought to include it in their assortment. Because we clearly believe that we can sell it here, and there is a demand from the consumers. It is not enough; it does not always convince them. We have done this several times. Thus we aim at retail, which is actually most of the time our biggest challenge, when we have to sell concepts or succeed with them. Some of them are pigheaded: the buyers (...) If the buyer from retailer YY for instance does not like chicken with carrots well then such a product simply does not go on the shelves.

Marketing Manager, Allstar

Reflecting on this challenging situation, Allstar approaches an advertising agency to discuss the options for strengthening the innovative effort of the company. Whereas the advertising agency PROmotion for some years has been providing standard marketing material to Allstar, a strong personal relation between the owner of PROmotion and the marketing manager of Allstar has developed the business relationship into a more profound partnership. In their dialogue, the partners agree that the advertising agency should become directly involved in Allstar’s product development activities. The initial idea and intention is that PROmotion offers its knowledge related to food trends, consumption and consumer behaviour as well as insights of the retailers’ demand for advertisements. In the joint product development effort, PROmotion is thus to contribute with innovative input and ideas reflecting the new-
est food trends. Additionally, the agency is to fashion the advertising, supporting the way of new products to retailers’ shelves. In this sense, PROmotion is replacing retail customers or consumers as development partners.

**PROmotion is good at spotting trends and what consumers look at i.e. what is interesting to shop for, (...) the way the products are wrapped. And then of course paying interest to what retailers do. Sometimes they have been abroad to observe things. Then we get access to their information.**

*Sales Director, Allstar*

Whereas Allstar’s search for an innovative partner grew out of an existing partnership with the advertising agency, the ground for building closer relationships with retail customers as a basis for involving these customers in product development activities never seized to emerge. The reasons for Allstar not succeeding in building a close relationship with a retail customer, laying the ground for the retailer to directly contribute to the development of new products under the Allstar brand, may be many. For one, Allstar is second in a stagnant product category, and therefore it might not be considered to be an interesting development partner by retailers. As a producer of branded products, Allstar may not be considered an interesting development partner because retailers are, to an increasing degree, introducing private labels competing with Allstar’s brand. Thirdly, and related to the retail customers’ perceptions of Allstar, the company might simply not be professional enough.
7.2.2 Product development meetings – the Allstar Forum of Innovation

To provide a solid ground for creating the wanted position and hunt the outlined strategy, Allstar formed a Forum of Innovation (FOI) involving the agency PROmotion.

The purpose of our Forum of Innovation is to renew ourselves continuously and offer new products and product categories, which correspond with market demands, demands for new products and the expectations consumers and customers have of us. (...) Fundamentally, we believe that this Forum of Innovation is simply a prerequisite for existing or for (...) ensuring that our existence is justified in the future. Because we believe it is new products that help ensure the survival of our brand.
Marketing Manager, Allstar

Thus, the aim of FOI becomes working more structured and determined on developing new products and concepts under the Allstar brand. The marketing manager got the inspiration to form the Allstar Forum of Innovation from a similar initiative at a large Danish food-producing company. Along with the owner and director of PROmotion, the marketing manager contrived the FOI concept as a basis for enhancing the product development effort at Allstar.

The FOI members are selected based on the personalities and the enthusiasm of the members whereas less emphasis is placed on the members’ daily function at Allstar. At Allstar, several employees from the departments of sales, marketing and product development may be considered regular members while other colleagues may be invited on occasions when a topic relevant to their function is debated in the forum. Also participating in FOI meetings are representatives from the
advertising agency PROmotion. The FOI members from PROmotion are the three employees that handle the Allstar contract at the agency.

The FOI participants meet two to four times a year with varying time intervals, depending on the developmental status and issues considered relevant for the forum. It is always Allstar that makes this consideration by calling for a meeting, and the marketing manager of Allstar sends out an invitation including an agenda to every individual participant in both companies. The sessions focus on generating ideas and concepts for development and launch under the Allstar brand. Every meeting includes a three-to-four-hour brainstorm for new product ideas, using various techniques. The result is often a long list of ideas for new products. Participants from Allstar as well as PROmotion discuss the market potential of the ideas and evaluate them against Allstar’s innovation strategy. The ideas considered most valuable are selected for further development.

Prior to FOI meetings, the development staff at Allstar is busy prototyping new ideas while the marketing department carries out various market analyses and consumer market assessments building a common foundation for preparing a presentation for the managing director. Even though he does not participate in FOI meetings, the managing director of Allstar retains the final word when it comes to launching new products. On one hand, the managing director’s acceptance of new prototypes triggers the final preparation of new products to mass production at Allstar. On the other, it is the cue for developing and finalising advertising material at PROmotion consisting of packaging and labels as well as consumer advertisements and in-store retail campaigns.

7.3 Presenting the involved partner – PROmotion

The advertising agency PROmotion is a small bureau established in 1962, currently employing 15 people. The agency has a distinctive strategic focus which reflects the combination of employees with other
backgrounds and educations than those often found in the advertising business. PROmotion declares a special focus and area of expertise in servicing customers with limited resources and budget for advertisement and communication. Furthermore, the agency is seeking to specialise in servicing companies that face large and strong competitors. The agency’s customers operate on business and consumer markets.

Whereas most of the advertising agency’s customer relationships may be characterised by the delivery of standard advertising material, PROmotion has developed closer and more developmental partnerships with selected customers. The aim of these closer relationships is to contribute to and strengthen the partner’s product development activities.

*We are trying to take a general view of the opportunities in the market and where things can get sold (...) I believe they [Allstar (ed.)] are choosing our participation rather than that of other actors because of the more general view. It is only in our interest that the retailing, packaging and everything are working. Our function is very general at Allstar. I would say that we are taking a broad view on opportunities. (...) Essentially, we have a feeling of the market, and they know their craft. We can’t bake bread, we can’t produce cold cuts, but it is our job to have a feeling of times changing and the current trend. That is why we are a good sparring partner.*

*Assisting Graphic Designer, PROmotion*

Drawing on its knowledge from operating in and collaborating with companies from both consumer and business markets, PROmotion is taking on the role of a market actor advancing the product development effort of its partners. Even though Allstar is a relatively small customer for PROmotion, the agency considers involvement as a way to develop its internal competencies for understanding customers and acting as a development partner. The involvement in the earlier phases of Allstar’s
product development process increases PROmotion’s knowledge and understanding of new products and enables them to produce advertising material in parallel with the product development at Allstar.

7.4 The Allstar – PROmotion relationship

The relationship between Allstar and the advertising agency PROmotion began in 2000, before Allstar established an actual marketing department. All marketing activities were outsourced to the bureau. Most initiatives and marketing activities were planned and executed ad hoc. With the establishment of the marketing department of Allstar and with the hiring of a marketing manager, more effort was dedicated to making a more systematic endeavour. A solid foundation for a relationship growing stronger and closer was also the development of a strong personal relationship between the newly hired marketing manager at Allstar and the owner of PROmotion.

The common ground for the participation and endeavour of the partners in the Forum of Innovation is the common interest in strengthening Allstar’s innovativeness by increasing the novelty of the company’s branded products. Whereas it is the strategic intention of Allstar to retain and if possible enhance its position on the market, PROmotion’s interest emanates from a creative interest as well as a commercial interest for securing the future business with Allstar and other customers. However, it is also the intention of PROmotion to strengthen its capability of acting as a development partner. In its quest for assisting Allstar, PROmotion is accordingly taking on a role of helping Allstar to become more innovative, in essence, replacing a customer as a potential development partner.

As Allstar engaged in the process of adding focus to product development and the marketing related to its branded products, and as PROmotion got involved in the Allstar Forum of Innovation, the partners
also collaborated on modernising the Allstar logo along with the design and packaging. PROmotion also got involved in the updating of Allstar’s homepage as well as several initiatives to communicate with consumers on national media and in-store retail campaigns. These activities are intended to support Allstar’s product development effort and strategy. Being part of the FOI is by PROmotion seen as an advantage for the related communication activities.

…it is most certainly of great value to them and to us that we are involved from the birth of those products and concepts. It provides us with a conceptual understanding. This is making us faster in grasping the essence of the communication. It makes us understand what it is all about, and it gives us a better expression. That is what it is all about.

Owner, PROmotion

However, PROmotion sees its involvement and role in the Allstar FOI as more than related to the communication to consumers. The agency perceives that it is contributing with new angles on new ideas through its insights on current trends and its general view on the food industry. PROmotion is thus perceived to complement the professional and technical perspective of Allstar. When Allstar is facing technical or organisational barriers restricting their innovativeness, PROmotion perceives its role to go through the roof, so to speak.

…often when a product is developed, I think, and this does not only apply to Allstar, there is a risk that the marketing angle has not been applied to the development. There is a great risk, especially in very skilled companies, that they develop something, where they include much of their own expertise or maybe they have also seen that something can be produced lucratively, and that there is a market for it. But it can still go wrong if there has not been thoughts on what context in which to
put the product. And how do we find the customers? That is very much PROmotion’s role, I think. To widen the perspective a little, every time. We can imagine a little more because we do not quite know their limits or their boundaries. There are also limits that are only imaginary. This is how it is to all of us. And we may naturally cross these limits simply because we are not part of it.

Art Director, PROmotion

This view on the contributions of PROmotion to the development effort is to a wide extent consistent with Allstar’s perception, and the collaboration with PROmotion is, hence, valued by Allstar.

[Working with PROmotion (ed.)] is kind of skipping the traditional framework for product development that might be very traditional in our business, I think. To get input from others, other worlds, that is. (…) When you are sitting with those advertising people, it is a completely different way of thinking they have and a completely different approach. They look at completely different things. And it is obvious that it is very inspiring to have someone that sees things in a different way.

Product Developer, Allstar

At Allstar, employees express how the collaboration with PROmotion has provided the product development team with an additional understanding of market and consumer related issues. Combined with its own more technically related knowledge, it provides a firmer ground for evaluating new product ideas. Likewise, the sales department and the product development department have gained a greater understanding of each others’ work. The mutual understanding of the other’s areas of expertise is creating an insight that is also enhancing the daily collaboration between the different departments at Allstar. Still, the marketing
manager at Allstar questions himself from time to time whether the power balance in the relationship is tipping.

*I think that sometimes we may be a little naïve [sharing so much with PROmotion (ed.]) (...) but I have not experienced any backfire. Although, I can imagine how some people might consider us, well, a little naïve.*

*Marketing Manager, Allstar*

However, PROmotion may seem very dedicated to its involvement in the Allstar Forum of Innovation. For one, PROmotion does not get paid for its participation, and moreover, Allstar’s budget and spending at the agency have not increased significantly during their development partnership. Still, PROmotion believes it is gaining from the involvement.

*I would say that it is an insight for us. I also learn to understand them and know them much better. When they sit here with their individual functions, and I bring up an idea, there might be two arguments from the sales manager that make it possible for me to understand why the idea is not valid because I had not thought of that. Thus, in my case it is a question of insight to and knowledge of the company. It gives an understanding of the fact that it does not only have to look good; it also has to work in all circles. This means that we help development. In this way, we know each other well, we get closer, we become friends with our customers more easily, and we remove the stiffness that sometimes exists in customer meetings. And then it just means that it is important for us. After all, it is our job to develop ideas and it is easier for us to do it this way.*

*Assisting Graphic Designer, PROmotion*
Recently, the relationship between Allstar and PROmotion has developed to also incorporate more strategic elements. To an increasing degree, PROmotion is becoming involved in the general strategic discussions and considerations of Allstar e.g. by participating in their annual strategic seminar.

### 7.5 Joint product development effort

The joint product development collaboration between Allstar and PROmotion in the Forum of Innovation is an ongoing effort where the parties at every meeting are trying to come up with new ideas for new products and concepts to be introduced under the Allstar brand. The work of the FOI is not as such seasonally conditioned. However, the consumption of several of Allstar’s branded cold cut products is related to specific seasons. Furthermore, since the FOI endeavour is also targeting the retailing sector, some considerations are given to directives of new product introductions set by retailers who call for new product presentations around New Year and in the early autumn. Accordingly, the collaboration in the FOI is an ongoing effort taking into consideration the shifting seasons, where new joint meetings are arranged and called for by the marketing manager of Allstar every two to four months.

This case description is entering the process a year and a half after the first FOI meeting. In the forgone time, Allstar has introduced a series of four new products (a new category according to figure 7.2) with a degree of novelty which was considered a reasonable success in terms of reaching the sales budget (Allstar 2007). One additional new larger category was stopped in the prototyping process because the Allstar management considered it too resource-demanding when counted both in marketing costs and employee’ time. This new category was thus dropped completely. Instead, another category idea was fostered in the FOI, developed and is in the process of being presented to the retailing sector with planned introduction in the coming spring.
Two meetings in the Forum of Innovation compose the basis for this case description. At these meetings, several ideas for new products and concepts under the Allstar brand are generated and evaluated in continuation of the formulated product development strategy. At a previous meeting, a new idea for a new concept has been brought up by PROMotion. At the first of the observed meetings, this idea is further developed but eventually the managing director of Allstar vetoes against it. During meetings, the participants moreover generate ideas for a conceptual extension of the concept introduced the year before. Several ideas come up, and from the first meeting to the second Allstar’s product developers have developed a new prototype that is tasted by the participants. Finally, a request from a retail customer on a product line of high premium quality products is discussed, and several ideas form the basis for the product developers’ continued prototyping.

7.5.1 Joint development meetings at the Forum of Innovation

Even though joint meetings between Allstar and PROMotion at the Forum of Innovation may centre on varying themes and result in a range of different new product ideas, some patterns are also apparent, such as a reiterated structure and the flow of meetings. Some ideas are discussed on several meetings e.g. recapitulating further developments of the idea, related analysis or testing, etc., or potential barriers for implementation.

Meetings held at different conference hotels start with Allstar giving a status report on current projects and newly developed products just about to be or recently introduced to retail customers. Problems encountered and successes experienced in relation hereto are briefly discussed. Problems emerged in relation to new product ideas developed during previous meetings are also discussed.
Table 7.1: Participants at joint meetings in the Allstar Forum of Innovation

The main part of the meetings is focusing on the generation, discussion and evaluation of new product ideas. Ideas may be proposed by any participant and presented one by one or several at a time, discussed and evaluated altogether. However, ideas are always categorised, either by the presenter or jointly, in relation to the three groupings outlined in Allstar’s product development strategy (see figure 7.2). The personal background and function of each individual in their company seem to reflect their presentation or the way they come up with new ideas (see table 7.1). The new product suggestions of the sales manager reflect his discussions with retail customers and might even be a request from a customer or observations of competing products already on the market. The product developers are drawing on their knowledge of different ingredients and ideas obtained through suppliers. These roles may not seem that surprising, but they play a supplementary function in the further discussions and in the evaluation of new product ideas during the meeting. The knowledge and expert area of each participant is used as an evaluation and representation of actors not present at the meeting. During idea evaluations, the experience of the sales manager of Allstar represents the perspective of retail customers whereas the product
developers represent production. Since the managing director of Allstar is not participating at the FOI meetings but holds the final word on every new product introduced by the company, the marketing manager represents the assumed viewpoints of the managing director. In the evaluation and discussion of new product ideas, PROMotion participants are contributing with their knowledge on consumer behaviour and food trends. In discussions and reflections on the retail customers’ actual and probable reaction to a new product idea, PROMotion’s insights and knowledge are complementing that of the sales manager.

During the meetings, discussions and idea evaluations are kept in an open and friendly tone. Every idea coming up is evaluated and debated from the present different expert areas. Arguments building on the different expert areas of the participants are equally respected, and the participants use their complementing knowledge to further develop the content and scope of ideas for new products and concepts under the Allstar brand.

For every idea or compilation of ideas put forward, the same subsequent sequence of discussions is turning out. This sequence is, with minor variations, emerging independently of the novelty of the product, the new product’s classification in the product development strategy and the participant presenting the idea. The discussions are loaded with limitations, barriers and potential problems related to the actual development of a new idea into a new product. These limitations and barriers are accentuated by every participant, and, in most instances, related to their individual area of expertise. There is not a pattern in who brings up a problem or barrier first or the most; instead, there is a repetition in the variation of themes or groupings of limitations or barriers related to the further development of an idea.

One dominating theme or grouping of limitations is connected to Allstar’s internal working procedures and resources. Potential problems brought out may be related to the production of Allstar’s products ei-
ther in terms of ingredients or packaging not compatible with the company’s existing machinery. Discussing the introduction of a new product developed on a request from a retail customer asking for a new line of premium quality products, the representatives from Allstar perceive the packaging as a barrier for bringing the new product line to the market:

**Marketing Manager, Allstar:** We have a huge problem in getting a new container.

**Product Developer, Allstar:** Yes. It is going to take a long time.

**Sales Director, Allstar:** If it is dependent on that then we might as well park the project. If we are dependent on a new machine.

**Product Developer, Allstar:** It is going to take a year.

**Sales Director, Allstar:** And if we know this up front then we have to relate to it. Then if we choose to say that premium cold cuts depend on whether we get a new container then we might as well call it off and tell retailer NN that it is not going to be this time around, let us talk about it next year. But then we are not very professional.

**Owner, PROmotion:** But the retail customer has no demand for a new container, do they?

**Sales Director, Allstar:** No

**Owner, PROmotion:** Well, then I think we should make the best of what we have because they are actually of a pretty high quality.
Sales Director, Allstar: That is also what I think.

Owner, PROmotion: Then the challenge is just the design that has to stand out, and it can.

Sales Director, Allstar: Yes and if we get the task, after all the best thing is to get a request from retail to make this product, we would like to buy it, we think we can sell a lot of it, then I think we should meet the challenge.

Owner, PROmotion: And when you get at new container in a year, then you can write “new” on it. Then you have a relaunch just by changing the container. And it works on the consumers because, hey, what has happened now? It might be the extra chance.

Marketing Manager, Allstar: Then we will also have that opportunity if we use our normal 175g container, now that we have turned it so that we can offer the retail customer a premium cold cut.

Owner, PROmotion: Exactly, and then you still have these.

Another area of perceived barriers is related to the veto right of the managing director of Allstar and his strong influence on new product introductions. Although he did not participate in person at the joint FOI meetings, he plays a significant role in the discussion and evaluation of ideas and suggestions. The discussion related to the packaging of a premium quality product requested by a retail customer is continued at the following FOI meeting, but now the discussions of limitations are related to the veto obtained from the managing director:
Development Manager, Allstar: Where are we with regard to the container situation? The managing director wants a container for this.

Marketing Manager, Allstar: We are really deadlocked by this. He wants us to have a different container, but we are not allowed to rebuild our machines. We may not buy new lines that can be used to produce the new containers, and no money can be invested in new lids and such, cassettes for our production machinery. So we need some different containers that have the exact same lid; this severely limits our possibilities.

Art Director, PROMotion: So you are producing the same container in blue?

Assisting Graphic Designer, PROMotion: You cannot put some gold foil on it either?

Marketing Manager, Allstar: Perhaps.

Development Manager, Allstar: We have moved away from the foil.

Sales Manager, Allstar: Mr. Mike, I was wondering about the time we made cold cuts for retailer NN; we made those cookie containers which we should be able to use.

Product Developer, Allstar: No, because I talked to the production manager about that, and it was put in the grave back then because it was not at all functioning. We were closing them by hand.
Art Director, 
PROmotion: That is those delicatessen containers, right?

Product Developer, 
Allstar: And we have not produced more because I talked to the production manager about it.

Sales Manager, 
Allstar: I do not understand that, because the managing director said...

Product Developer, 
Allstar: Yes, the managing director said that, and that is why I went to ask the production manager which machines it was, and if they were running, and they were long gone. However, we can ask the production manager again. I was thinking about that other container with a transparent lid, and then you are still able to see the product inside. I like it when you can do that.

Marketing Manager, 
Allstar: Black also has some quality about it.

Art Director, 
PROmotion: You could just make a black lid.

Product Developer, 
Allstar: Yes or with a black bottom.
Art Director,
PROmotion: That was exactly what I told Mr. Lund; that, if it is possible to get new things, then I think that you have an incredible amount of options for differentiating with regards to the label and the container. And I think I said that it would not stop there; that you could not get a new container. In a way, I do not think that you can say that the possibility of making a new container is a bad idea. You mentioned yourself that it was a super idea. But if it is something that you can only do in three years from now then I think it is worth trying a black lid or a black bottom.

Marketing Manager,
Allstar: Well, I agree with you on that, Mr. Thorn, and I actually disagree with the managing director a little, as I feel that he places more value in the shape of the container that it has. What is most important is the look of the label when you are looking in the refrigerated counter. Either way you cannot see if the container curves like this or like this when you are looking into the counter. It is the label that provides you with the first impression. But if it is in the counter then it does not matter.

Perceived barriers may also be related to the directives of product development and marketing outlines from the Scandinavian group, or they may be related to retail customers’ assumed reaction to new products or demands of concomitant marketing activities when new products are introduced. When a line of potential and perceived limitations and barriers are put forward by Allstar participants, the above quoting reflects how PROmotion emphasises the creative process and tries to modify
the perception of these issues. Accordingly, PROmotion may start brainstorming on how to find alternative solutions and ways to cope and deal with these issues. They are making an effort for new ideas not to dilute but to gain the most inspiration from each idea for the further creative process. The participants from PROmotion may, however, also raise potential limitations during evaluation of new product ideas. These limitations may be related to issues of presumed consumer behaviour. To a strong extent the limitation accentuated by PROmotion also relates to the potential incongruence between a proposed idea and Allstar’s product development strategy. PROmotion takes on the role of holding on to the strategy for development, as stated by Allstar, as well as repeatedly categorising ideas coming up in relation to the strategy. Moreover from time to time, PROmotion takes on a role of stressing the novelty and innovativeness in idea generation e.g. by bringing up a general discussion of perceived product development limitations at Allstar related to the ingredients used or the packaging material.

The structural pattern of the FOI meetings reveals how every ideation and evaluation of new product ideas, including discussions and troubleshooting of perceived and assumed barriers, is completed in an encouraging atmosphere where the participants confirm each others’ belief in a given idea, leaving the subsequent prototyping to the product developers of Allstar when they return to their development kitchen the following day. Since prototyping and testing is not an inherent part of joint meetings between PROmotion and Allstar, the outcome is that they have to follow up on a workload of ideas and suggestions for the product development department.

### 7.5.2 Subsequent activities

The activities related to generating ideas for new products and new concepts to be introduced under the Allstar brand unfolding at the joint FOI meetings between Allstar and PROmotion result in and are tied to
other development activities in the Allstar organisation. Following up on the ideas generated in the Forum of Innovation, the development department of Allstar experiments and makes prototypes. Besides developing a physical prototype for further tasting and evaluation, the development department is making inquiries and maybe even trial productions seeking for potential limitations related to the company’s production facilities. Experiences show that certain ingredients or the use a new packaging may prove to cause the production to break down, and such problems are thus sought eliminated. Together with marketing, the development department also does initial calculations on price which is perceived to be an important criterion for evaluating whether the new product is to be presented to retail customers. Furthermore, the competitive situation is identified in terms of investigating which similar product may exist and whether the large competitor carries similar products. Marketing is additionally responsible for making evaluations of the expected market potential and required marketing budgets. These market evaluations are seldom based on actual market analysis or consumer testing. Rather, they are based on existing experiences and individual hunches.

New product ideas born in the FOI and further developed and investigated in the product development and marketing departments are later presented to the managing director of Allstar at product development meetings. Product development meetings are an opportunity for internal discussions of the potential of new products in accordance with the overall strategy of Allstar, and they are held every fortnight. At these meetings, the managing director gives his approval or disapproval for further development of a new product idea. In other words, these meetings are the managing director’s opening to use his veto right in product development. This leads to a growing frustration among employees at Allstar.
The things that have been developed or projects where the idea came from the Forum of Innovation; it then goes into a different forum, then it goes to product development and then the process just stops. Nine out of ten projects, if that is even enough, have stopped. Well, it might be because, well... Our managing director does not think that there is a market for it or it is too far from our category; that it is simply too risky or there is something that looks like it or... There have been so many reasons. So it has sometimes had the opposite effect of an innovation forum. It is when you reach a new level with it and you are ready to present it that it... Well, in short it is stopped. So the discussion about this has often been about whether the ideas should be discussed with the managing director before we begin the actual product development. It requires some resources.

Product Developer, Allstar

Sometimes I might think that it can be a disadvantage that we, in my opinion, usually are participants capable of making decisions in our Forum of Innovation, and yet not capable enough because the managing director is in an incredibly dominating position. He also has a say on what to do with regards to all the things that, well he also has a lot of competence in this field, but there it might be in its place for the managing director to participate more in the innovation forum. The question is still how much he should be involved. It ought to be up to us to say that this is what we will be doing because we have to try it, right? There might be some things which we have had really good discussions about, but in the end they might be stopped because we say that it cannot turn into anything because there is not enough faith in the project.

Sales Manager, Allstar

That this frustration and lose of faith in the FOI initiative is besieging the product development department may not come as a surprise since
Ideations and suggestions from joint meetings with PROmotion are placed on the product developers’ table in order for them to follow up on. Their frustration is thus linked to the workload of prototyping and testing new ideas as well as the unworkable task of carrying new ideas to the managing director. Exacerbating the problem, the Scandinavian group increasingly condition development and marketing resources to be allocated in order to prepare the Danish market for new products developed centrally. The scenario is also influencing the engagement of PROmotion who is questioning whether Allstar is really gaining the full potential from their collaboration.

And in the end he can do like this with everything [thumbs down (ed.)]. And I know that this has sometimes put the desire to develop on hold for some of the people down there. Here, I think that the idea of the forum would be a good one if the post carried more authority within the company, and then the forum would also be a lot better (...). And here I sometimes think that those who have come from Allstar have come a bit downcast; that they were not completely sure if what they thought of could be used for anything, and what actually happens again is a creative process. If you have to think of something that is new and never seen before, it requires a lot of creativity. If you are also under a lot of pressure from home; you do not really believe that you will come up with something, but it has to be finished soon and make a lot of money and so on. It is stressful if you place that amount of importance on the creative meeting, and the process will work in the way that you try to get out of it as fast as possible with as little personal commitment as possible (...) in the creative process, the brain simply can’t work under that pressure. And in my opinion something has gone wrong within the organisation. And then they will not be able to get full use of the co-operation they have with us.

Art Director, PROmotion
New product prototypes, that have passed the approval of both product development meetings and got accepted by the managing director and have also been bacteriologically tested by the quality department and endorsed for their shelf life, are now as good as ready to be presented to retail customers. These product development activities are illustrated in figure 7.3. At this stage of the process, PROmotion finalises dummies for packaging and labels. For this it draws on the insight and knowledge of the new products and concept obtained through the engagement and participation at the Forum of Innovation.

Eventually, new products are presented and sold to retailers by the joint effort of the sales and marketing personnel of Allstar. Sometimes the managing director participates when presenting new products to one of the three big retail customers. New product prototypes are presented for tasting along with packaging dummies and the intended marketing plan. Any suggestions from retailers on ways to improve the new products are taken into consideration if in any way possible. Suggestions may concern improvements of texture or taste, or additional in-store marketing campaigns.
7.6 Concluding remarks

The strategic intention of Allstar is to retain its position by developing more new products that reach retailers’ shelves, that are more novel than competing products, and that become a selling success among consumers. To accomplish this objective, the company considers it important to not only develop products with a higher novelty, but also to support the introduction of new products with adequate marketing campaigns. In this sense Allstar’s developmental effort is very much centred on the actual new product. The collaboration with the advertising agency, PROmotion, is intended to underpin this effort. The joint development meetings at the Forum of Innovation may thus be contemplated as one step in a sequence of several activities related to the development of new products and concepts under the Allstar brand. Since FOI meetings are a recurrent event, the collaboration with PROmotion is considered to be an integrated part of the overall product development effort of Allstar.

The Allstar – PROmotion relationship has been developing from the traditional buying of advertising material to a closer, dialogue-based collaboration focusing on product development. The close, collaborative dialogue is both reflected at the discussions at the meetings in the Forum of Innovation as well as in the close personal relations especially between the marketing manager of Allstar and the owner of PROmotion. Discussions are often centred on the stated product development strategy at Allstar and the potential strategic developments of the Allstar brand. Both parties perceive the relationship to be an extraordinary one, thus extending beyond the joint effort of focusing on the development of new products to also include strategic issues related to Allstar’s general business development.

Whereas the parties’ joint intentions and efforts are building on perceived market demands and prerequisites, the internal resource mobilisation at Allstar seems to play a stronger role in the organising of
product development activities. The right of veto held by the managing director of Allstar, when it comes to which new products to launch, as well as the guidelines for new product introductions, and the limited resources of the company’s marketing budget, are all factors that influence and restrain the joint product development effort with the advertising agency. Even though joint meetings at the Forum of Innovation are regarded as an inspiration and motivation for succeeding product development activities, the meeting may in reality be considered more of an input resource than an integrated product development activity for Allstar. In this sense, FOI meetings become one among many other product development activities at Allstar, and especially, internally held product development meetings with the managing director are more essential to the developmental outcome.

It is questionable whether the intended or the potential effect from the involvement of PROmotion is reached. On one hand, there seems to be an internal incongruence in the organisation of the objective at Allstar and the potential of the product development collaboration with PROmotion. At least the collaboration has not had a significant influence on the internal organising of the product development activities at Allstar. In other words, the absence of process adjustments or developments is, in this sense, blocking for the development of new products. On the other hand, in spite of the contribution of PROmotion with knowledge and input on consumer trends and on the expected demands from retailers, as well as with possible communication-related and marketing-related activities for introducing a new product, the interdependency between Allstar and PROmotion is not calling for a mobilisation of resources. Even though PROmotion is given the role of a customer in order to contribute to the product development activities of Allstar, the advertising agency does not hold the impact of a customer.
The previous four chapters constituted detailed case descriptions of collaborative product development efforts. Providing a general and cross-case analysis, this chapter will discuss how Danish food-producing companies may organise collaborative product development activities with industrial customers or other market actors. Taking a closer look at how food companies organise product development activities will, for the present purpose, imply discussions of how these actors define, divide and co-ordinate their product development effort. The intention is not to endow with a full covering and understanding of the organising of product development activity in the Danish food industry. Instead, the analysis will highlight organising attempts based on the four presented cases, inferring lessons to be learned from the study.

Delineating organising attempts will imply two steps in the analysis. The first section of this chapter will address the question of how Danish food-producing companies organise their product development effort through routines. Routines for organising product development activities in collaboration with customers are found to facilitate the commercialisation of new products and thus to ease the trail of new products to end consumers. Furthermore, routines are built by the product-developing company to create cohesion between its own activities and the
activities of the involved customer. The chapter’s second section concentrates on analysing and discussing why Danish food companies routinise the organisation of product development activities. Explanations of why are sought through discussions of the companies’ strategic intentions and their underlying network pictures. Further insight is gained by analysing the co-ordination between the collaborating product developing company and the customer as conditioned by activity interdependencies and resource mobilisation. Finally, the role of joint product development meetings is to denominate essential events in the process of organising product development activities and routines. The third and final part of this chapter will summarise the analysis.

**PART I: HOW FOOD-PRODUCING COMPANIES ORGANISE PRODUCT DEVELOPMENT ACTIVITIES THROUGH ROUTINES**

**8.1 Routines for organising product development activities**

Based on the analysis of the four cases, this section will argue how Danish food-producing companies are building routines for organising the joint product development effort with customers. One reason and weighty argument for Danish food-producing companies to build routines for product development may be found in the industry’s characteristics and challenges (as reported in chapter one), possibly pushing actors to strive for increasing effectiveness in product development. In other words food-producing companies are challenged to develop many new products and reduce time-to-market and secure regular market introductions while accommodating with the business practice of intermediating dominating actors. This quest for effective product development may restrict the degree of customisation. When customised and strongly adapted, product development cannot be capitalised in the food industry. Building routines utilised across various customer relations may be one way to reach economies of scope.
This section will scrutinise the characteristics of routines for organising collaborative product development activities by comparing the joint efforts across the presented cases. Further, the analysis will focus on the content and configurations of these routines. Finally, it will be explored how various routine elements and standardised product development activities are assembled and tailored to customer collaboration. In the collaborative organising of product development activities, relationship-adjusted routines seem to be emerging, although adjustments may be stifled by existing organisational routines.

8.1.1 Organisational product development routines co-ordinated across actors

As it has already been argued in the introductory chapter and shown in the four cases of this thesis, product development in the Danish food industry can be characterised as repetitive. The repetitiveness occurs when product development within a company is seasonal and contingent on incremental variations of the selling successes of the last year. Or when product development projects contain repeated activities conducted in collaboration with various customers. In each of the four cases a range of product development activities can be identified to contain elements that intuitively may be connected to the development of new products in a food industry context: ideation, prototyping, testing as well as some kind of evaluation or selection of which product ideas to develop and launch. When illustrating the sequences and flow of these activities (see figure 8.1), easily recognisable repeated patterns of operating procedures appear.
Figure 8.1: Activities repeated every season or for every project forming routines for product development in the case companies (equivalent to figure 4.4; figure 5.4; figure 6.2 and figure 7.4) Continues on next page.
Figure 8.1 (cont.): Activities repeated every season or for every project forming routines for product development in the case companies (equivalent to figure 4.4; figure 5.4; figure 6.2 and figure 7.4)
Joint product development meetings

Customised products

Product testing

Seasonal product line catalogue

Production

Customer requests

Product testing

Seasonal product line catalogue

Customised products

Joint product development meetings

Presentation To retailers

Product dummies

Product development meetings

OTZ – Chicken Delight
Aston Proteins – Gellert - Stern

Market trends report

Idea generation

Prototyping
These repeated activities are interdependent in the sense that the output from one action (e.g. ideation) is the input for another action (e.g. prototyping). Closing the circle of the core definition of organisational routines (as proposed by Feldman and Pentland 2003), these repeated, easily recognisable patterns of interdependent actions are carried out by multiple employees in the focal case company and the involved customer. In other words, these may be considered as the routines revolving around the development of new food products at the focal case companies. These are the routines that need to be organised across actors collaborating for product development.

Looking across the flow of activities and routines from the four cases illustrated in figure 8.1 similarities as well as variations may be identified.

- **Ideation** activities for getting new ideas for new food products are very much alike across cases. Ideas may arise from the customers’ input. Customers may directly request new ideas or new products or may contribute indirectly with new ideas. The indirect input can build on sales intelligence gathering the inquiries of several customers e.g. during the past season. Ideas may also build on variations of the products of last season.

- Routines related to **prototyping** are performed differently across cases. Although prototyping is in all instances conducted as a means for tasting and/or evaluating potential new products on varying criteria, prototyping is e.g. an inherent part of Aston Proteins’ application meetings and thus conducted jointly with customers. Whereas in the other three cases, prototyping is carried out either before or after joint meetings with product development partners.

- In every one of the four cases, the focal product developing company is **testing** new products before launch. The tests are, on one hand, determined by legislative requirements concerning food
safety, quality and hygiene. On the other hand, product testing may also concern the involved customer’s specifications for e.g. product appearance, texture or ullage (the amount of water loss from the product when prepared and cooked). In the cases of OTZ – Chicken Delight and Aston Proteins – Stern, the customer is conducting additional product testing.

• Procedures for *evaluating* new ideas and new products display the greatest variance across cases. Whereas evaluations and discussions of the usability and potential success of an idea or product can be considered inherent elements of joint meetings, the authority to decide which new products to launch may be situated elsewhere. In the case of OTZ – Chicken Delight, the decision of which new products to introduce under the Chicken Delight brand is taken centrally in the Chicken Delight organisation. OTZ’s collaboration with Euretail differs. Here, the customer decides immediately at joint meetings which new products to launch and when. The joint development efforts of Aston Proteins, Gellert and Stern deviate further. Joint evaluations of prototypes related to e.g. texture and ullage take place at the joint application meeting while the partners may independently pursue different product solutions.

It can be argued that the inherent standardised elements in these activity patterns partly arise due to legislative requirements concerning testing and control to preserve high food safety, quality and hygiene. Nevertheless, these requirements seem to be an integrated part of the product development of the actors and production of food products. They are never discussed and the legislative requirements are rather an anticipated part of the product development game. Furthermore, e.g. testing of prototypes does not only relate to considerations of food safety, but also to issues of product appearance, texture and ullage, compatibility with and adjustments to mass production facilities, as argued above.
Although similar patterns of routines for organising product development activities can be identified across the cases, the involved actors ascribe different values to these routines. That is, they ascribe different importance and functions to be related to their product development routines. In the case of Aston Proteins as well as OTZ – Euretail, routines are performed with the aim of servicing customers and developing products for the customer. However, for Aston Proteins, product development routines are also built with the aim to exhibit the profound knowledge and competence as a development partner. This routine coheres with Aston Proteins’ network picture and pursuit of legitimising its position as a developing partner, as competition grows stronger. In the case of Allstar, internal routines for product development are performed for developing more novel and better products under the Allstar brand. In the case of OTZ – Chicken Delight, the aim of internal routines is both to service and contribute to the customer’s development of new products, but it also serves as a way for obtaining the customer’s evaluation of new product ideas.

What appears to be, similar activities and routines pictured across cases are closely linked to the actors’ definitions and interpretation of how these product development routines are related to an involved customer (related to the ‘guiding’ principle put forward by Feldman and Pentland 2003:106)\(^\text{34}\). Since the actors hold different aims and strategic intentions, the routines seize diverse purposes. This is, however, not surprising but confirms how ‘routines are what makes one organization different from another in how they carry out the same basic activities’ (Tidd et al. 2005:81). In sum, the underlying logic for organising product development activities is more closely related to and reflects the business actors’ view on their surrounding network (to be discussed in more detail in section 8.2.2) rather than explained through the characteristics of the activities themselves.

\(^{34}\) The guiding principle refers to routines as guides for behaviour. Routines are not specified in performance details but require self-reflection.
8.1.1.1 Organising routines to facilitate the commercialisation of new products

Even though companies may hold different perceptions of the development task at hand, and routines are performed with varying aims, the cases all illustrate how the organising of routines in general has a commercial purpose. The content of activities related to e.g. ideation, prototyping, evaluation and testing are all focusing on getting newly developed food products onwards to end consumers. Concerns regarding technological issues are shoved into the background. To some extent this coheres with the findings of Harmsen (1996). Whereas Harmsen emphasises how Danish food-producing companies do not make an effort for market innovation, the present findings add to our understanding by making it clear that companies are concerned with the issue of commercialisation. However, not in the sense that new markets are developed, but by building routines for supporting the way of new products to end consumers. The following examples from the cases may underpin the argument.

In the mutual endeavour for developing a new recipe for kebab products, Aston Proteins and Stern adjust their effort to the current standards and conventions for kebab production. Acknowledging how not breaking with current praxis is decisive for the success of new products in the target market, the actors’ perception of the target market is ascribing commercial issues to be of importance in product development (as described in section 4.5.1).

In the dual effort of Allstar and PROmotion, the development of a universe for communicating and marketing new products under the Allstar brand is an inherent part of the joint ideation (as highlighted in section 7.4). This may off course be considered a natural part of the advertising agency’s contribution to the collaboration. However, this has also shown to support and develop the understanding of commercial issues related to product development effort among Allstar employees. The marketing
of newly developed products is thus built into the product or concept right from the start.

A more clear-cut example comes from the relationship between OTZ and Euretail. At Euretail, marketing activities related to the launch of new products are closely tied to national household-distributed advertisement. The content of these household-distributed advertisements is centrally coordinated within the Euretail organisation. Every department responsible for different food and non-food categories sold in the retail chains operated by Euretail is requested to hand in their advertising plans weeks before the actual distribution. Announced advertising plans and material cannot be withdrawn. This is placing great demands on the planning of the introduction of new products, and Euretail does not accept suppliers to be late on delivering. The required link between product development activities and marketing activities is thus considered essential by the retailer and can be argued to have a strong influence on the joint product development endeavour of the partners.

8.1.1.2 Configuring routines through ‘adding’ or ‘composing’

Whereas product development routines across cases are to underpin the commercialisation of new products, the case companies have different ways of organising their product development routines when these are confronted with the routines of involved customers or other market actors. This creates a span in the organising of product development activities across the cases that may lead to various consequences. The following examples are intended to highlight interesting elements of this variation.

At Allstar, routines are centred and organised through two central events: joint meetings with PROmotion in the Forum of Innovation and product development meetings held internally in the Allstar organisation. The joint effort with PROmotion is primarily focused on ideation
and the development of new ideas for new products and concepts, whereas internally held product development meetings are related to the evaluation of new product prototypes and the managing director’s vetoing for launch (as described in more details in chapter 7). The setup and effort concern both the developments of variations and extensions of existing product lines and new categories (the latter defined by Allstar to hold a higher product novelty). The flow of product development activities configures the same routine pattern in both situations (see figure 7.4).

It needs to be emphasised that the product development routines are tightly linked to the production activities and resources at Allstar (as will be argued in section 8.3.1). To gain sufficient volume in the production of new products, it is important for the company to reach full market coverage. Accordingly, when a new product has been developed, Allstar is striving to obtain sales to all of its three largest retail customers. For really profiting on newly developed products, the company thus needs wide market coverage. In this sense, the product development routines and standardised development procedures are built and maintained to underpin production activities, leaving less room for customising product development output according to probable varying requests of the retailers. When Allstar develops new products on request for the retail customers (following the same routinised procedures as just described), the company still makes an endeavour for reaching full market coverage. This is secured through a clause that customised products may also be sold to other customers (e.g. after a period of a couple of months or half a year).

Involving PROmotion in Allstar’s product development is thus adding on to internal routines. The company can be said to stick to its internal routines and product development procedures. The joint development effort with PROmotion is accordingly supplementing existing routines. When the routines of the collaborating companies meet, these are not closely interwoven in the sense that they are mutually altered and are
mutually contributing. Instead PROmotion’s contributions and inputs are added or attached to the internal routines of Allstar as an appendage. This is illustrated in figure 8.2.

![Configuring routines through adding](image)

![Configuring routines through composing](image)

**Figure 8.2: Configuring routines through adding or composing**

Another way of configuring routines is observable in the other three cases. Aston Proteins has standardised procedures and routines for holding application meetings jointly with customers and distributors.

However, the substance of joint meetings may vary from customer to customer. By taking into consideration the special needs and requirements of single customers, different sequences and routine elements may become central in the joint development effort. Often the adjustments and composition of routines to draw on are orchestrated jointly.
between Aston Proteins and the distributor mediating the contact with the involved customer. Adjustments build on the specialised knowledge of the features and attributes of the company’s products and their potential application and use for developing the customer’s products. In the joint product development effort with customers, Aston Proteins is thus composing and putting together different routinised procedures tailored to the customer’s needs and requirements. The adjustments are thus not related to the routinised procedures *per se* but to the sequence and composition of the standardised activities. In this case, routines are thus configured through *composing* as illustrated in figure 8.2. In the collaboration with Stern, the composition of development routines is not solely dictated by Aston Proteins. This customer is holding valuable knowledge of the kebab market to be incorporated in the development of new products. Consequently, Stern is more directly influencing the course of the joint development effort.

Similar examples of composing routines can be found in the cases of OTZ – Euretail and OTZ – Chicken Delight. Different standardised activities (e.g. for prototyping and testing) are essentially used as modules put together to fit the requirements of the single customer or as a way to balance standardisation and customisation. In e.g. the relationship with Chicken Delight, OTZ awaits the customers’ internal procedures for additional testing and the customer’s decisions related to composing their seasonal product line (described in section 5.5.2).

Both ways of organising routines for product development collaborating with customers can be regarded as attempts for balancing routines and adaptations. In essence, these standardised and routinised product development activities may be regarded as attempts for making adjustments and customisation as cost neutral as possible (most often discussed in relation to production efficiency tailored to single customers: e.g. Fredriksson and Gadde 2005; Lampel and Mintzberg 1996). From the above discussion, we may infer that the food-producing companies in the presented cases are trying to capitalise on the product develop-
ment effort by creating routines for organising product development activities that may be utilised across relationships to different customers in an aim to achieve economies of scope. In this sense, collaboration for product development may be considered equal to seeking benefits in terms of building closer customer relationships rather than benefits related to radical developments of new products.

8.1.2 Relationship-specific adjustments of routines

The cases show how companies not only build continuous changes into organisational routines (Feldman 2000). Companies also balance adaptation and routinisation when organising product development activities with customers. Building relationship-specific routines and supplementing standardised product development activities with customised services may thus be a way to create cohesion between the product development activities of the collaborating parties. However, from the cases it can be seen that the way companies seek this cohesion may lead to different consequences.

In the case of Allstar and PROmotion, inter-organisational routines related to the partners’ joint ideation are emerging. These routines are to support and underpin the internal product development effort at Allstar. These routines do not only result in new ideas, rather, their aim is to develop arguments and motivations for new product ideas. At joint meetings, the participants’ evaluation of new product ideas brings along discussions of potential barriers for developing and implementing new ideas and potential ways to overcome these barriers. Accordingly, the aim of these routines is to create a motivation and support for new product ideas. By doing so, the partners aim at creating cohesion between their joint activities and the product development activities at Allstar. However, as also highlighted in the seminal work of Nelson and Winter (1982) routines are claimed to contain conflicts of interest within an organisation. When routines are changed, or are requested and chal-
challenged to change, embedded routines rise to the surface. Change in routines may thus be perceived as a threat to the internal political interest. To integrate and build inter-organisational routines may be a challenge to the established internal routines and operational ‘truces’. Depending on the characteristics of a relationship and the interaction of the parties, internal routines may fight to resist the change. Thus, in the case of Allstar and PROmotion the internal routines seem to jog emerging relationship-specific routines.

In the relationship between OTZ and Euretail as well as in the relationship between OTZ and Chicken Delight, inter-organisational routines relate to the partners’ aim of creating cohesion between their own and their partner’s activities. Part of the dual efforts between OTZ and Chicken Delight entail routines for e.g. providing information related to new prototypes (for the customer’s later evaluation) as well as for adjusting and testing new products. These routines are underpinning the partners’ effort for adapting OTZ product development activities to the internal procedures at Chicken Delight. Indeed, in the relationship between OTZ and Chicken Delight, adjustments in the flow of activities and routine processes may seem frictionless. In the collaboration with Euretail, OTZ is adjusting the flow of product development activities and routines to the related marketing activities of the retailer. In the evaluations and later development of new products to Euretail, OTZ is also taking into consideration the existing internal working procedures at the retailer’s in-store butcher shops and delicatessens. An example is how new product ideas colliding with existing working procedures at in-store butcher shops and delicatessens are ruled out. Furthermore, OTZ develops detailed working manuals and recipes for preparing new products to be used by Euretail’s employees (these issues are further elaborated on in section 8.3.2). Inter-organisational routines are thus related to the customised services underpinning the internal working procedures at Euretail.
The joint product development effort of Aston Proteins and Stern is distinctively embedded in routines for daily exchange and interaction mediated through the distributor Gellert. Because product development is not a recurring event in their relationship, no relationship-specific routines for product development are built. Instead, the joint effort is mediated through Gellert. This is e.g. manifested in Gellert taking on the task of taking notes during the joint meeting and reporting subsequently. In this case, it is thus the mediating role of the distributor that is to create cohesion between the activities and routines of the actors.

As can be seen from the above case discussion, it can be difficult to separate organisational routines from inter-organisational routines. They are closely related and interwoven in each case. The purpose and contribution obtained from discussing these differences are theoretical insights of how organisational and inter-organisational routines may either conflict or create cohesion in the joint product development effort. The collaboration between Allstar and PROMotion is characterised by Allstar’s internal routines jogging emerging inter-organisational routines. The case of OTZ and Euretail illustrates how inter-organisational routines are reinforcing existing internal routines at the retailer. OTZ knows the internal working procedures of the in-store butcher shops and delicatessens by heart, and organises the product development activities accordingly. When the joint product development effort is standardised and routinised according to the customer’s internal working procedures, the supplier is left with very little room for innovative contributions. Instead, the joint effort is holding on to existing schemes for division of labour, cementing existing routines. Routines for product development are retained, leading to restrictions on innovativeness. Even though product development is customised, the joint endeavour is organised through relatively few meetings. Due to the organising based on routines and standardisation, and on the supplier’s profound knowledge of the customer’s internal procedures and routines, interaction concerning product development becomes superficial. Product development and discussions of new ideas are restricted and controlled by limi-
tations from existing internal working and production routines and the rigid division of labour. In essence, the interaction becomes a barrier for innovativeness in product development.

**PART II: WHY FOOD-PRODUCING COMPANIES ORGANISE PRODUCT DEVELOPMENT ACTIVITIES THROUGH ROUTINES**

This second part of the analysis will discuss why Danish food-producing companies organise product development activities through routines. The section has been divided into three main parts. The first part takes point of departure in discussing the actors’ definitions of product development activities. Building on their strategic intentions and underlying network picture, the cases reveal that actors define the product development task as closely related to building a position as development partner. The network pictures of actors are furthermore argued to be operationalised in their routines for organising product development activities. The second part of this section will argue that the coordination of product development activities between a company and an involved customer are dependent on the organising of other activities of the parties. Since activity interfaces to a large extent are shown to be standardised in the presented cases, the coordination between actors become the object of routinisation. Considering joint product development meetings as facilitators of the development process, the third part of this section will analyse the interaction and relationship atmosphere between a company and a customer. Discussions will highlight how actors redefine the product development task at hand in the quest to handle disjoint aims and align potential conflicts. When scrutinising the sources of conflicts, additional insights are obtained on why product development activities are organised through routines.
8.2 Organising product development activities for building a position as a development partner

This section will argue that actors in the presented cases in general terms define the product development task as an inherent part of their quest for creating, retaining or developing a position as a significant partner or actor in the Danish food industry. Depending on the actor’s situation and view of the network setting, product development activities are defined in relation to achieving an intended position. As different food-producing companies will hold different positions and have different relationships, the variation in the organising of product development activities and how companies collaborate with customers will hence grow from the heterogeneity of the actors’ strategic intentions. In other words, how a food company perceives the strategic possibilities for customer collaboration in product development will influence the company’s organising of development activities.

8.2.1 Strategic intentions in product development activities

An interesting and important part of the organising of product development activities by companies is the definition of those activities that a company is offering a customer as a value-creating input to the customer’s own activities. These are value-creating activities. The actors’ perception of activities performed and the perception of the value input delivered to customers is an important basis for the actor’s definition of product development activities. For the organising of product development activities, the actors’ strategic intentions play a role in defining these value-creating activities. Since actors are active and hold different intentionalities (as also argued in section 2.4.1.1), a certain variation can be expected in regard to the way product development activities are organised.
Allstar’s strategic intent is to continuously introduce new products and concepts under the Allstar brand which match the demands of their retail customers and the trends at the consumer market. By taking point of departure in the development of new products, it is the intention of Allstar to retain its perceived position as the second largest actor in the product category of cold cuts. Consequently, the aim of the Allstar Forum of Innovation and the collaboration with the advertising agency PROmotion is to develop more novel products supported by novel advertising initiatives. Even though the actual development of Allstar’s relationship to PROmotion may be considered an effect of their collaboration aiming at developing new products and concepts under the Allstar brand, the intention of Allstar remains related to the product. Therefore, Allstar defines product development activities as related to entering retailers’ shelves. Entering the retailers’ shelves implies contributing to the retailers’ marketing activities as well as trying to influence the retailers’ category management. Product development activities are thus defined with the intention of selling more products and improving sales through the collaboration with PROmotion.

The strategic intent of Aston Proteins is to provide customers with adapted applications in terms of improved functionalities or optimisation and thus developing the products and processes of the customer. Aston Proteins is, however, experiencing an increasing competition (especially on price). This has lead Aston Proteins to set an increasing focus on building closer and direct relationships to customers. By broadening the strategic intention to include the building of direct relationships to customers, Aston Proteins is trying to enhance its understanding of the customer in order to retain exchanges by continuously providing the customer with new services. Aston Proteins thus defines product development activities as acts for legitimising its role as a significant development and application partner. Collaborating with customers for application development is thus perceived part of the positioning game and a way for Aston Proteins to retain or create positioning advantages in what is believed to be an increasingly competitive environment. In this
sense, the company is trying to maintain stability in the wider network. However, past relationships strategies and the historical dependence on the mediating role of the distributors seem to be limiting Aston Proteins’ search for more direct customer relationships.

<table>
<thead>
<tr>
<th>Strategic intentions</th>
<th>Aston Proteins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intentions for value creation</td>
<td>Customer applications improving products and processes</td>
</tr>
<tr>
<td>Wanted position</td>
<td>Retain strong competitive position in niche</td>
</tr>
<tr>
<td>Perceived strategic possibilities</td>
<td>Building direct relationships to customers</td>
</tr>
<tr>
<td>Interpretations and expectations of the</td>
<td>Dependent on the intermediating role of distributors</td>
</tr>
<tr>
<td>counterparts’ reactions and expectations</td>
<td>Customers are reluctant to share information</td>
</tr>
<tr>
<td>Definitions of product development activities</td>
<td>Legitimising role as development partner</td>
</tr>
</tbody>
</table>

Table 8.1: The focal case companies’ strategic intentions for product development
During the past couple of years, the spice company OTZ has put great effort in building and developing relationships to some of the larger industrial and retail actors in the Danish food industry. The relationships to these actors are perceived to be important not only for increasing

<table>
<thead>
<tr>
<th>OTZ*</th>
<th>Allstar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servicing the product development effort of customers</td>
<td>Match the demand from retailers and consumers</td>
</tr>
<tr>
<td>Interconnecting development partner</td>
<td>Retain position as second largest producer in the product category</td>
</tr>
<tr>
<td>Building relationships to selected customers</td>
<td>Developing more novel products and advertising</td>
</tr>
<tr>
<td>It is important to be flexible and adjust to the customers’ procedures for product development</td>
<td>Retailers hold strict requirements for new product introductions</td>
</tr>
<tr>
<td>Connecting the development of various customers</td>
<td>Entering retailers’ shelves</td>
</tr>
</tbody>
</table>

*Since OTZ is the focal developing company in two of the presented cases – the table and the following discussion of OTZ’s strategic intention is unified*
sales but also for the building and development of OTZ’s position in the wider network. It is the strategic intention of OTZ to create a position as an interconnecting development partner, not only developing new products for the single industrial or retail customer but also mediating product development between these two categories of customers. The strategic intention of the company is thus to utilise relationships for creating holes of access to the market and to get the company’s marinades, spice mixtures and functional mixtures to end consumers. Through building these interconnected relationships, OTZ believes to get more influence on the wider network. The company accordingly defines product development activities as related to creating this interconnecting position. However, product development with involved industrial or retailing customers is often linked and adjusted to the internal procedures of the single customer. Consequently, this is leaving less scope for OTZ to unfold the intended interconnecting position.

A first glance at table 8.1 discloses how the focal case companies are aiming for stronger positions as development partners or significant actors in their product category or niche. The actors’ perception of the trail of new food products to end consumers constitutes an element in shaping and framing the actors’ view of the intended position and the opportunities to reach that position. A stronger position is considered essential for getting new products down-stream to end consumers. An inherent element in creating this position is how product development is perceived as closely related to developing relationships with involved customers or other market actors. Still, taking a closer look at the strategic intentions across the presented cases reveals some interesting variations. These variations can be considered as of different altitudes. For one, product development activities may be defined with the intention of selling more products and improving sales through customer collaboration. Secondly, product development may be defined as not only adapted to the customer but rather defined as creating solutions for the involved partner. Third, the development task may be ascribed a joint endeavour for adapting a new offering to a joint customer or the
end consumer. In the presented cases, we may moreover observe varying practices for collaborating with customers or other market actors in building or strengthening the company’s position. The focal case companies utilise their relationships with customers in various ways for accomplishing their strategic intentions. This is to be further elaborated on in the next section.

8.2.1.1 Practices of customer collaboration

Whereas product development is perceived to be coupled with the building and development of relationships to customers and other market actors, variations are discovered in how these relationships are contributing to the product development endeavour. Following the discussions of the theoretical chapter (section 2.4.1.1), the variation is related to how actors define the product development task at hand and the perception of own role and that of others. Further, past relationship strategy and expected reactions from collaboration partners influence the unfolding of strategic intentions. For pursuing their strategic intentions, the focal business actors in the presented cases have different practices for collaborating with customers or other market actors. The following examples are intended to illustrate this variation. An overview is provided in table 8.2.
<table>
<thead>
<tr>
<th>Practice for customer collaboration</th>
<th>Aston Proteins</th>
<th>OTZ*</th>
<th>Allstar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeking knowledge of the customers’ business to optimise their product development</td>
<td>Resources allocated to develop selected customer relationships – among others Chicken Delight and Euretail</td>
<td>Forum of Innovation in collaboration with PROmotion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected and experienced effects</th>
<th>Aston Proteins</th>
<th>OTZ*</th>
<th>Allstar</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The mediating role of the distributors is important</td>
<td>• Positive effects on sales and revenue from new products developed</td>
<td>• Enhance and improve product development effort</td>
<td></td>
</tr>
<tr>
<td>• Building direct customer relationships</td>
<td>• Relationships are used as references</td>
<td>• Improve sales to retailers</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.2: Different practices for product development collaboration with customers or other market actors
*Since OTZ is the focal developing company in two of the presented cases, the table and the following discussion of OTZ’s practice for customer collaboration is unified*

At OTZ more resources have been allocated to the development of relationships to customers involved in product development. This is due to the positive effects experienced by the company on its sales and revenue related to collaborative product development. Part of the joint product development effort with customers is equivalent with providing flexible services compatible with the single partner’s internal working procedures. However, OTZ is also using its relationships as references. Because the company is aiming for an interconnecting position, it often refers to the joint development effort with third parties e.g. for advocat-
The practice of Allstar is somewhat different. Collaborating with the agency PROmotion, who is not a direct customer and user of Allstar’s products, leads to rather different effects. Allstar expects the relationship to PROmotion to enhance and improve its own product development effort and thus provide an indirect effect in relation to the retailers, which are perceived as dominating actors that influence how the company may reach end consumers. The joint product development effort has previously resulted in what Allstar believes is satisfactory effects on the company’s earnings and has helped the company to not lose additional ground to a larger competitor.

At Aston Proteins, the practice of customer collaboration is related to passing on knowledge for enhancing the functionality of the customers’ products or for optimising their processes. In this sense, joint application meetings are the basis for increasing sales. Even though Aston Proteins is aiming at building closer customer relationships for obtaining long-termed application partnerships and exchanges, the distributors mediating role is pivotal. This is due to industry traditions of keeping product knowledge close to the chest, entailing trust to be the foundation of knowledge-sharing with customers. The practice of involving customers in product development at Aston Proteins thus rests on the mediating distributors’ ability to create trusting relationships with customers.

Examining the practice of customer collaboration reveals how the product development task is not defined close to the actual product. Rather, the development task is defined as a marketing activity for promoting the company as a product development partner. Because product development and the related marketing task is targeting industrial customers, product development input from end consumers seem to be marginalised. Considering the practice of collaborating with customers or other market actors in product development as observed in the
presented cases, it is striking how end consumers seem to have vanished from the product development game. The cases show very little concern of end consumers’ preferences and end consumers’ expectations and experiences on using new food products. During joint product development meetings with industrial customers, discussions related to the end consumer are scattered and rare. The scarce considerations concerning end consumers are primarily related to the shopping situation and the end consumers’ use and preparation of new food products. One evaluation criteria related to the launch of new food products concerns whether the appearance of the product may promote the consumers’ choice in the shopping situation. Another concern is discussions of how in-store advertising or other marketing activities may support the selection of a new product by the end consumer. Debates related to end consumers’ use and preparation of new food products are confined to the ease of use (convenience products) or the extent to which end consumers may spoil their dinner. In other words, the criteria used for developing and selecting which new food products to launch seem to be moving away from issues related to the end consumer.

8.2.2 Network pictures for positioning in product development activities

When the strategic intentions and practice of involving customers or other market actors in product development are related to building a position as a development partner, this will influence how actors view their immediate network. The variations in the strategic intentions of the business actors cause these actors to look at their surrounding network with different intentionalities. In other words, actors holding different intentionalities will hold different perceptions and pictures of their surrounding network. The notion of network picture will provide us with additional insights of the actors’ view of the network setting and the opportunities and possibilities perceived for new products to reach end consumers. Referring to the theoretical chapter (section 2.4.1.2),
the network picture of the actors will provide potential explanations of the enacting and unfolding of their intentionalities. Thus proving explanations of why actors are attempting to organise product development activity in the way they are. In analysing and discussing the organising attempts of the actors through network pictures, it is important to bear in mind a significant factor. Every business actor has its own intentional-ity and perception or picture of the surrounding network. Understanding and gaining insights in the actors’ network picture for positioning in product development activities thus implies bearing in mind the inter-organisational perspective.

The network picture of the focal case companies gives the actors rather different starting points for organising product development activities, albeit they all aim for a certain position as a development partner. Drawing on the model of network pictures presented in section 2.4.1.2, the concept seems to be imperative on the actors’ perceived possibilities for obtaining the wanted position. For one, a company’s departing focus in the network setting is related to whether individuals, a company or specific relationships are perceived central for building a position. Secondly, the perceived boundaries seem to play significant functions for those options that the company views possible. Thirdly, the directionality of relationships and the anticipated reactions of the counterparts seem to have a special influence on a company’s definition of the product development task at hand. The fourth factor is the centre (and opposing periphery) of the network picture which influences the point of departure for a company’s definition and organising of product development activities. Furthermore, the dimensions of time frame and power are framing the magnitude of the organising attempts of the actors. These factors are elaborated on in the later discussions of the atmosphere of specific relationships (section 8.4.1). Finally, the seventh dimension of network pictures – the environment – is, as perceived by the focal case companies, an essential building block for analysing the business actors’ network pictures. The different dimensions of the network picture of the focal case companies are shown in table 8.3.
<table>
<thead>
<tr>
<th><strong>Focus</strong></th>
<th>Companies ➔ building closer customer relationships</th>
</tr>
</thead>
</table>
| **Boundaries** | Keeping developments to ones chest
Winning customers confidence
Past relationship strategies with distributors |
| **Centre/periphery** | Aston Proteins holds a central position
Distributors mediating application development with customers |
| **Directionality** | Important to provide customers with products, services and knowledge for application development ➔ in most cases flow is uni-directional
Flow is mediated by distributors |
| **Time frame** | Seeking immediate effects |
| **Power** | Aston Proteins and mediating distributors
Changing due to increased competition |
| **Environment** | Customers’ knowledge of and relationships to their customers
Suppliers’ relationships to other customers that may imitate Aston Proteins |

**Network Picture**

![Network Diagram](image)

**Table 8.3: Focal case companies’ network pictures**
<table>
<thead>
<tr>
<th><strong>OTZ</strong>*</th>
<th><strong>Allstar</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relationships</strong></td>
<td><strong>New products and companies</strong></td>
</tr>
<tr>
<td>Customer loyalty – being single supplier or not</td>
<td>Internal decision-making competence</td>
</tr>
<tr>
<td>‘Rules’ set by retailers and larger food producing companies</td>
<td>Keeping up with competition</td>
</tr>
<tr>
<td>Large retailers and industrial customers are central players</td>
<td>Retailers and larger competitor are central players</td>
</tr>
<tr>
<td>OTZ holds an interconnecting position</td>
<td></td>
</tr>
<tr>
<td>Suppliers’ role in product development is diminishing</td>
<td></td>
</tr>
<tr>
<td>OTZ is providing customers with services and products</td>
<td>Allstar is dependent on negotiations with retailers for obtaining shelf space</td>
</tr>
<tr>
<td>Mutual flow of knowledge and information</td>
<td>Mutual relationship with PROMotion</td>
</tr>
<tr>
<td>Investing in long termed relationships</td>
<td>Seeking immediate to longer term effects</td>
</tr>
<tr>
<td>Retailers</td>
<td>Retailers and internal actors (managing director and concern)</td>
</tr>
<tr>
<td>OTZ is building interconnecting position</td>
<td></td>
</tr>
<tr>
<td>Customers’ relationships to suppliers and other potential development partners</td>
<td>Large food-producing companies/ category leaders with many resources setting the rules of the game in collaboration with retailers</td>
</tr>
</tbody>
</table>

*Since OTZ is the focal developing company in two of the presented cases – the table and the following discussion of OTZ’s network picture is unified*
Based on a variety of strategic intentions, actors may hold different focus in their network pictures, which is also to some extent reflected in the presented cases. The focus of Allstar’s network picture is closely related to companies holding dominating and influential positions that affect the product development game of the company’s product category. At Aston Proteins, the strategy of building closer customer relationships holds a central focus. Whereas OTZ’s network picture is closely related to those relationships that may facilitate the company’s interconnecting position. Connected to their focus, actors set up different boundaries linked to perceptions of complexity in their network picture as related to product development. Moreover, the perceived centre of the network picture and the directionality; degree of interdependencies and flow of information are adding to our understanding of why the companies of the presented cases organise product development activities through routines. In essence, these network picture dimensions can be claimed to become operationalised in the routines of the companies for organising product development activities. The following discussions are to highlight and nuance this argument.

The network picture of Aston Proteins is closely related to its competitive situation. While Aston Proteins considers itself a central player in the industry and market leader of its niche, the company is experiencing an increasing competition on price especially emanating from one competitor. In Aston Proteins’ pursuit for retaining its position as a legitimate development partner in the new competitive situation, the company is very secretive about its development of new protein products. It is considered very easy for competitors and equipment suppliers to unveil new developments (as also argued in the case presentation in chapter 4). This specific understanding of competition is reflected in collaborations with customers for application development and is creating perceived boundaries for involving partners in protein developments. Also customers may be reluctant to reveal their product and production secrets to others. The development game is accordingly measured in Aston Proteins’ ability to provide customers with application knowledge that may advance the
customers’ products. However, this is to happen without violating the trust of the customer and in respect to the wished confidence.

Adding to the complexity of Aston Proteins’ network picture is the central role played by mediating distributors. Whereas past relationship strategies of Aston Proteins may be characterised by indirect leadership of customer relationships, the mediating role of distributors is to an increasing extent perceived to be problematic. The mediating role of distributors is essentially tripping Aston Proteins’ quest for gaining control with its strategy of building closer customer relationships. Distributors are perceived to be disturbing the flow of orders and the information exchange with customers. However, there seems to be no way around distributors in creating a mutual directionality and in winning the confidence of customers. To influence and direct the mediating role of the distributors in sharing knowledge and the development of the customers’ products, Aston Proteins is building routines for organising product development activities. These routines are thus meant to exhibit the company’s profound knowledge and competence as a development partner. Thus, e.g. product testing is an inherent part of application development meetings with customers because testing explicitly manifests the customers potential gains from using Aston Proteins’ products and Aston Proteins as a development partner.

Allstars network picture is coloured by the company’s understanding of the competitive situation: being second in its product category (measured in market share and quantity sold to end consumers). However, besides competitors Allstar regards several other actors to hold central and powerful positions. Especially retailers are perceived to have a strong influence on which products and producers are to be on or off the shelves. According to Allstar, retailers judge as central the food producers that have profiting sales, are reasonably innovative in terms of fast acceptance by end consumers, and also who contribute to in-store
advertisement. In other words, to be counted a central supplier by retailers you not only have to have profiting product lines with regular innovative new product introduction. In the network picture of Allstar, you also have to comply with the business scope and operational routines of retailers. Thus, the directionality in the relationship to various retail customers is perceived to have a rather strong dominance on the retailers’ side. It is considered important to negotiate for the shelf space of existing products when new products are introduced (as also accentuated in the case presentation in chapter 7).

However, the complexity of Allstar’s network picture and the perceived boundaries related to organising product development are also influenced by the larger competitor who is seen as dominating the category of branded cold cut products in the retailing sector. And since the competitor is perceived to, time and time again, beat the company at the developmental finishing line, every smaller victory is perceived to be important – even if it is related to winning the distribution in a smaller retail company (as highlighted in section 7.1.1). Thus, the motives for deciding when to develop and launch a new product may also be ascribed to a chance to beat the competitor – even if only in small scale and not that cost-effective. In this sense product development is a means to enhance rivalry.

What is particular in the case of Allstar is how activities and routines of ideation, prototyping, testing and evaluation are closely related to the quest for developing new branded products that may stand the competition and the fierce battle for winning the retailers’ shelf space. At Allstar, routines for organising product development activities are thus built in the quest for servicing two masters. On one hand, to meet the internal requirements for volume and scale production (as argued in section 8.1.1.2), while on the other hand to play the product development game as defined by retailers, competitors and other large food-producing companies.
The collaboration with selected industrial and retail customers is having a strong influence on the network picture of OTZ. During the past couple of years, the spice company has put great effort in building and developing relationships with some of the larger industrial and retail actors in the Danish food industry. The relationships to these central actors are considered important not only for increasing sales but also for building and developing OTZ’s position in the network. In OTZ’s network picture, the directionality is related to the flow of goods and customised services for building a position as a preferred development partner. Therefore, OTZ is very flexible in servicing selected customers. The directionality may also be characterised as mutual in the sense that customers in return provide OTZ with valued evaluations of new products ideas used for building the spice company’s own product portfolio. Involved customers may also contribute to the promotion of OTZ’s position in relation to other customers. Euretail is e.g. viewed as a central and prominent partner giving OTZ a seal of approval in the eyes of other actors in the industry.

The boundaries of the OTZ network picture are in essence not perceived as complex. On the contrary, the boundaries for involving customers in product development are rather simplistic. Depending on the customers’ expected time frame and investments in a long-termed relationship as well as the customers’ loyalty measured by whether OTZ is single supplier or not, the company is essentially ready to walk the plank for a customer. In the quest for building cohesion between the internal product development activities and the customers’ activities, OTZ is routinising its product development effort while customising additional services to central and selected customers. To capitalise on these customised services and adjusted activities, services are copied to other selected customers over time.

Summing up across cases, routines for organising product development activities seem to be reflecting the network pictures of the business actors. In other words the notion of network picture provides insights and
explanations of why routines emerge. What adds to our knowledge is the degree to which the network pictures of the business actors can be claimed to be operationalised in their product development routines. Related to the notion of ‘truces’ in routines as accentuated by Nelson and Winter (1982), the organising of product development activities reflects the negotiation of the joint effort by the collaborating partners. Whereas some activities may be alike across cases and certain events may be seen as triggering the development process, it is the strategic intentions of the business actors and their mutual ‘truces’ that create routines for organising product development activities.

The actors’ network pictures also reflect the established division of labour. Since the specialisation among actors in the food industry is related to the commercialisation of new products, food producers will not interfere with the retailers’ shelf and category management (unless these food producers are big and match the size and strengths of retailers). The transfer of decision-making authority and responsibility can be considered rigorous and influencing the joint product development efforts. Since this division of labour is rather rigid, existing routines for organising product development activities are retained.

8.3 Co-ordinating product development activities through other activities

In line with the industrial network approach, the analysis of the cases emphasises how product development activities conducted in collaboration with a customer are embedded in and closely related to the wider business exchange activities of that specific relationship (accentuated by e.g. Gadde and Hakansson 2001; Hakansson and Snehota 1995). At joint product development meetings, discussions also revolve around issues only indirectly related to the ideation or development of new products. Partners discuss ongoing matters such as requested and necessary adjustments in existing products or services exchanged.
Other activities related to the partners’ production, marketing and daily operations that influence their business exchange may likewise become the centre of discussions. These discussions are, however, not separated from the partners’ joint product development effort. On the contrary, product development activities and other activities are closely interwoven – although in varying degrees across cases. Based on the analysis of the cases, it can be claimed that product development activities are interdependent on other existing activities at either the company or the involved customer. This section will argue how these interdependencies have an influence on the co-ordination of product development activities across collaborating companies. Due to the standardised interfaces between product development activities and other activities, the need for complex joint and mutual co-ordination is reduced thus leading to routinisation in the organising of product development activities. The analysis stresses that when the interdependence to other activities at the company or the customer restricts or limits the co-ordination of product development activities this may ultimately affect the degree of innovativeness.

8.3.1 When the company’s other activities restrict product development co-ordination

The case of Allstar stands out when discussing how the organising of other internal activities will influence the organising of activities related to product development. From this case we learn how accomplishing product development activities may be dependent on the accomplishing of other activities. When Allstar is holding on to the existing organising of other activities, this is essentially blocking for the organising of product development activities.

In the joint product development collaboration with PROmotion, discussions often revolve around limitations related to Allstar’s existing production facilities and internal development activities.
• The existing production activities and setup at Allstar raise restrictions on product development related to e.g. the texture of new products or labelling and packaging. When Allstar is claiming new ideas to be impossible to realise in the existing production facilities, PROmotion spurs for a creative process for exploring new and alternative ways for exploiting the current production procedures and activities.

• The existing flow of internal product development activities and internal meetings with the managing director of Allstar is also influencing discussions with PROmotion. On one hand, the participants’ anticipations of the managing director’s vetoing may block for the further evaluation and development of new product ideas developed in collaboration with PROmotion. On the other hand, the completion of activities related to the further development of new ideas essentially frames the co-ordination with PROmotion. The joint effort is setup to await the course of events based on internal restrictions. The orchestration of activities related to prototyping and testing of new ideas as well as initial market analysis and evaluations is governing the joint evaluation of new ideas and concepts with PROmotion. Likewise, these activities are framing the timing and content of PROmotion’s later development of promotion materials (labels, packaging and advertising).

Essentially, the dependence between ideation activities conducted together with PROmotion and the activities related to the actual development and production of new ideas are sequential. It can be claimed that PROmotion adjusts its input to Allstar’s specific situation; the objective is to retain resources for mass production and mass distribution of new products. So even though Allstar’s product development strategy calls for unique and innovative new products, the requirements for economies of scale in production and the limitations in resources leads to standardisation and similarity in product development activities. The existing flow of other activities at Allstar is essentially restricting new
developments. In relation hereto, it can be claimed that the existing resource structure of Allstar is exploited only by using known resource features. New features are not explored.

Instead of adjusting internal procedures and integrating the collaboration with PROmotion to become an inherent part of the product development activities of Allstar, activities connected to the joint effort become an appendage with seemingly limited effects. Although the joint effort has lead to the development of some new products, the effects from the joint effort are mainly localised. The effect is localised in the sense that the joint effort is primarily resulting in motivating the employees at Allstar. Much less effect can be seen in the attempts for exploring or adjusting the resource structure of the actors in new ways, or for developing new products with a higher degree of novelty.

Drawing on the work of e.g. Hakansson and Waluszewski (2002), it can be argued that the described situation is a resource limitation issue. The actors’ perception of the possibilities for mobilising production and decision-making authority resources related to product development can be claimed to raise limitations. However, based on the Allstar case, we may argue that it is also an issue of how the completion of product development activities is dependent on the co-ordination of other activities. The internal working procedures and activities related to further development of new ideas as well as the later production at Allstar are not adjusted to the collaboration with PROmotion (nor the other way around). Instead, these other activities frame and potentially restrict the outcome from the joint product development effort with PROmotion. Furthermore, joint product development activities and internal product development activities do not really become integrated.
8.3.2 When the customer’s other activities determine product development co-ordination

The collaboration between OTZ and Euretail provides special insights of how the customer’s activities e.g. marketing activities and daily working procedures influence criteria for evaluating new products and govern the introduction of new products and thus the completion of product development activities.

- The *marketing activities of Euretail* and the retailer’s centrally co-ordinated organising of household distributed advertisements essentially govern the introduction of new products and thus the completion of product development activities (as already highlighted in section 8.1.1.1). Due to strict rules for new product announcements, Euretail is dependent on the joint product development effort with OTZ to live up to these rules.

- *Activities and internal working procedures characterising Euretail’s in-store butcher shops and delicatessens* are also framing the joint product development effort with OTZ. The retail customer makes an effort in emphasising how new products are required to fit into the existing internal working procedures of their in-store butcher shops and delicatessen.

Earlier, Euretail has experienced how new products may never reach the refrigerated display counters because procedures for preparations are too demanding and inconvenient for the employees at the butcher shop. Even new products that at first show promising sales may later be stalled by employees due to difficult procedures for preparation. Building on these past experiences, Euretail is, in its collaboration with OTZ, making an effort for securing new products to become evaluated on this parameter. Accordingly, one of the most important criteria for evaluating the potential of new products is whether a new product is compatible with existing working procedures at the retailer. In essence,
Euretail seeks to balance daily activities and running operations with the development activities conducted jointly with OTZ. The collaboration between OTZ and Euretail is thus characterised by a relatively strong degree of interdependency between product development activities and the customer’s other activities. Therefore, the joint effort may be claimed to contain certain elements of build-to-order or customised product development. Likewise, OTZ customise their services supporting the joint product development. Through these customised services, the actors are aiming at creating cohesion between joint product development activities and the retailer’s marketing activities and internal working procedures. In other words, in the dual efforts between OTZ and Euretail, the prevailing focus is on enhancing the efficiency in the input operations of the customer’s company. However, the retailer’s marketing activities and internal working procedures may be claimed to be based on a standardising logic. Furthermore, these other activities are seemingly given more priority and are perceived to be less easy to adjust. As in the case of Allstar and PROmotion, the resource structure is considered locked and only known resource features are exploited.

A similar example is found in the collaboration between Chicken Delight and OTZ. Chicken Delight’s activities for evaluating which new products to launch as well as the quest for obtaining economies of scale in production are governing the joint product development task. At joint product development meetings, OTZ makes an effort for providing the Chicken Delight representatives with sufficient information for them to introduce new products to Chicken Delight’s sales personnel. Waiting for the customer’s evaluations is perceived to be a lengthy process, out of OTZ’s own control. The co-ordination of the parties’ joint product development effort is influenced by these internal working procedures and activities in the customer’s organisation.
8.3.4 Co-ordinating product development activities dependent on other activities

The examples above from the cases reveal how the orchestration of other activities is framing and potentially restricting the joint co-ordination of product development activities. Whereas a company’s own activities e.g. related to production and evaluations of new products, and also the customer’s various other activities, may determine the completion and co-ordination of the joint product development task between the collaborating companies, by scrutinising the character of the interdependency between product development activities and other activities, we may gain insights on the character of the co-ordination between partners collaborating for product development. The aim in itself is not to reveal different mechanisms for co-ordinating product development activities but to seek explanations of why the organising of product development activities is routinised among Danish food-producing companies.

8.3.4.1 Co-ordination characterised by pooled and sequential interdependencies

Drawing on the work of Thompson (1967), the case of Aston Proteins reveals pooled interdependencies between product development activities and other activities (Thompson’s conceptualisation of activity interdependence is outlined in section 3.5.2). This means that product development activities are not necessarily dependent on other activities of the involved actors, or support other activities directly. However, the interdependence can be expressed in terms of the discrete contribution of the different activities to the whole.

The activities at the joint product development seminar can be considered one piece in Aston Proteins’ aim of maintaining its market position. The involved customer Stern, the distributor Gellert as well as
Aston Proteins plan to use the knowledge and insights obtained from the seminar. However, the parties intend to do this independently. Thus, the continuity of the joint effort is considered rather short-termed. The pooled characteristic of interdependencies between activities in the Aston Proteins – Stern case is based on rather standardised activity interfaces. Co-ordinating the joint effort of the parties is less challenging as long as the business actors’ strategic intentions are met. The co-ordination is loosely coupled and is not intended to further link or tie the activities of the involved parties. To the extent that the collaborating partners can retain the pooled characteristics of the joint product development efforts, it will, according to Thompson (1967), be possible to save cost on co-ordination. Based on past business exchanges in the triads relationship, the co-ordination is also characterised by the actors’ perceived roles and the division of labour. Consistent with Van de Ven et al. (1976), it is thus possible to specify impersonally the behaviours to be followed by each actor. This is e.g. exemplified by the distributor Gellert taking on the task of keeping the meeting record, which is used for mediating knowledge obtained at the joint meeting (as highlighted in section 4.5.1). Table 8.4 sums up the discussion across cases.
**Table 8.4: Co-ordination characterised by pooled and sequential interdependencies**

The case of Allstar may also be characterised by pooled interdependencies between product development activities and other activities. The case, however, deviates by also revealing elements of sequential interdependencies. This means that e.g. the activities related to ideation and joint discussions with PROmotion become contributing input for Allstar’s succeeding prototyping, as well as PROmotion’s later development of
Characteristics

- Activities contribute to the actors pursue of individual strategies
- The need for co-ordination is simple
- Activities and roles are impersonally specified

- Sequential flow of interdependent activities across companies
- Co-ordination necessitate mutual understanding and knowledge of activities
- Co-ordination is characterised by an impersonal group mode

- Sequential flow of activities from company to customer
- Interfaces between joint product development activities and other activities are defined by Euretail
- Co-ordination effort is rather circumstantial but still characterised by a standardised mode

- Activities related to ideation and evaluation with PROMotion are a contributing input
- Supplementary co-ordination
- Co-ordination is characterised by a personal mode

advertising material (see e.g. figure 7.4). Due to the characteristics of the activity interdependency, the related co-ordination between the parties may be seen as supplementary. The joint effort is supplementing Allstar in their completion of subsequent product development activities. Likewise, the joint effort is supplementing and supporting PROMotion when making promotion material for new products to be presented
to retailers and eventually launched. Due to the dominating role played by the managing director of Allstar, the co-ordination with PROmotion may further be characterised by a personal mode (Thompson 1967; Van de Ven et al. 1976).

The notion of sequential interdependencies is even more pronounced in the case of OTZ and Chicken Delight. The customer is reliant on OTZ’s (and other suppliers’) input for new product ideas and later ramping up for mass production. In essence, different activities as well as routine elements are sequentially and interdependently ordered between the two companies. Product development at OTZ is thus also dependent on the involved customer’s internal procedures for evaluating new products and activities for testing new products (illustrated in details in figure 5.4). The characteristic of the activity interdependency is influencing the partners’ mutual co-ordination. Sequential interdependencies thus necessitate a certain mutual understanding and knowledge in the co-ordination between the collaborating partners. At Chicken Delight, activities related to testing the appearance of the products are dependent on the supplier’s flexibility for adjusting new products. Similarly, Chicken Delight is dependent on the suppliers’ flexibility when customers request for new products to be developed off season. Often the requests of downstream customers demand for Chicken Delight and suppliers to react quickly. Also in these situations the interdependencies between activities may be characterised as sequential, challenging the co-ordination between Chicken Delight and suppliers to be flexible. The co-ordination between OTZ and Chicken Delight is thus characterised by an informal group mode (Van de Ven et al. 1976) governed by the customer’s other activities and routinised practice for product development.

Finally, the relationship between OTZ and Euretail may also be characterised by sequential interdependencies between product development activities and other activities. The interfaces between joint product development activities and the retailer’s other marketing activities and
internal working procedures are determined by Euretail. Through the retailer’s centralised and rather rigid organisation of these other activities, the interfaces with joint product development activities with suppliers such as OTZ get fixed and standardised. As described in chapter 6, discussions at joint product development meetings are also used by Euretail to accentuate and evaluate new products on their compatibility with existing working routines at in-store butcher shops and delicatessens. For new meat products to become a sales success, Euretail is dependent on the preparation activities related to the new product to be rather straightforward and easily implemented and incorporated in the existing preparation routine. From this case, we may regard the internal working procedures at Euretail’s in-store butcher shops and delicatessens as essential for co-ordinating the joint product development activities with OTZ. The co-ordination is thus characterised by Euretail planning and governing the activities and actions of OTZ. The definition of the product development task at hand is, on one hand, used for creating a ‘blueprint’ for dividing the work between the actors. At the same time, the definition has created a codified and standardised impersonal co-ordination mode (Van de Ven et al. 1976). On the other hand, joint product development meetings constitute a forum for co-ordination and mutual adjustment (equivalent to the coordination mode of scheduled group meetings suggested by Van de Ven and colleagues1976).

8.3.4.2 Co-ordination simplicity restricting innovativeness

The co-ordination between the business actors of the presented cases can be characterised as rather simple. No reciprocal interdependencies between activities can be identified according to Thompson’s (1967) conceptualisation. Hence, there is no need for more complex co-ordination between the collaborating partners. Naturally, the actors in some of the cases may perceive the mutual product development effort to imply a strong reciprocity and interdependency. However, based on the presented cases it is not possible to infer whether these perceived actor
level interdependencies become reflected in the co-ordination of product development activities.

Whereas it may be a logic inference that the development of new products will have an influence on the company’s subsequent production and marketing activities, the cases presented here reveal how the organising of existing production and marketing activities – especially at the customer – are influencing the co-ordination of the joint product development effort. Taking a closer look at the organisational and relational settings of the activity flow and the co-ordination of product development activities and other activities by the actors may provide insights on why product development activities are organised the way they are. Conditioned by the standardised interfaces and pooled or sequential interdependencies between product development activities and other activities, food-producing companies obtain the possibility for routinisation. Due to the standardisation, it is possible for the actors to put together or replace single activities or activity modules almost by random without disturbing the general flow of other activities. Although, in cases of sequential interdependencies the co-ordination does place certain demands on the sequence of the activities to be completed. These characteristics of co-ordination observed across cases can be claimed to potentially restrict the innovativeness in the partners’ joint product development effort by placing limitations on potential new resource combinations. Instead of challenging and adjusting existing working routines to new products developed, routines are retained and transfused to the completed product development activities. Existing activities are thus utilised as a frame or mechanism for coordinating product development activities with involved customers or other market actors.

Still, an inherent part of the exchange between the business actors is based on the supplier’s deep and strong knowledge and understanding of the activities and working procedures of the customer. The product developing company knows the industrial customer down to the smallest production detail. E.g. in the case of OTZ and Euretail this knowledge
is expressed in OTZ’s services related to the introduction of new products, where the supplier draws up detailed working manuals and recipes detailing the preparation of new products for the employees of Euretail. The retention, efficiency improvement and development of these internal working procedures are dependent on OTZ’s detailed descriptions. These activities are at the same time conditioning the flow of OTZ’s products to end consumers. Paradoxically, this profound knowledge and understanding of the partner’s business is not utilised for developing more radical products but for building routines. The co-ordination of the joint product development effort is repeated time and time again thus keeping the actors in ‘iron fetters’ (Schumpeter 1961:6). A high degree of customer understanding is essentially hindering more radical product development. The joint product development effort is concentrated on and directed by internal and existing working procedures and scheme of division of labour.

8.3.5 Co-ordinating knowledge resources

Just as a deepened insight in the characteristics of the co-ordination of product development activities may contribute to understand the routinised organising of product development in the Danish food industry, as will also the following analysis of the co-ordination of knowledge resources in the four cases. Whereas co-ordination between partners in collaborating for product development may concern many and various resources, for the present purpose a special focus is set on the co-ordination or sharing of knowledge resources. Drawing on the industrial network approach, we know that information exchange and knowledge sharing are an inherent part of a joint product development effort (e.g. Hakansson 1989; Powell et al. 1996). Hence, an important and inherent part of the joint development effort is the sharing of knowledge, facilitating either joint activities at joint product development meetings (e.g. brainstorming for new product ideas based on the actors’ knowledge of new trends or evaluations of new product prototype including discus-
sions of the potential acceptance of the consumers and e.g. retail customers) or subsequent activities to be performed by either of the parties (e.g. additional testing).

### 8.3.5.1 Mobilising knowledge resources

Across cases knowledge sharing or the mobilisation of knowledge resources in product development is primarily characterised of transferring and to a lesser degree translating (Carlile 2004). Transferring of knowledge relates to the disclosure or transfer of information from one actor to the other whereas translation of knowledge entails actors to take knowledge from one context and adjust or translate it to fit into another situation.

The OTZ – Chicken Delight relationship exemplifies how knowledge sharing is to a large extent intended to provide a basis for the product developers of Chicken Delight to be able to provide their internal organisation with the knowledge and preference for OTZ’s new products. In this sense, the transfer of knowledge is supporting the existing internal activities at the involved customer (Lundgren 1992).

Another example is the sharing of knowledge emanating from the collaborative interaction in the relationship between Allstar and PROmotion. Ideas put forward, discussions and evaluations at joint meetings are a forum for sharing the complementary knowledge resources of each partner, resulting not only in new product ideas. The participants also gain insights in each others’ field of expertise. Not only across companies, but also across internal functions at Allstar, creating an enhanced understanding for the contributions of the other parties to the joint development effort. Joint meetings with PROmotion have e.g.

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35 For these knowledge processes to take place, interacting actors must build a technologically and organisationally based common ground for knowledge sharing (Carlile 2002; Dougherty 1992).
provided the product development team of Allstar with an additional understanding of market-related and consumer-related issues that, combined with their own more technical-related knowledge, provides a firmer ground for redefining activities related to e.g. prototyping. Allstar thus uses the knowledge sharing with PROmotion to redefine activities related to prototyping and market analysis. In other words, the mobilisation of knowledge resources at joint meetings as well as in the daily interaction with PROmotion is influencing selected product development activities.

The joint seminar aiming at developing understanding of kebab production and the use of Aston Proteins’ products for kebab production can be considered an important activity for Stern and Aston Proteins to actually gain access to and insight on each other’s knowledge on the area. Even though Stern and Aston Proteins hold a business relationship, their daily exchange is mediated by the distributor Gellert. If the knowledge sharing between Stern and Aston Proteins was only mediated through Gellert, the process would probably be quite different. Still, the mediating role of Gellert seems significant for the joint effort at the seminar. Because Gellert has the daily contact and direct relationship with Stern and therefore may be considered having the closest and most trusted relationship to the customer, Gellert’s presence at the seminar facilitates the customer’s willingness to share their knowledge. Questions and suggestions may more easily get raised. On the opposite, tensions and conflicts may also more easily get fixed. Furthermore, Gellert has a central role in the activities and knowledge sharing subsequently to the joint seminar. After the seminar, Stern and Aston Proteins have no direct communication and thus depend on Gellert to act as a go-between when additional insight is gained by either of the parties are to be shared. In this case the knowledge mobilisation or transfer at the joint seminar is thus proving a basis for expanding the existing activities and routines of both Aston Proteins and Stern.
Knowledge sharing thus plays a central role at joint product development meetings across cases. Knowledge related to ingredients and products and information of internal processes is shared at meetings and connected to knowledge and expectations of customers, and reactions of consumers and other actors to new products. Whereas joint product development meetings are natural forums for sharing knowledge, these are by no means the only ones occurring in the collaborative relationships in the presented cases. As the parties meet and bring together their knowledge, the mobilisation of knowledge resources is not only directly related to the involved parties. On the contrary, these interfaces are also drawing on knowledge from other relationships to third parties (consistent with the work of e.g. Hakansson and Waluszewski 2002; Hakansson et al. 1999). Furthermore, the knowledge mobilisation may not only be intended to provide assistance to the product development activities at the joint meeting but be related to further and future joint or internal development or other exchange activities.

**8.3.5.2 Barriers restricting knowledge combinations**

While knowledge sharing has previously been highlighted as an inherent part of involving customers or other external partners in product development (e.g. Powell et al. 1996), the cases presented here bring out barriers framing the knowledge sharing of the partners, thus limiting the joint product development effort. The following example is intended to point out these potential barriers.

A first example is from the Aston Proteins – Stern relationship where a main purpose of the joint application meeting is to assemble the complementary knowledge of the actors and their products to jointly develop new knowledge of kebab production. However, the knowledge sharing at the joint meeting is more complex than what it might appear to be. Stern’s knowledge of kebab production builds on several years of business exchange with various kebab producers not willing to
openly share their knowledge or recipes (discussed in detail in section 4.5). Since the gathered knowledge is collected over time and from various customers, it may be considered a large jigsaw puzzle with missing pieces and an unclear motive for the application meeting participants to solve. This may be considered an excellent example of how knowledge and learning flow in networks (Hakansson 1989; Hakansson et al. 1999). This can also be considered an example of how actors during time may collect information even when other actors are striving to withhold what is considered competitive sensitive knowledge that should not be shared. Still, due to both the religious conditions related to halal and the traditions related to kebab production it is vital that the solution and recipe developed by Aston Proteins and their German customer and distributor are not significantly different than existing products on the market, but may rather easily become incorporated as part of the kebab production. The value of the developed knowledge on the joint meeting thus depends on how it may be combined with the production of other kebab producers. In other words, the joint aim of Aston Proteins and its partners is to mobilise resources and create a resource constellation in terms of a new product that does not demand of users to change their related activities significantly.

Another example is when the employees of Allstar who attend joint meetings with PROmotion do not hold the direct mandate to allocate the necessary resources to further develop ideas generated in collaboration with PROmotion, and decide which new products to launch. This mandate is instead controlled by the managing director of Allstar and, to a lesser degree, by the Scandinavian concern. The veto right of the managing director constitutes an important element in redefining activities related to new product launches. The setup of Allstar may be interpreted in two different ways. It could be that the purpose of the joint effort with PROmotion was to generate as many creative ideas as possible for Allstar to work with. In this scenario, it would only be natural that many ideas are rejected. The knowledge sharing with PROmotion would thus be defined as part of this process. However, the purpose of
the joint efforts is declared to be the development of products and concepts under the Allstar brand (see section 7.2.2). Allstar is furthermore using many resources for prototyping ideas generated together with PROmotion as well as market analysis. Since the managing director subsequently vetoes against many of these ideas, the setup may be considered a waste of resources.

Furthermore, the value and realisation of a newly developed product is ultimately realised when firstly the retailing sector accepts it and secondly the consumers. To reach the value of a new product developed jointly, the dyad is thus dependent on other internal and external actors. The complexity of this picture is amplified when reflected against existing and new products introduced by the larger competitor since the value of Allstar’s branded products in some instances will be evaluated against the competitors in the eyes of the consumer. This is naturally also valid for other products (e.g. retailers’ private labels) in the same product category. Different dominating actors are thus influencing the knowledge sharing between PROmotion and Allstar. In the case of Allstar, the control and mobilisation of knowledge resources as well as the decision-making authority reveal a rather complex constellation of resource ties. In this complex constellation, several internal as well as external actors seek to manoeuvre the development process in accordance with their intentionality. Since these intentions seem often to collide and work against each other, it is difficult to exploit new and more radical solutions.

The actual mobilisation and combination of resources and knowledge are critical for the value created. However, in none of the cases distinct innovative and novel knowledge is created. Instead, the actors retain their specialised knowledge and resources, utilising it in modules put together in selected product development activities, such as joint meetings, to co-ordinate a joint effort. In essence, the companies are using their knowledge and other resources in ways that exploit the known features of the resources, while hiding others (Gadde et al. 2002). In-
stead of exploring hidden and unknown features of their knowledge resources, these are retained in known patterns entailing that the potential and possible application of the resources are not explored. The examples pointed out also reveals how potential knowledge translations are not exploited. In the case of Allstar, the market situation related to the three largest retail customers is considered alike, leaving only room for knowledge transfer. Across the OTZ cases the same new product ideas and standardised activities are offered the two customers Chicken Delight and Euretail. Although these customers may be expected to face diverging development needs due to their different positions in the food chain from earth to table, they are requesting and are offered similar development solutions. These examples show how the joint development effort renders no new (radical) knowledge resource combinations.

Summing up, across the presented cases, knowledge resources are mobilised with the intention of expanding and extending existing activities and routines at the company and/or the involved customer. In this sense, the resource interfaces that occur are focusing on exploiting and combining known features of the actors’ resources, thus retaining also known routines and activities. Whereas Gadde and Hakansson (2001) argue that relationships and the mobilising and combining of different resources in relationships promote product development, the cases presented here provide nuances to the discussion. Dominating actors, whether directly or indirectly involved in product development activities, may constitute barriers to the degree of innovativeness derived from a joint effort. Among others, this is also emphasised by e.g. Hakansson (1989), Hakansson and Snehota (1998) as well as Hakansson and Ford (2002), pinpointing that the innovativeness of a relationship or a network will never be stronger than the actor trying to control it. In this sense, the mobilising of resources is resting on integrative processes where dominating actors are utilising their dominating position in the network and the according power in relationships to expand and extend existing activity links and structures (Lundgren 1992). Dominating actors are thus not promoting resource mobilisation for changing existing links
and structures either by establishing new or by changing old activity links. The expanding and extending of existing activity links in relationship interactions is instead retained and adjusted with current routines and adaptations in the organising of product development effort by the collaborative partners. What the cases add to this discussion is related to the translation of knowledge shared by the involved parties. Even though shared knowledge may be translated and utilised in different contexts, the problem of lacking innovativeness is enhanced because the contexts vary very little. When OTZ utilises knowledge across interactions with different customers, or when Allstar uses the collaboration with PROmotion to develop identical new products sold to every retail customer, the actors’ perceptions of these different contexts diverge very little. There seems to be very few or no radical contexts to interact in and for seeking inspiration. Even though collaborating actors know each other down to the last detail (e.g. concerning customers’ production routines or internal working procedures), this knowledge is not exploited for radical product developments. This may be considered a picture of network closure in the Danish food industry.

8.4 Product development meetings as joint forums for redefining product development activities

Whereas the network picture and strategic intentions of single actors are underlying their definitions of product development activities, the interaction and collaborative product development effort between a company and a customer will also influence the actors’ perceptions of how newly developed products may reach end consumers (as also discussed in the theoretical chapter in section 2.4.2). The customer also holds strategic intentions and therefore a part of the interaction of the company will be a negotiation for acting out their respective intentions. Through the interaction, actors may reach a redefinition of the product development task at hand and the related product development activities.
Joint product development meetings between a company and a customer can provide joint forums for interacting partners to redefine product development activities. These meetings may be contemplated as part of a negotiated process for organising product development activities. In this thesis, joint product development meetings are considered part of the organising routine as introduced in section 8.1 and consequently essential events in the joint product development process. From the cases, we also learn that joint meetings may last a couple of hours or several days. Joint product development meetings may also be an event involving only selected customers and partners or meetings may be utilised for developing various customer relationships. Joint product development meetings are representing the product development activities of the participating actors by being a pivotal centre for negotiations of the value to be created from the compiled product development effort. The interaction at joint meetings may reveal the parties’ disjoint aims and potential incompatibility in their network pictures where arising conflicts and discussions may result in the redefinitions of product development activities by the parties, as illustrated in figure 8.3.

36 In other companies as well as in other industries it is possible to identify other kinds of joint forums for collaborating partners to delineate the joint product development effort. Other types of joint forums could be shared project organisations, legal contracts or the like. The essential matter is thus not the product development meeting in itself, but the existence and use of a joint forum for facilitating the development process and for negotiating the joint development task at hand.
Figure 8.3: Joint product development meetings as forums for the redefinitions of product development activities by the actors

It is important to note that figure 8.3 is not intended to suggest joint product development meetings to be the only forum for collaborating actors to confront their definitions of product development activities. Indeed this confrontation may be an ongoing element in the relationships and ongoing business exchange of the parties. As the joint product development effort may be repeated, past redefinitions will also influence and alter the network picture and potentially also strategic intentions of the implicated actors. The feedback arrow in figure 8.3 illustrates this cyclic flow and process.

In the cases, we see that actors at joint product development meetings engage in everything from brainstorming for new products ideas to deciding which new products to launch. They may engage in reflections on potential limitations and boundaries for new product development impeded by scarce production resources or in discussions concerning possible marketing activities related to new product launch. However, the presented cases reveal how joint meetings seldom cover the full range of development tasks but instead are devoted to either ideation and joint brainstorming for new product ideas (Allstar – PROmotion); prototyping and trial testing (Aston Proteins – Gellert – Stern) or tast-
ings and evaluations of new product ideas (OTZ – Chicken Delight and OTZ – Euretail).

Figure 8.4 illustrates how joint product development meetings are a forum for negotiating the joint product development task at hand and how this negotiation is framed by the relationship atmosphere and the handling of potential conflicts and disjoint aims by the partners. By investigating the relationship atmosphere and how conflicts are handled, we reach an insight on why companies might e.g. compromise their strategic intentions and how collaborating partners may align potential conflicting aims. From the cases, we also learn how the relationship atmosphere is influencing the prioritisation of product development activities of the actors. These issues are to be analysed further in the following sections.

Figure 8. 4: Redefining product development activities at joint product development meetings
8.4.1 Relationship atmosphere framing redefinitions of product development activities

An inherent part of the interaction in a relationship is the actors’ interpretations of what can be done and the possibilities for acting out strategic intentions. The relationship atmosphere influences the actors’ ability to negotiate for and the redefinition of product development activities, and thus to which extent actors will be able to act out their strategic intentions. Simply put, the relationship atmosphere is a dimension that may influence any discrepancies between what actors say they want to do and what they actually (can) do (the notion of relationship atmosphere was presented in details in section 2.4.2.3). Studying the relationship atmosphere of the presented cases has been a way of gaining insights on the organising as a negotiated process between actors in a relationship where joint product development meetings have highlighted the discussions of the actors of which product development activities are critical, and have exposed their roles in this negotiation and the influence from interactions in other relationships in a wider network context.

8.4.1.1 Relationship atmosphere favouring customer’s redefinition

To some extent the power and dependency dimension of a relationship atmosphere reflects or echoes the network pictures of the involved parties, where the power balance between companies is closely related to the parties’ perceived mutual dependence. In the case of OTZ – Euretail the relationship may be characterised as relatively equal and mutual on a dependency dimension. OTZ is dependent on Euretail to get its products to the end consumer whereas Euretail is dependent on OTZ’s knowledge and services for optimising the working procedures and flow of new products in the retail chain’s in-store butcher shops and delicatessens. However, both parties perceive the power balance of the relationship to be in favour of Euretail. This is in line with Sutton-Brady
(1996) and Gadde (2004) arguing that the influence from the power/dependency dimension on a relationship is related to the parties’ perception of the balance and mutuality as well as the parties’ expectations to the potential execution of power. In other words the actors’ perception of power balance in a relationship may not directly reflect the mutual dependency between them nor may the parties’ perceptions of the relationship atmosphere match.

In the OTZ – Euretail case the traditional organising of Euretail’s purchasing function, dictating the suppliers’ input by specifying the products and services required, seems to influence the parties’ perception of the power/dependency dimension. In the joint product development effort, the traditional distribution channel behaviour is e.g. illustrated in Euretail’s evaluation of new products ideas. In general the retailing company is less attentive to the supplier’s new product ideas, and favours the development of own ideas. Consequently, new products are based almost solely on the retailer’s ideas. When Euretail in relation to OTZ sticks to executing its power building on traditional purchasing principles with the aim of developing the relationship and the competences of OTZ to be more development oriented, a mismatch occurs. Euretail is claiming a strategic intent of developing OTZ into an active and pre-scient development partner, the execution of authoritative power unveil an intention of retaining OTZ to do what is beneficial to Euretail here and now. As Euretail claims that it gets the most from a development partner based on sales, demonstrates that it holds on to conventional purchasing traditions. OTZ on the other hand, seems to be compromising its strategic intentions. Making an effort of obtaining the role as a flexible and service-oriented development partner, OTZ is renouncing to get the customer’s evaluation of its own ideas. This is already exposed in the relationship where OTZ is becoming less persistent in their presentation of new products and new ideas (elaborated in section 6.5.2).

When examining the OTZ – Euretail relationship, supplementary understanding is, however, provided when incorporating the dimension of
empathy and closeness from the relationship atmosphere concept. OTZ expresses an understanding of the importance of defining product development activities closely related to the internal working procedures at Euretail. The spice company thus appreciates the need for making newly developed products ready for introduction at the retailer’s organisation - including providing the customer with product data sheets for the employees at the in-store butcher shops and delicatessens and for announcing new products in national household-distributed advertisements (as described in section 6.5.2). In essence, product development activities are redefined as closely related to Euretail’s perception of the development task at hand. In a longer term perspective, this may not be beneficial to Euretail as the relationship is not developed based on shared norms and expectations facilitating a development-oriented collaboration (Hakansson 1989).

8.4.1.2 Relationship atmosphere favouring company’s redefinition

The Allstar – PROmotion relationship shows how the relationship atmosphere may be influenced by external third parties or by incongruence in internal perceptions of the product development task at hand. A first glance on the joint effort between Allstar and PROmotion reveals a mutual and friendly collaboration. The cooperativeness, empathy and closeness of the relationship atmosphere reflected at joint product development meetings are characterised by PROmotion supporting and motivating the participants from Allstar in their product development effort. Time is used for creative ideation, discussions and the joint effort is tuned into issues related to keep the product development process of Allstar going.

Whereas it can be recapitulated that the relationship atmosphere between the employees of Allstar and the participants from PROmotion is supporting and equipping Allstar in their product development effort, external forces seem to erode and deteriorate the potential advantages
obtainable from the collaboration. The case description in chapter 7 shows how the relationship atmosphere between the parties is faltering, partly, because the managing director of Allstar frequently vetoes new product ideas coming from the collaboration with PROmotion. Additionally and to an increasing extent, the Scandinavian concern owning the majority of Allstar is demanding marketing and developmental resources allocated to prepare the Danish market for new products developed centrally. The frequent rejection and disregard of product ideas generated with PROmotion has lead to an increasing feeling of discouragement among the employees of Allstar as well as the participants from PROmotion.

Furthermore, the situation is special in the sense that Allstar’s dependence on PROmotion is not related to the products or services per se delivered by the agency. Instead, the dependence seems to be more personal conditioned through the close personal relationship between the marketing manager of Allstar and the owner of PROmotion. In essence, this personal relationship is playing a role in our understanding of the organising of product development activities in the Allstar case. The dependence between the business actors is thus not extended to a degree that fosters mutual power to influence the counterpart. Instead, the dependence on the internal organising of the product development effort at Allstar and the managing director’s veto right for launching new products as well as the influence from the Scandinavian concern is affecting the relationship atmosphere. These dependencies are essentially blocking the motivation and processual drive gained through the relationship with PROmotion. In this sense, the conflict rising in the relationship may not be characterised as solely emotional or task-related (Rose and Shoham 2004) but related to the mismatch and incongruence between Allstar’s different internal perceptions of the benefits obtainable from the PROmotion relationship and the development task at hand. Conflicts related to internal incongruence are also highlighted by Hallén and Sandström (1991:111) but not further explored.
The situation has an impact on the joint development effort with PROmotion, and the faltering relationship atmosphere is influencing the redefinitions of product development activities by the parties. The involved individuals are to an increasing extent questioning the value obtained from the relationship, and product development activities are redefined as ways to overcome the internal incongruence at Allstar. The atmosphere of the Allstar – PROmotion relationship is thus characterised by a lock-in situation where power cannot be executed. The situation thus differs from Gadde’s (2004) work where it is argued that business actors are simply less interested in executing power. In the Allstar – PROmotion relationships, the individuals involved in product development on the contrary do not possess the power to alter the situation.

8.4.1.3 Relationship atmosphere consenting redefinitions

Although tension and conflicts arise at the joint application seminar between Aston Proteins, Gellert and Stern, the triad’s relationship atmosphere is characterised by strong cooperativeness and perceived compatibility in strategic intentions. To some degree the parties thus agree on or accept the counterparts’ definitions of product development activities. However, this agreement of acceptance on defining and dividing activities is transitory since the relationship atmosphere is also characterised by a rather short-termed time horizon. While the parties want to access each other’s knowledge, they also intent to pursue and exploit their gained insights individually. Therefore, in the redefining of product development activities, the partners seem less determined on negotiating for a joint understanding of the product development task at hand. Instead, product development activities are redefined as obtaining as much knowledge and insight from the counterpart.

As a contrast the OTZ – Chicken Delight relationship may be seen as a classic textbook example of a good relationship atmosphere, characterised by mutual and open communications. A strong degree of coopera-
tiveness experienced by the actors and the compatibility of their strategic intentions seem to promote the joint product development effort (details in section 5.4). Consequently, the redefinitions of the product development task at hand are essentially neither challenged nor questioned. In a longer term perspective, this may become problematic since conflict may be a necessity in order to develop the relationship to exploit the full potential of joint product development efforts (Rose and Shoham 2004).

8.4.1.4 Relationship atmosphere reinforcing existing routines

Summing up, examining the relationship atmospheres at joint product development meetings provides insights on how collaborating partners negotiate and redefine the product development task at hand. Table 8.3 summarises how the relationship atmosphere in the presented cases frames the redefinitions of product development activities.
<table>
<thead>
<tr>
<th>Relationship atmosphere dimensions</th>
<th>Aston Proteins – Stern – Gellert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power/dependency</td>
<td>Mutual</td>
</tr>
<tr>
<td></td>
<td>Mediating</td>
</tr>
<tr>
<td>Cooperativeness</td>
<td>Perceived compatibility in strategic intentions</td>
</tr>
<tr>
<td></td>
<td>Outcome utilised individually</td>
</tr>
<tr>
<td>Empathy/closeness</td>
<td>Friendly</td>
</tr>
<tr>
<td></td>
<td>Interaction is mediated</td>
</tr>
<tr>
<td>Time frame</td>
<td>Short termed</td>
</tr>
<tr>
<td>Redefinitions of product development activities</td>
<td>Get access to partner’s knowledge – utilise individually</td>
</tr>
</tbody>
</table>

Table 8.5: Relationship atmosphere framing redefinitions of product development activities
<table>
<thead>
<tr>
<th></th>
<th>OTZ – Chicken Delight</th>
<th>OTZ – Euretail</th>
<th>Allstar – PROmotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual</td>
<td>Dominated by Euretail</td>
<td>Equal and supporting but influence from third party</td>
<td></td>
</tr>
<tr>
<td>Perceived compatibility in strategic intentions</td>
<td>Conflicting strategic intentions</td>
<td>Internal incongruence</td>
<td></td>
</tr>
<tr>
<td>Friendly</td>
<td>Mutual empathy and understanding</td>
<td>Supportive and friendly but faltering</td>
<td></td>
</tr>
<tr>
<td>Long termed</td>
<td>Long termed</td>
<td>Questioning future collaboration</td>
<td></td>
</tr>
<tr>
<td>Definitions of product development activities are not questioned or challenged</td>
<td>Closely related to Euretail’s view</td>
<td>To handle internal incongruence at Allstar</td>
<td></td>
</tr>
</tbody>
</table>
The analysis of the relationship atmosphere gives nuances to our understanding of why actors may compromise or qualify their strategic intentions in the redefinition of product development activities. The reasons for complying with the definitions of an involved customer of the product development task at hand are thus not necessary to be found in a power/dependency perspective but may also be related to the partners’ mutual empathy and closeness as illustrated in e.g. the OTZ – Euretail case. Negotiating for a redefinition of product development activities is thus not only a question of exercising power but rather a negotiation appealing to the empathy and understanding of the counterpart. Whereas the relationship atmosphere dimensions of power/dependency, cooperativeness and time frame have been shown to mirror elements of the actors’ network picture as well as influence the unfolding of their strategic intentions, it can likewise be argued how the empathy and closeness of a relationship has an impact on the actors’ possibilities for negotiating product development activities to be organised in favour of their strategic intentions. One example is the Allstar – PROMOTION relationship where the agency’s empathy and ability to identify with the challenges faced by Allstar is providing them with a ground for supporting and encouraging Allstar employees to work with and take on these challenges. Also the closeness and the strong personal relations between the two companies are facilitating a motivating and supporting atmosphere although the significance is deteriorating through the course of the case description. In this sense, it seems that the different dimensions of the atmosphere of a business relationship may have mutual reinforcing or abolishing effects. These dimensions of the relationship atmosphere thus provide additional insights of why actors hold on to the routines of organising product development activities. Routines for organising product development activities manifest themselves when the characteristics of the relationship atmosphere lead to product development activities being redefined to support either the customer’s view and other activities or to underpin existing internal activities. This focus may have an impact on the innovativeness of new products and reinforce the existing incremental development going on. When product
development activities are defined and redefined as having other purposes than the product, it becomes less relevant for actors to engage in activities that increase product novelty. Instead, the essential focus is on organising product development activities in a way that will underpin e.g. the customer’s other activities.

8.4.2 Redefining product development activities through conflict and alignment

By analysing joint product development meetings and the relationship atmosphere in which companies organise joint product development activities, we have obtained insights that will help us understand how the collaborating actors may handle possible conflicts and alignments related to the joint product development effort. Certainly, potential conflicts and contradictions may rise in the organising of a collaborative product development effort. These conflicts may appear at a joint product development meeting. The following discussion will show how conflicts and handling of these conflicts by the parties are influencing the redefinitions of product development activities and executing of the product development process. Taking on a process perspective, the handling of conflicts seems to have a bearing on the expectations of the business actors for their future product development collaboration. Furthermore, the sources of potential conflicts are giving insights on why product development activities may be organised through routines among Danish food-producing companies. Actors simply stick to conventional mechanisms for organising product development activities when contradicting and conflicting aims arise. Through the cases, we may, however, learn how conflicts and attempt for alignment are grounded in the potential disjoint aims of the actors and their different perceptions of the wider network setting.
8.4.2.1 Redefinitions resulting from disjoint aims

An example of conflicts rising in the process of organising product development activities stems from the relationship between OTZ and Euretail. The intentions of the parties and definitions of joint activities, related to developing new products, as well as their relationship, are to some degree conflicting. Euretail declares that its intention is to develop the competencies of OTZ as a development partner that actively seeks new product solutions and suggestions for Euretail. On one hand, the retailer views OTZ as a flexible partner being able to adjust and get round the more rigid organisational setup internally at Euretail. On the other hand, OTZ is viewed as a development partner contributing to making the retailer’s introduction of new private label meat products more efficient. Accordingly, the retailer defines the product development task at hand as closely related to their existing internal setup. At the same time, Euretail views joint product development meetings as a forum for influencing the development of OTZ’s competencies and resource investments to underpin the desired roles of the supplier.

OTZ states that its intention is to service and support the developmental effort of customers as well as to obtain customers’ evaluation of new product ideas, serving as an input to the composition of the company’s own product line. The company hence defines the product development task at hand as creating valuable input to the customer in terms of activities that provide the customer with new product ideas as well as activities that support the trail of new products to end consumers. This definition is to create a position as a strategic development partner to Euretail (and other selected customers). Supporting activities may be related to e.g. providing Euretail with detailed preparation manuals and recipes for the employees at the retailer’s in-store butcher shops and delicatessens.

When developing new products together with OTZ, Euretail calls on those activities and the knowledge of the development partner that
will support and fortify the retailer’s internal working procedures and marketing activities related to the launch of new products. OTZ’s knowledge and resources for developing and testing new products as well as additional services supporting the way of new products to the refrigerated display counters of the retail customer are in other words sought, controlled and mobilised by Euretail. In this sense, the redefinition of product development activities is directed for expanding and extending existing internal activities in the Euretail organisation whereas OTZ still seeks to leverage knowledge and resources from the Euretail relationship also in relation to other customers.

However, conflicts arise when OTZ e.g. approaches the retail customer at joint meetings with suggestions for new products and Euretail harshly rejects the initiative (details in section 6.5.1). Such events have had discouraging effects on OTZ. To an increasing degree, the spice company expects Euretail to set the development agenda requesting OTZ to be more reactive awaiting development input from the customer. Conflicts also arise when OTZ is careless on deliveries. OTZ’s effort seems too concentrated on the development of new products not always being focused on delivery times. The spice company acknowledges the retailer’s need for newly developed products to be ready for launch as agreed due to strict procedures for new products appearance in national distributed advertisements. However, whereas OTZ is very attentive when Euretail requests for adjustments in new products (e.g. taste), OTZ seems to a lesser degree to incorporate and take on the task of co-ordinating the introduction of new products at the retailer especially related to the retailer’s marketing activities. This may, on one hand, be due to how OTZ yet has to develop the ability for co-ordinating these activities. On the other hand, it may be caused by the company’s perceptions of the customer’s expectations. Oppositely, Euretail experiences that from time to time OTZ has to be reminded on the introduction of new products. This example shows how the partners are holding disjoint aims. The source of this conflict seems to be that the perception of OTZ’s role and the redefinition of product development activities are essentially
split between several purposes. On one hand, the company is expected to lead the joint product development effort and, on the other hand, to follow the strict specifications defined by the customer.

These conflicting issues illustrate the variations in the strategic intents and view of the surrounding network of the involved business actors. In other words, the joint product development effort leads to the actors facing choices of when to lead and when to follow the leadership and comply with the strategic intent of the counterpart (Ford and Mouzas 2007). Accordingly, OTZ often follows and Euretail leads as the retailer is trying to direct the development of their supplier. As emphasised by Hakansson and Ford (2002), an actor’s exercise of control in a network will eventually mean that the innovativeness depends on that single actor. This is the dilemma facing Euretail. Being very prepared to accommodate to Euretail’s demands and requests, OTZ is left to almost abandon its strategic intentions, accepting the definitions of product development activities as outlined by Euretail. Summing up, the conflicting issues in the OTZ – Euretail relationship have the implication that even though both companies intend for OTZ to be a pro-active development partner, the supplier ends up being an extended development office to Euretail.

8.4.2.2 Redefinitions based on third party influence

In the Allstar – PROmotion relationship, dominating third parties are leveraging rising conflicting issues. Although Allstar and the development partner seem to hold concordant strategic intentions focusing on the development of new products and concepts under the Allstar brand, the significance of their joint effort is questionable. Both internal and external to Allstar, dominating actors influence the supporting and motivating atmosphere firstly experienced by the participants at joint meetings. Only a few of the new product ideas generated in collaboration with PROmotion get accepted in the first place by the managing di-
rector of Allstar, secondly not be blocked by the Scandinavian concern; thirdly get access to the retailers’ shelves and finally become a selling success among consumers. Instead, most ideas get initially blocked with the veto of the managing director – having a spill over effect on ideation at joint meetings with PROmotion.

Due to the influence of the dominating actors, the effects from the joint development effort with PROmotion remain primarily local. These local effects may partly be explained and understood in terms of resource path-dependencies restricting product development (Hakansson and Waluszewski 2002). Due to the retention of the internal organising of product development activities of Allstar, opportunities for utilising the full potential of the collaboration with PROmotion are not reached. The source of conflicts in the Allstar – PROmotion relationship is thus partly related to internal incongruence and conflicting intentions in the Allstar organisation. At Allstar various individuals represent different parts or fragments and views of the wider network. These different views collide when they seem to represent contradicting intentions.

Allstar believes that retail customers evaluate the product development effort of Allstar equally to the larger competitor as well as other large food-producing companies (that hold more resources for product development and associated marketing activities). In essence, these expectations make Allstar try to play and copy the game of larger counterparts, but in small scale. When the relationship with PROmotion to support the product development effort does not provide the desired effects it may be due to PROmotion’s lack of position to mediate, relate or join the activities of Allstar with the activities of retailers and other actors in the network. Therefore, the source of the conflict in the Allstar – PROmotion relationship may be related to the contradictory intentions – not only internal in the Allstar organisation – but also in the actors’ perception of the wider network context. These contradicting intentions seem difficult to align because multiple business actors seek to lead the product development effort in opposite directions.
8.4.2.3 Redefinitions for complying with customers’ strategic intentions

Incompatibility in network pictures and disjoint aims may lead to conflicts as the partners hold different perceptions of the value created from the joint product development effort. Two lessons from the cases presented validate existing research. Firstly, the activities and actions of an actor may not always follow the network picture neither the strategic intentions of that very same actor. This may be due to activities not being conducted and enacted as intended or that the defined and enacted activities did not reach the expectations of the actors (this is consistent with Öberg et al. 2007). This entails that signals related to the actors’ strategic intentions may not be followed up by specific activities to support the intention. Secondly, according to their network picture actors will try to influence counterparts to enhance or abandon certain activities to strengthen the company’s own position (as also accentuated by Holmen and Pedersen 2003). Likewise, the focal company’s willingness to accommodate with counterparts’ requests will be related to what options are perceived achievable – that is what will the company gain (will the directionality be perceived mutual and rewarding) and in what time perspective (short-termed or long-termed gains). A company may thus comply with its own strategic intentions for product development because the perception of power and interdependencies is routinised and treated as a normal state of affairs rather than as a compulsion of conditions of co-ordination by one actor over another (Coombs et al. 2003).

As can be observed in the presented cases, conflicts may not only emerge in the relationship to the involved customer but may also be related to discrepancies and varying strategic intentions and network picture at the organisational level, as is the case of Allstar. Conflicts may also arise due to past relationship strategies most evident in the case of Aston Proteins but also apparent in the other cases. Furthermore, dominating actors may not only seek to lead and control the developmental
effort of partners as in the case of OTZ and Euretail, but their dominance may also confine product development effects to be localised as illustrated in the case of Allstar and PROmotion.

Considering situations where the company and customer hold different views of the product development task, and to some extent may disagree on their joint aims, two different consequences can be derived from the cases. In the relationship between Aston Proteins and the customer Stern, Aston Proteins seems to align with the customer’s definition of the development task. The reason for this alignment is to be found in the purpose of the joint effort, where the customer holds a significant knowledge of kebab production. Aston Proteins is dependent on gaining access to this knowledge, and therefore the company complies with Stern taking a leading role in planning and executing activities during the seminar. To some extent however, Aston’s compliance is only temporary. Since after the seminar, the partners hold no direct contact or plan no further joint development (at least regarding kebab), Aston Proteins incorporates the gained knowledge in its own further developments, seeking for a solid application of its proteins for kebab production.

Another consequence can be derived from the relationship between OTZ and Euretail. Here the partners hold different definitions and perceptions of their mutual roles in their joint product development effort. When the partners’ definitions of product development activities are confronted, conflicts arise. The parties hold disjoint aims and, in the quest for aligning their development endeavour and attempts to co-ordinate, Euretail has the upper hand through its dominating position in the relationships and the industry in general. However, while complying with the redefinitions of the retail customer, OTZ achieves to create holes of access for their new products to reach end consumers.

From these examples we can infer how the degree of interdependency between the product development activities of the partners and other activities may influence the handling of conflicting issues. In the case
of Aston Proteins, product development activities are redefined as not dependent on subsequent activities. Therefore, Aston Proteins aligns with the customer’s requests. OTZ and Euretail are facing a greater challenge in aligning their effort. Not only because the current development of new products is dependent on the outcome of the conflict, so are the actors’ other activities. Thus, discussions and negotiations at meetings are related to many other aspects of the parties’ joint effort than just the product. Issues concerning their wider business exchange are important elements configuring meeting discussions.

PART III: SUMMARY OF THE ANALYSIS

8.5 Product development against a brick wall?

Naturally, we may observe innovative initiatives and some more novel products in the Danish food industry. Also across the four presented cases several collaborative initiatives are taken by actors in the quest to develop new products with a higher novelty, and processes and activities are initiated with the intention to strengthen innovativeness. Examples include Allstar trying to break its conventional product categories by developing new products, diversifying into new categories in close collaboration with PROmotion. When OTZ, based on experiences from collaborations with Chicken Delight and Euretail, gathers its industrial and retail customers for joint ideation and explores for new forms of product development collaboration. The retail company Euretail breaks with its organisational traditions and develops a closer relationship to one selected supplier – namely OTZ. A final example to be mentioned here is Aston Proteins and Stern engaging in a more mutual and equal knowledge sharing than normally observed in their niche of the industry.

The analysis of how and why Danish food companies organise collaborative product development activities through routines, however, provides
pictures and potential explanations of why some of these initiatives seem to encounter a brick wall. The following section will accordingly summarise the analyses of this chapter by inferring how food companies define, divide and coordinate product development activities in collaboration with industrial customers or other market actors.

8.5.1 Defining, dividing and co-ordinating collaborative product development activities

Summing up, the analysis reveals that Danish food-producing companies may build routines for organising product development activities in collaboration with industrial customers or other market actors in a quest for capitalising on the development endeavour. When customised and strongly adapted, product development cannot be capitalised in the food industry, building routines across various customer relations may be one way to reach economies of scope. Across cases, patterns of activities thus constitute repeated and routinised sequences of product development activities. In the joint product development efforts with an involved customer, the analysis highlighted different routine configurations. Routines may thus be configured through adding when the joint development is supplementing the company’s own existing routines. Routines may also be configured through composing when sections or modules of standardised activities are assembled and adjusted to different customers. Even though some routines may be adapted in a relationship, others are replicated across a company’s different relationships. Furthermore, similar routines are also discovered in various companies holding different positions in the food chain from earth to table.

Whereas single business actors may hold interests for increasing product innovativeness, their development efforts may have a different purpose. Essentially, the different network pictures and strategic intentions of the business actors have been shown to aim for other effects than the actual product. The analysis has highlighted that actors define
product development activities as building a position as a development partner. Product development activities are thus organised with the strategic intention to promote and legitimise the company’s position in the food chain from earth to table. The collaborative product development effort with customers or other market actors are thus juxtaposed to marketing activities for developing selected customer relationships. Based on the analysis of the four presented cases, it can be claimed that the implicated food-producing actors are holding rather locked pictures of how product development activities can be organised. Basically, the joint development efforts result in actors reinventing themselves time and time again. In other words the actors’ network pictures get operationalised in routines for organising product development activities.

Whereas the network picture and strategic intentions of the single actors are underlying their definitions of product development activities, the interaction and collaborative product development effort will also influence the actors’ perceptions of how newly developed products may reach end consumers. The interaction may thus lead to a redefinition of the product development task and the related product development activities. Across the presented cases, product development meetings, jointly attended by the food company and the involved customer, are considered forums facilitating the joint product development effort. Through the analysis of the relationship atmosphere at these meetings and the actors’ handling of conflicting issues, insights are obtained on why product development activities are organised through routines. The involvement of customers in product development has shown to entail elements of conflict when the strategic intentions of the collaborating partners are confronted and potentially collide. This is due to the different actors holding different perceptions and definition of product development activities, and how their may create value to themselves and the collaboration partner. From the presented cases, it seems apparent that there are differences in the actors’ perception of the degree of willingness and necessity of accommodating with the strategic intentions of the counterpart, and the actors’ discernment of their ability to ma-
noeuvre in general in a network context. Especially, it can be observed that the focal case companies according to their network picture will be more willing to comply with the requests of their counterparties if that counterpart is perceived to hold a central and powerful position in the network. In this situation, existing working procedures and activities seem to retain routines for organising product development activities.

However, studying the relationship atmosphere nuances this picture when incorporating the dimensions of time frame, empathy and closeness. Essentially, the parties’ mutual understanding and empathy influence the negotiation for organising the product development activities. The handling of conflicts is, however, not only related to issues of when to lead and when to follow the strategic intentions of the counterpart. Nor is the problem only related to disjoint emotional or task-related pictures of the development task at hand. But when the intentions of several actors are drawing in various directions, the cases reveal that the result often is the conforming of the actors to the conventions of the industry following the established division of labour.

Taking a closer look at the division of product development activities, the incremental characteristics of the new food products developed in the presented cases imply that both the company and the customer may engage in discussions and evaluations of new product ideas on equal terms. The business partners equally contribute with new ideas and new product evaluations. Developing new ideas for new food products seldom demands a specialised technological insight or competence. By developing and introducing new product variants season by season, the business actors have built the necessary knowledge to contribute to the joint product development effort. In this sense, interactions and discussions at joint product development meetings are not characterised by one or the other party possessing specialised knowledge or technologies directly related to the new product. Instead, the specialisation of the actors related to the commercialisation and distribution of new products settles decisions on the configuration of the new prod-
ucts (e.g. taste, appearance, etc.) and their launching. In other words, decisions on which products to reach end consumers are determined by the established scheme of division of labour. The division of product development activities is also reflected in the way actors share knowledge. The division of activities are rather rigid and tight and limit the possibilities of the actors for exploiting the knowledge interfaces in their relationships. Essentially, knowledge sharing is restricting innovativeness.

The co-ordination of product development activities between a product developing company and an involved customer is shown to be related to the coordinating of other existing routines and procedures. Other activities related to either the company’s own or the involved partner’s marketing and production end up framing and influencing the co-ordination of the joint development efforts. Product development is thus not utilised for challenging and developing other existing activities and procedures. On the contrary, the interfaces between product development activities and other activities are standardised in a way that provides the ground for routinisation. The organising of product development activities is adjusted to existing practice, and the innovativeness is thus restricted. Furthermore, the analysis reveals that knowledge sharing between partners collaborating for product development does not challenge or change existing activity links or structures. Only known features of knowledge resources are exploited, whereas no exploring of new and unknown resource features is facilitated. Knowledge sharing is thus not an element challenging the existing routines and organisation of product development activities. Even though the collaborating partners know each other well and have a profound knowledge of each other’s activities and existing working procedures, this knowledge is not utilised as a basis for product development. Instead, this knowledge is promoting existing activities and routines.

When product development activities are defined, divided and co-ordinated to support either the customers’ strategic intentions or to underpin other existing activities, routines for organising product de-
development activities seem to be retained. When product development activities are defined and redefined as having other purposes than the product, it becomes less relevant for actors to engage in activities increasing product novelty. This may have an impact on the innovativeness of new products and thus reinforce the existing incremental development going on.
9 CONCLUSION – REFLECTIONS AND IMPLICATIONS

This thesis has addressed company organising of collaborative product development activities in the Danish food industry where the interdependencies among actors, the contingencies characterising the industry and the contemporary setup restrict the strategic choices of companies. The analysis and discussions of the previous chapter explored the interface between the organising of product development activities of a company and the degree to which the organising is conditioned by the interaction and collaboration with a customer as well as by the company’s view on the network context. Through detailed descriptions and analyses of four cases of collaborative product development effort between food companies and their customer, the following research question has been studied:

*How do Danish food-producing companies organise product development activities in collaboration with industrial customers?*

The aim of this chapter is to briefly summarise the findings from the analysis and discussions of the previous chapter as well as to reflect on and put the findings in perspective. Whereas the analysis and findings are focused on the organisation and the relationship level of analysis that relates to the industrial network approach, the findings will in this chapter be reflected upon in a network level perspective. Further, this chapter will reflect on the findings in relation to the implications of the companies’ network pictures and the possibilities for organising and
strategising for product development in a highly regulated network context as is the Danish food industry. The final sections of this chapter will roll managerial implications out, reflect on the research process and the validity of the study, and set up suggestions for further research.

9.1 Summarising findings

In the Danish food industry the organising of collaborative product development activities is achieved through routines. Organisational and inter-organisational routines are built in the quest to create cohesion between internal and external activities across collaborating companies (cf. section 8.1.2). Essentially, product development is considered a standard marketing activity utilised for building stronger positions as a development partner and for developing closer customer relationships (cf. section 8.2). To capitalise on joint development efforts with customers or other market actors, the strategic intention of food-producing companies is to balance routinisation and customer-specific adaptations in a way were the adaptation cost is not immeasurable (cf. section 8.2.1). Routines are, in other words, configured to create economies of scope.

Building routines for product development in the Danish food industry can be considered reasonable. On the backdrop of the opening chapter’s presentation of the food industry, operating routines to e.g. test new products against legislative requirements or to speed up the time-to-market of new products is vital. However, whereas routines utilised across various collaborations may be one way for food companies to capitalise on their product development efforts, the analysis and findings of the previous chapter draw attention to issues of how routinisation also holds consequences of standardising product development activities to a degree that is trivialising it (cf. section 8.1).

A finding of the thesis reveals that the network pictures of the studied case companies are operationalised in routines for organising collabora-
tive product development activities (cf. section 8.2.2). The actors’ perceptions of the relationships and the wider network constitute a basis for their definition and orchestration of the joint product development effort. The perceived centre and boundaries of the wider network context as well as what is perceived as the departing focus for building or retaining a position as a development partner are influencing the definition, division and co-ordination of collaborative product development activities. Possibilities for product development are considered closely related to the directionality in existing relationships and the perceived position of the collaboration partner (cf. section 8.2.2). In this sense, network pictures are operationalised in the content of routines as well as in the perceived significance of various standardised activities.

These findings further contribute to our knowledge of how partners collaborating for product development may organise their joint effort through ‘adding’ or ‘composing’ routine processes (cf. section 8.1.1.2). In the quest for creating cohesion between the internal and existing routines of either party, the analysis of the four case studies shows that actors, on one hand, may assemble or combine their joint effort by adding their routines end to end. On the other hand, through composing and modulating sections of standardised product development activities across and between companies. As collaborations unfold, internal and existing routines may, however, restrict or block the development of inter-organisational routines. When existing routines are not challenged, the findings of the analysis ascertain that the room for product novelty is restricted (cf. section 8.1.2).

Based on the analysis, it can be inferred that product development activities are defined - and in the interaction with customers are redefined - as having other purposes than the actual new product. The novelty of products developed is not the central concern of the collaborating partners (cf. section 8.4.1.3) and criteria for new product introductions are found to move away from the end consumer (cf. section 8.2.1.1). Instead, the product development task is regarded as building and le-
organising a position as a development partner (cf. section 8.2.1). In the interaction with the involved customer, the product development task at hand is redefined and adjusted in a way that reinforces existing other activities and routines (cf. section 8.4.1).

Across the studied cases, organising is largely determined by other activities performed either by the company or the collaborating customer (section cf. 8.3) i.e. product development activities are organised to cement existing working procedures, activities and routines in e.g. production or marketing. Since interdependencies between product development activities and other activities are standardised and organised through routines, there is less need for complex co-ordination across companies (cf. section 8.3.4). A company’s organising is thus conditioned by an interface between its own activities and those of the collaborating customer which is largely standardised and conditioned by other existing activities. Still, based on past modes of exchange, the collaborating companies have built a profound knowledge of and familiarity with the counterpart’s internal working procedures and processes. However, the analysis of mobilisation and sharing of knowledge resources (cf. section 8.3.5) ascertains how more attention and consideration is shown to existing working procedures and other activities. In other words, this finding points out that the insight on and familiarity with the working procedures of the development partners may block the focus on developing the actual product and the way it is distributed to the end consumer (cf. section 8.3.5.2). This retention of existing and other activities is creating a symbiosis effect where actors await the (re-)actions of others. This effect is not necessarily conditioned by technological path-dependencies; rather, the analysis determines that in the Danish food industry such path-dependencies are related to the specialisation of the actors in distribution and in the established scheme for division of labour (cf. section 8.4.2.2).

In line with the industrial network approach, it can be concluded that the organising of collaborative product development activities is a ne-
negotiated and interactive process. The findings from this study increase our understanding of how the interaction is influencing the definition and division of the joint product development task at hand. Through the analysis of the relationship atmosphere between collaborating partners, deepened insights are obtained on how other dimensions than the actors’ execution of power and position are influencing the organising of the joint product development effort. The findings of this thesis suggest that also the degree of mutual empathy and understanding for e.g. the partners’ internal working procedures and organisational setup, and the longevity aspects of the relationship are shaping the joint organising of product development activities. (cf. section 8.4.1). Finally, the relationship atmosphere’s dimension of compatibility between the partners’ strategic intentions provides insights of the extent to which either of the involved parties are bending their own strategic intentions for complying with the strategic intentions of the counterpart (cf. section 8.4.2). How the collaborating companies are handling potential conflicts and disjoint aims is, in other words, contributing to our knowledge of when companies follow and when companies lead in the organising of collaborative product development activities. Table 9.1 summarises the findings as dimensions that influence and frame company strategic choices for product development in collaboration with customers, and shows that the extent of a company’s organising is quite restricted.
Organising Collaborative Product Development Activities

**Summary of findings**

Product development activities are defined and re-defined as having other purposes that the actual product – product novelty becomes less relevant. Instead the development focus is underpinning other existing activities and routines.

Product development activities are divided to cement the existing technological and distributional specialisation and division of labour.

The coordination of product development activities are standardised to a degree that is trivialising joint product development efforts.

The actors’ view and picture of the wider network setting are operationalised in routines for organising collaborative product development activities.

Actors seek to balance customisation and routinisation: When company routines for product development are confronted with customer routines, the joint effort is found to be configured through ‘adding’ or ‘composing’.

The company’s profound knowledge of and familiarity with the customers’ existing working procedures and other activities are leading attention and consideration away from the development of more novel products.

Not only the perceived power balance of the relationship atmosphere is influencing the organising of activities, but also the parties’ mutual understanding, the perceived time frame of their collaboration as well as the compatibility of their strategic intentions.

The actors’ handling of potential conflicts and disjoint aims and the extent to which either of the involved parties are bending their own strategic intentions for complying with the strategic intention of the counterpart are leading to choices of when to follow and when to lead.

*Table 9.1: Summary of findings*
It should be emphasised that the findings of this thesis are not necessarily the ‘absolute truth’ on how and why collaborative product development activities are organised in the Danish food industry. Neither do they necessarily provide a ‘full picture’ of how a company organises the interface between its own product development activities and the activities of the counterpart, and to which degree the organising is conditioned by the interaction and collaboration with a customer or other market actor. Consequently, this thesis does not suggest that the ultimate knowledge is offered. However, based on the empirical findings, this thesis suggests that the routinisation of organising in the Danish food industry and the actors’ network pictures are restricting the collaborative product development effort and food product novelty. This does not preclude that other factors may facilitate or limit the joint product development effort of companies e.g. legislative regulations related to fortifying food products or to artificial or gen-manipulated additives.

9.2 Reflections on structural interdependencies and the network as a carrier of routines

In the thesis, the network level of analysis has been included as a context (cf. section 2.4.3). Whereas the summarised findings are based on studies related to an organisational and inter-organisational level of analysis, it is of relevance here to reflect on these findings at a wider network level. Since the studied collaborative effort unfolds in a wider context of interdependencies, the network is here reflected upon a pattern of structural interdependencies and as a carrier of routines for organising product development activities.

The analysis across the four cases provides a pattern of activity interdependencies not only building on technical issues but interdependencies related to the distribution, marketing and commercialisation of new food products. At a network level, these interdependencies can be characterised as both sequential and parallel (Hakansson and Snehota 1995).
Sequential interdependencies are related to getting new products distributed to end consumers e.g. in relation to onward intermediating third-party actors distributing or mediating newly developed products in collaboration between a company and a customer. The organising of collaborative product development activities thus also has to take into consideration the co-ordination with additional third parties, which complicates the matter and may potentially hamper innovativeness (cf. section 8.4.2.2).

Parallel activity interdependencies exist e.g. when the organising of product development activities is dependent on the actions and reactions of a third party competitor to new products introduced on the retailers’ shelves. In other words, several relationships may be competing and be parallel interdependent for attaining shelf space by the retailers and for winning the attention of the consumers. Accordingly, horizontal positioning in the food chain from earth to table may experience the influence of parallel interdependencies on the organising effort.

These interdependencies lead to the organising of product development activities being more about re-action than planning. This is in line with Ford and Hakansson (2005) arguing that network level interdependencies influence the company’s activities – because no matter what a company plan, it will need to react to what others are doing. Activity interdependencies related to indirect relationships at the network level (pronounced secondary function interdependencies by Anderson et al. 1994) may also affect the organising of product development activities by the food-producing companies.

The findings also ascertain that inter-organisational or relationship-adjusted routines seem to be emerging through the collaborative effort of Danish food-producing companies and their customers or other market actors. Similarly, what initially are relationship specific routines seem to be copied and utilised in various other relationships. An interesting picture is thus emerging across cases showing astonishing resemblances
of the organising of product development activities in different relationships.

Within the cases, the analysis has revealed that the focal case companies are aiming at developing similar new products for different customers and are copying initially customised solutions and building routines across diverse development partners (cf. section 8.1.1 and 8.1.2). However, different collaboration partners can be expected to face diverse situations and hold different needs for problem-solving e.g. due to their varying positioning in the chain from earth to table, or due to the way in which the new products are commercialised and to whom they are selling the new products. Therefore, these partners could be expected to hold different needs and requests for joint product development. The analysis nevertheless ascertains that routines for organising collaborative product development activities are not only the ground for repeated product development season by season in a single case. They are also rather similar across different actors and relationships. In this sense, these routines may be argued to be considered industry or network specific.

Drawn from the discussions on routines for organising collaborative product development activities, the central question is not related to problems of how routines and activities in one relationship may hinder routines and activities to unfold in another relationship. Instead, the pivotal question concerns how customisation in product development (e.g. a supplier’s deep knowledge and understanding of the customer’s internal working procedures) and the related relationship-specific adjustment of routines are copied across relationships to an extent that leads to lock-in effects. These may be considered signals of group-thinking (Janis 1982). Symptoms of groupthink observed in the cases include how actors align with dominating partners and the opinion of the majority on how to conduct product development. Another symptom of groupthink is the existence of pressure exerted on actors or felt by actors when diverging or disagreeing with the majority. This may be because
actors want to make sure that their new products get accepted and the resources spent on development were not wasted (this is consistent with Janis’ type III pressures towards uniformity 1982:175). Symptoms of group-thinking observed through the presented cases are furthermore related to the institutionalised view on the possibilities for organising product development activities (similar to Janis’ type II closed-mindedness symptom 1982:174).

Symptoms of groupthink are present when the expectations and network pictures of collaborating partners entail perceived limitations and restrictions for the unfolding of product development based on perceptions of whether new products are compatible with existing and institutionalised industry procedures (cf. section 8.3.5.2). Such symptoms of groupthink may be considered barriers to more radical product development equivalent to the potential disadvantages and lock-in effects observed among clustered companies as highlighted by e.g. Martin and Sunley (2003). In essence, the activities organised by collaborating partners and their interaction seem to reproduce the structure of the wider network.

9.3 Reflections on strategising for product development

When the organising of collaborative product development activities is grounded in routines, and collaborations are embedded in a rather regulated network context, actors are facing specific contingencies and challenges for product development strategising. This section will reflect on the implications for company strategising towards increasing product innovativeness and the strategic possibilities and limitations grounded in the network pictures of Danish food companies. An important foundation of this reflection is that strategic choices of companies, in a collaborative context of interdependencies, are restricted by the contingencies of past dealings and the contemporary setup.
On that backdrop, traditional strategic thinking and strategic management literature will not be of reflective assistance since this research traditionally claims that companies hold free strategic choices mastering their own course and business destiny, and that companies can position themselves vis-à-vis others in the market. A rational planning approach (associated with the seminal work of Ansoff 1965; Lorange 1980) would e.g. suggest that companies are able to make independent decisions so that the dynamics of strategy emerge out of a series of coherent strategic choices (Baraldi et al. 2007; Mintzberg et al. 1998). A positional approach (most often associated with the work of Porter 1980) e.g. claims that companies should choose a position against rivals, building a defence from competitive forces (Baraldi et al. 2007; Mintzberg et al. 1998). Finally, a resource-based approach (associated with the work of e.g. Penrose 1959; Wernerfelt 1984; Barney 1991) would argue that a company independently can analyse the environment, and implement a strategy building on its own resources (Ford et al. 2003; Mintzberg et al. 1998).

Basically, the strategic situation of Danish food companies can be characterised as rule-following (Hamel and Prahalad 1994). Embedded in the industry, companies view and picture their possibilities for organising product development in a certain way. Routines for organising collaborative product development activities build on an established scheme of division of labour, and the actors’ view of their means are confined by the framings of interaction with customers (cf. Schumpeter 1961). Findings from this thesis ascertain that companies, to a large extent, accommodate with the working procedures and business scope of customers or other market actors and e.g. comply with appointed shelf space at retailers, customers’ routines for testing, etc. Naturally, it may be considered relevant to question why companies would be interested in strategising for altering the routinisation going on. At least two reasons are to be mentioned here. Firstly, it has previously been argued that the continuous development of new products forms a vital basis for the performance of food companies and for the ongoing prosperity...
of the Danish food industry, which holds an important socio-economic role in the country (cf. chapter one). Consequently, it is both of societal and commercial interest that food companies persistently develop their ability for product development strategising. Secondly, even though it is a small country, the possibility exists that international actors establish a business in Denmark strong enough to alter the current industry constitution in a way that generally outplays the business for Danish food companies.

Breaking with established and institutionalised activity patterns means scrutinising the given preconditions for building and developing these patterns. Finding new ways to develop, distribute and sell new products entails changing the pictures of established activity patterns and of how and where patterns can be changed. Moreover, in line with newer literature, e.g. Markides (2008) argues that changes and innovations are not only to be related to discovering new products and technologies but in discovering a new way of doing business; by approaching customers differently and in a different way. According to Giddens’ (1984) thoughts on structuration, it is broadly speaking through the actions of the actors and social processes that structure can be altered (cf. section 2.4.3.1), albeit the boundaries of the actors’ knowledgeability and their potential unawareness of preconditions and of the consequences of their actions which play a role in the reproduction of the structure (Johnston et al. 2006; Berends et al. 2003).

Close to home, in the industrial network approach which has been used for building a theoretical framework for the present study, some but not many contributions have discussed and researched the idea of company strategising in a network context (for an overview see Baraldi et al. 2007). Even though strategising entails a more explicit focus on a focal company than found in most studies building on the industrial network approach, Baraldi and colleagues (2007) argue that it is important to scrutinise the interfaces and cohesion between a company’s internal processes and performance and the processes and performance of
specific others. In relation to the study of this thesis, the view on strategising of the industrial network approach offers a place for reflecting on possibilities and limitations for strategising for product development and thereby an opportunity for reflecting on the implications from the findings of this thesis.

In the industrial network approach, the strategy process is viewed as ‘interactive, evolutionary and responsive, rather than independently developed and implemented’ (Hakansson and Ford 2002:137). Due to analytical levels of the organisation, relationship and network, the starting point for examining strategy is counting in the infinite connectivity between modes of exchange and interactions in a network and the numerous interpretations by different interacting actors. Essentially, it is argued that no actor will be able to assess the myriads of effects and outcomes from interactions and therefore long-term strategic planning becomes unrealistic (Ford and Mouzas 2007). However, this does not mean that companies can do nothing and are just referred to passivity (Ford et al. 2003). Instead, the companies’ strategising for product development needs to make realistic reflections of their aims, method and time-scale of strategy. Further, the single company must take into account that every other company in the network will strategise as well. Due to the companies’ interaction and interdependencies, the outcome and effect of strategising will accordingly rely more on their interactions than the aims and strategic intentions of any single company (Ford and Mouzas 2007). In this sense, strategy in networks can be considered a pattern of choices and actions (also in line with the work of Mintzberg 1987), and the process of strategy is considered closely related to the context in which it unfolds (Baraldi et al. 2007).

Accordingly, attempts for strategising in a relationship need to be expressed in interactive terms related to the negotiation of the parties as well as the physical exchange (product, services, financial, etc.). These attempts will also include the companies’ considerations and expectations of effects as well as their expectations of the considerations and
expectations of others (Ford et al. 2003). Within the industrial network approach, it is thus claimed that while wrestling with a wide range of interdependencies, each company will want to benefit from their interaction. But, at least in a long-term perspective, companies will not be able to simply exploit their relationships. Instead, each company must strategise in a way that their problem-solving is compatible with that of their counterparts; that is, related to past interaction, future expectations and relationships in the wider network (Ford and Mouzas 2007). Hence, strategising, as contemplated by the industrial network approach, is not about competition and position against others, but related to interactions in relationships and networks, and thus to the co-existence of collaboration and competition (Gadde et al. 2003).

In relation to the findings of this thesis, reflections of strategising in an industrial network perspective imply that food companies cannot develop their own and independent strategy for product development, as the findings ascertain that the organising of product development activities is not only under the single company’s control. The ability to organise and carry out product development activities is partly located in one or both of the companies in a relationship, but the activities are also in a very real sense located in the relationship between them (Ford and Hakansson 2006), as when companies in collaboration redefine the joint development task. One essential strategising task is thus to identify the scope for action (Gadde et al. 2003), while the scope for organising product development activities is accordingly to be found within existing and potential relationships, rather than to be identified from the single company’s point of view. Here the idea of a network picture can be useful for a company to analyse and question its own assumptions of the network (Ford and Mouzas 2007).

As part of strategising for product development, a food company must examine to which extent its interactions are influenced by the company’s compliance to different aspects of the constituted rules of the game in the network. If a company, as part of its strategy, intends to change
or alter the existing routines or institutionalised practices for product development, it should consider when and at which costs and benefits it is willing to ignore or seek the overthrow of the contemporary practice. This assessment also includes an evaluation to which extent development partners feel strongly about the constituted rules of the game (Ford and Mouzas 2007). Here, the findings on relationship atmosphere in this thesis may contribute to the understanding and evaluation of the counterpart’s view (cf. section 8.4).

The industrial network approach suggests that the focus of strategising should not be on products or market share but more concerned on the specific problems that are addressed for specific counterparts in particular relationships (Ford and Mouzas 2007). Based on the findings of this thesis it can, however, be argued that the joint (re-)definition of the product development task or problem to be solved in a relationship is not necessarily an easy quest. This negotiation may be influenced by the compatibility of the parties’ strategic intentions as well as other dimensions of the relationship atmosphere (cf. section 8.4).

Summing up, the activities of strategising are less concerned with analysing a supposedly remote external and competitive environment. Instead, strategising is about giving explicit attention to the characteristics of business relationships and the network of which the company is part. In this sense, strategising for altering or shoving established routinisation of product development implies deliberately evaluating the company’s network picture. Interdependencies and relationships thus become important terms in the vocabulary of a (food) company strategist. The company’s strategising focus will be concerned with access to resources and skills that can only be obtained through relationship (Baraldi et al. 2007).
9.4 Managerial implications

Throughout this thesis several interrelated factors have been highlighted as influencing the innovativeness of Danish food-producing companies. Indeed Danish food-producing companies are facing challenges when engaging in collaborative product development. The opening chapter brings attentions to challenges emanating from market and industry structure-related issues. For one, various demands for more new products to be introduced to the market in an increasing pace, and secondly a historical conditioned concentration and specialisation are together creating a chain-like structure from earth to table that builds interdependencies. In this scenario, the quest for more effective product development has been shown to increase the propensity for routinisation in the organising of collaborative product development. Legislative requirements for securing food safety may even be claimed to enhance the institutionalisation of product development routines. Finally, process-related issues of copying routines from one development project to the next and from relationship to relationship for creating economies of scope have been shown to potentially impede product innovativeness. In other words, the quest for developing new food products is embedded in a rather regulated network context where food companies face special challenges when organising and strategising for collaborative product development.

The single company’s potential influence on product development organising varies. On one hand, the company’s influence varies in time: from project to project and in a short-termed versus long-termed perspective. The company’s ability to organise collaborative product development activities is, on the other hand, also dependent on space i.e. the company’s position and influence vis-à-vis other actors as well as through relationships (Gressetvold and Wedin 2005). Building on the industrial network approach essentially leads to questions of whether relationships are a managerial technique and thus questioning the single
company’s degree of influence on the organising of product development (Ford and Hakansson 2006):

- Managerial autonomy is significantly restricted due to the nature of interaction in relationships.
- The actions of the companies are not isolated and independent and therefore the dynamics of a situation tend to occur within relationships rather than by changing counterparts. As also shown in this study the organising of product development activities is not localised at one actor but in a very real sense localised between actors.
- Further, this is not only a dual relationship issue – but a network issue and thus not only restricted to the actions and reactions of two parties but related to third parties and their relationships.

It may seem almost impossible to extract (normative) managerial implications for organising product development activities in collaboration with customers. Since no single actor will know the actions and reactions of counterparts, the organising of product development activities becomes a game of learning-by-doing or rather learning-by-interacting. Moreover, the co-organising of product development is not only tied to activities related to product development – it also concerns taking into consideration and jointly organising other activities. Further, the organising of product development activities entails taking into consideration the characteristics of the relationship with single customers i.e. the relationship atmosphere. Finally, the actors’ network picture is framing the organising of product development activities.

Due to the evolving nature of strategising in an interactive perspective as discussed in the previous section, it is not possible to set up strict procedures (e.g. analyse – plan – implement) for the organising of product development activities. What can be achieved on the basis of the findings of this thesis and grounded in the industrial network approach are guidelines for issues or themes that appear to be vital for the strate-
gising of product development of each and every company (i.e. the wide range of companies operating in the food industry from earth to table). The starting point for organising product development activities is the company’s network picture on which the strategist can question the assumptions held at various functions and levels in the company. This evaluation also includes an examination and inference of how the network picture of counterparts and others in the network may look like. Further, companies face choices related to three different but interrelated levels for strategising and organising product development activities: choices related to interaction in existing relationships, choices about position, and choices about how to network (Ritter and Ford 2004). For each of these levels of interaction and networking, the company will find it valuable to examine several issues and aspects; these are listed in table 9.2.
**Organising product development activities in existing relationships**

- On what basis are product development activities defined and re-defined?
- How do the organising product development activities influence and how are they influenced by the organising of other activities?
- Which are the criteria for evaluating new products to introduce?
- What are the potential sources for conflicts for choosing when to comply and when to stick to own strategic intentions (not the same as avoiding conflicts)?
- What characterises the relationship atmosphere?

**Organising product development activities for obtaining a position**

- How may existing and new relationships contribute to the development of the company’s position: analysing the access to relevant and important resources?
- Which new relationships to develop and which to downplay?
- Assessing the current and evolving positions of counterparts.
- Assessing the current and evolving relationships of counterparts.

**Organising product development activities in networks**

- What are the established ‘rules of the game’?
- To what extent does the adherence of the company to the ‘rules of the game’ influence interactions?
- How strongly do counterparts feel about the ‘rules of the game’?
- What are costs and benefits from seeking to retain or alter the ‘rules of the game’?
- When and why to follow or to lead?

*Table 9.2: Aspects to consider when making choices for organising product development activities*
Finally, in organising for product development, the company should be aware that others strategise as well. Accordingly, this is an ongoing game and quest of actions and re-actions, where the network pictures of the companies are constantly evolving.

9.5 Reflections on the research process and the validity of the study

Building on a critical realist perspective, it can be claimed that no theory or study will offer the ultimate knowledge, because a research study is just the best truth about reality at a particular moment in time. In the eyes of a positivist, this may be considered vague since no clear-cut and exact findings are provided. A constructivist would, on the other hand, find the conclusions too distinctive, not embracing the complexity of a subjectively perceived world. However, taking the point of departure that findings are most likely true can also be considered a strength (Bøllingtoft 2005). When utilising an abductive approach of systemic combining building on a critical realist perspective, the researcher is encouraged to be aware of the fact that there might be more than one possible explanation, and that the researcher should constantly look for additional insights in the theoretical and empirical world. Accordingly, reflexivity is encouraged throughout the research process.

Still, the methodological choices made throughout the course of this study have to be evaluated, and the use of other methods for data collection could have strengthened the validity. The unique opportunity for observing product development meetings could have been prolonged and included my participation in other activities related to the actual development of new products. Similarly, instead of only participating in the joint activities of a relationship, I could have participated in product development activities performed individually by either party related to the joint development project. Further, I could have engaged in a longitudinal study observing several repeated product developments in the same relationship. However, due to restraints on time and resources
neither of these courses were followed. In the selection of companies and relationships, studying triads or a collection of several closely interrelated relationships could have given more insights into the collaborative organising of product development activities at a network level of analysis. This would, however, have implied increased difficulties in finding companies willing to engage in the study and share information. Even in some of the dyad cases selected for this study, the involved customer only reluctantly accepted my participation.

The present study has been evaluated based on the criteria for judging validity presented by Healy and Perry (2000: discussed in detail in section 2.3). An overview is presented in table 9.1 and discussed in more detail here below.
<table>
<thead>
<tr>
<th>To whom should data be valid?</th>
<th>Validity criterion</th>
<th>Methods and techniques applied</th>
</tr>
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<tbody>
<tr>
<td><strong>Abstract level</strong>&lt;br&gt;Academic scientific community</td>
<td>Ontological appropriateness</td>
<td>Asking how and why questions</td>
</tr>
<tr>
<td></td>
<td>Contingent validity</td>
<td>Thorough descriptions of case contexts&lt;br&gt;In-depth interviews probing actors’ perceptions of reality</td>
</tr>
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<td></td>
<td>Analytical generalisation</td>
<td>Rich and deep explanations</td>
</tr>
<tr>
<td><strong>Concrete project level</strong>&lt;br&gt;Industry community</td>
<td>Multiple perceptions of participants and of peer researchers</td>
<td>Triangulation of data&lt;br&gt;Presentation to peer researchers&lt;br&gt;Presentation to industry actors</td>
</tr>
<tr>
<td><strong>Data level</strong>&lt;br&gt;Academic scientific community</td>
<td>Methodological trustworthiness</td>
<td>Detailed descriptions of procedures applied&lt;br&gt;Use of quotations in cases</td>
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<td></td>
<td>Construct validity</td>
<td>Case study database&lt;br&gt;Detailed logbook&lt;br&gt;Case descriptions reviewed by key informants</td>
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</tbody>
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*Table 9.3: Validity criteria and methods applied*
Ontological appropriateness

The overall focus of the present study inherently implicates questions of how and why, due to the formulation of the research question on how Danish food-producers organise product development activities in collaboration with industrial customers or other market actors. The study of the research question has also included an analysis of why product development activities are organised as they are, e.g. by investigating the network picture and strategic intentions of Danish food companies as well as scrutinising dimensions of collaborative interaction for product development. Accordingly, ontological appropriateness can be considered reached.

Contingent validity

Thorough descriptions of the context of the cases have been provided in the present study. Furthermore, insights into why product development activities are organised as they are, are sought via in-depth interviewing uncovering the different perceptions of the focal case companies as well as the involved customers. Observation studies potentially bring along problems of asking in-depth questions (Bøllingtoft 2005) because some observation roles do not consent with asking questions. Since observation studies in the present research have not been the only and bearing method used, this is not considered a critical issue in the evaluation of the contingent validity.

Multiple perceptions of participants and of peer researchers

The participants’ perceptions of reality have been sought identified through observation studies and multiple interviews in each of the four cases of this study. Supporting evidence has been sought in the form of secondary sources (e.g. archival material and websites). Triangulation of data sources has been obtained between findings from interviews and observations. Furthermore, through presentations on several con-
ferences and workshops during the time of my study, peer researchers have commented and provided valuable input to the research process. During the course of my study and when the data collection was finalised in a case company, I have made presentations of my research and had discussions with the involved actors. Their response and feedback have continuously been incorporated in my ongoing analysis. Finally, I have conducted several talks and presentations to and small talks with actors in the food industry, incorporating their feedback. The aim has been to provide research that the actors under study consider as an accurate, authentic and trustworthy description of their perception of reality. Moreover, the aim has been to provide research that may lead to actors acting on their understanding of the research. Thus, the validity of discussions and implications are sought evaluated in accordance with both the academic scientific community as well as in relation to company leaders constituting the empirical basis of the thesis. Evaluating the quality of research depending on both academic and empirical world measures is, however, a difficult task since the assessment of the quality is governed by different values (Gummesson 1991).

*Methodological trustworthiness*

Conducting the present study, the software Nvivo has been utilised as a case database containing transcriptions of all interviews and observations made for securing methodological trustworthiness. Furthermore, a detailed logbook has been kept during the entire study. From the transcriptions of interviews and observations, relevant quotations have been used in the case chapters. In addition, chapter 3 provides thorough descriptions of the procedures applied for the selection of the cases, interviews conducted and observations made as well as coding procedures used. This is intended in order to make it possible for the research to be audited by third persons.
Analytical generalisation

In this thesis, generalisation is not sought for the building of theory but for the development of existing theory. Neither is the generalisation sought in this thesis statistical. The generalisations sought are characterised by providing comprehensive and deeper understandings of the underlying structure and processes of a certain phenomenon under investigation. Building on a critical realist perspective implies that such ‘deep’ and rich explanations – also when inferred from only a few case studies – can be a ‘contribution to theory’ (Harrison and Easton 2004:195). Harrison and Easton (2004) further state that whether a theory applies somewhere else thus becomes an empirical matter. Still, the findings in this thesis may to some extent be applicable in industries facing similar structural and process characteristics as the Danish food industry.

Construct validity

Construct validity is sought in this thesis through the use of triangulation of data collected with various methods (interviews, observation and secondary sources). Throughout the collection and ongoing analysis of data, a logbook with notes has been kept for each case. During the course of the study, I have frequently read my logbook notes e.g. preparing for an interview or an observation. As described in chapter 3, a case study database has been kept using the software NVivo. Furthermore, in the present study early as well as latter drafts of the case chapters have been reviewed by key informants.

9.6 Implications for further research

The study of the organising of collaborative product development activities has given rise to new and interesting questions and issues for further research. These are presented below.
The notion of network pictures at the organisational level and the actors’ view of their wider network have proved a useful concept for understanding food companies’ strategic intentions and definitions of product development activities, and understanding how food companies build their position as a development partner as well as how network pictures are operationalised in routines. The analysis has mainly been concerned with the organisational level network picture, but our insights of organising collaborative product development activities could be potentially expanded by further studying potential conflicts in network pictures. On one hand, conflict in network pictures may stem from internal incongruence between different functions, levels or individuals in a company holding diverging pictures of their surroundings. The analysis of the case detailing the relationship between Allstar and PRO-motion has hinted at the analytical value from scrutinising such internal incongruence and its influence on the organising of collaborative product development activities. Secondly, conflicts in network pictures may also involve the disjoint aims of collaborative partners, where insights on how the companies’ network pictures are influenced and developed due the course of interaction could prove valuable. The case detailing the relationships between OTZ and Euretail suggests that deepened understandings could be obtained on how different degrees of discrepancy in the partners’ network pictures influence the organising of a joint product development effort.

At the relational level, the concern of routines in and between companies would be interesting to explore in more detail for furthering our understanding of how, especially inter-organisational, routines are built and developed related to product development as well as a general part of company interaction and how organisational and inter-organisational routines may co-develop. This study has provided insights into how a company may adjust routines to specific counterparts by ‘adding’ or ‘composing’ modules of routines and standardised activities in a quest for some degree of customisation. These findings would be interesting to explore further. Additionally, worth of examining is the case of Allstar
and PROmotion, which implies how existing organisational routines may jog the development of inter-organisational routines influencing a joint product development effort. This could lead to understandings of how and why organisational and inter-organisational routines may collide, conflict or create cohesion between internal and external product development activities.

The present study provides the most detailed insights on the organisational and relational level of analysis. However, the findings as well as the reflection of this chapter suggest that additional insights could be gained by more thorough studies focusing on the network level of analysis, related to how and why collaborative product developments are organised through routines in the Danish food industry and how the network may be a carrier of routines. Addressing a macro-level of analysis would provide further understanding of why industry-specific routines may develop, and their influence, limitations and implications on company organising and interaction for product development. A macro-level network analysis of the Danish food industry could incorporate studies of the influence from governmental initiatives e.g. for increasing (collaboration for) product development, the historical development of the industry with the predominance of the cooperative movement, and legislative regulations framing product development and working procedures in general in the Danish food industry.

Reflecting on the findings from the thesis, issues for further research may also be derived related to company strategising for product development. The close studies and observations of product development meetings and of the interaction of a relationship realised in this thesis seem to provide a sound insight into how the strategic intentions of the collaborating partners unfold and are influenced by the interaction and especially the relationship atmosphere. Similar methods applied in further studies could prove analytically valuable for furthering our understanding of the practice of interactive strategising for product development. It could be especially interesting to study food companies that in
collaboration with others explicit strategise for altering the constitution of the industry – e.g. by selling directly to consumers.

The chosen research strategy relied on selected case studies applying a principle of maximum variation e.g. related to the position of the focal case company in the food chain from earth the table. This has, however, not produced widely different pictures of food companies organising for collaborative product development, although the analysis accounts for the existing variations. The study has further been constructed on investigations of dual relationships which have provided relatively deep knowledge of the influence of interactions on organising. Broader insights on how routines and procedures for product development are replicated across relationships could be obtained through studies of triads, portfolios of e.g. customer relationships or smaller nets. Moreover, as routines are built and developed through time, additional and valuable insights could rise from longitudinal, e.g. observational, studies. Hereby, enriched understanding could be obtained on how collaborating partners individually or together are handling issues of conflict and alignment as well as how they seek to stabilise or develop their routines and procedures for organising product development activities.
Appendix A: Characteristics of the Danish retail sector

In the Danish food retail sector four groupings of actors dominate the market (see table a.a). Three of these hold a joint market share of 85%.

<table>
<thead>
<tr>
<th>Actor</th>
<th>Stores</th>
<th>Market share (2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COOP Danmark</td>
<td>Kvickly, Kvickly Extra, SuperBrugsen, LokalBrugsen, Dagli’Brugsen, Fakta, Irma</td>
<td>38 %</td>
</tr>
<tr>
<td>Dansk Supermarked</td>
<td>Bilka, Føtex, Netto</td>
<td>27 %</td>
</tr>
<tr>
<td>Supergros/Dagrofa</td>
<td>SuperBest, Spar, KIWI, Letkøb, ABC Lavpris, Magasin</td>
<td>20 %</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>15 %</td>
</tr>
</tbody>
</table>

*Table a. a: Retailing actors and their market share in the Danish food industry (Danish-Retail-Institute 2002)*

In total Coop Danmark operates approx. 1100 stores with annual sales of over 43 billion DKK (Danish-Retail-Institute 2002). The operated stores cover convenience markets, supermarkets and discount stores. Most of these different stores use COOP’s private label programme, but in general they also accept food producers’ in-store marketing activities.

Of the three different store concepts operated by Dansk Supermarked, Bilka can be considered hypermarkets, Føtex general stores whereas
Netto are discount stores. In total, Dansk Supermarked has approx. 850 stores with annual sales around 40 billion DDK (Danish-Retail-Institute 2002). All stores use Dansk Supermarked’s private label programme. In general, Dansk Supermarked accepts in-store promotions from food producers, when these support store profiles.

The store concepts of Supergros are supermarkets as well as convenience markets. Supergros accepts most in-store marketing activities from Danish food producers. Some stores use private labels, others only to a limited degree. Supergros operates more than 600 stores with total annual sales of more than 13 billion DKK (Danish-Retail-Institute 2002).
## Appendix B: Informants on pilot study

<table>
<thead>
<tr>
<th>Informant</th>
<th>Network/company</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vibeke K. Holm</td>
<td>Foodture – Danish Food Innovation Network</td>
<td>University of Southern Denmark, Kolding</td>
<td>2005.06.03</td>
</tr>
<tr>
<td>Paul Krabbe</td>
<td>Fødevareklubben</td>
<td>Vejle</td>
<td>2005.06.16</td>
</tr>
<tr>
<td>Bolette van Ingen Bro</td>
<td>VIFU</td>
<td>Holstebro</td>
<td>2005.07.05</td>
</tr>
<tr>
<td>Rene Damkjer</td>
<td>Agro Business Park</td>
<td>Tjele</td>
<td>2005.07.07</td>
</tr>
<tr>
<td>Charlotte P. Vest</td>
<td>Agricon Valley</td>
<td>Horsens</td>
<td>2005.08.18</td>
</tr>
<tr>
<td>Nicolai Hansen</td>
<td>Rahbek Fisk</td>
<td>Vejle</td>
<td>2005.08.26</td>
</tr>
<tr>
<td>Flemming Just</td>
<td>University of Southern Denmark, Esbjerg</td>
<td>Esbjerg</td>
<td>2005.11.02</td>
</tr>
<tr>
<td>Jens Møller</td>
<td>Jens Møller Products</td>
<td>Lemvig</td>
<td>2005.11.10</td>
</tr>
</tbody>
</table>
Appendix C: Interview guide for pilot expert study

Tell me about the network you work for:
- What is the network’s/initiative’s business idea?
- What is your goal and purpose?
- Which activities and initiatives do you offer?
- Tell me about your members: who are they? What do they do? Why are they your members?

What are the (three) biggest challenges facing the Danish food producers at this moment?
- In 5-10 years?

Which (three) big consumer trends will have the biggest influence on the food producers?
- How will this influence manifest itself?
- Are there different trends for different consumer groups? – private consumers vs. institutional consumers?

How do you assess the influence of the retail trade on the development activities of the food producers?

Which influence does globalisation/internationalisation have on the food producers?

There is a lot of talk about innovation (the new innovation law, i.e.), being an important parameter for the continued ability of competitiveness in the Danish food industry – what is your opinion on this?
- What is the challenge for the food producers in that context?
- What kind of innovation/development is conducted?
- Which opportunities/barriers are there for the companies in the industry in terms of collaboration in the field of innovation?
- Are you familiar with such innovative collaborations? Please share.

What other people affiliated with the industry do you think it would be beneficial for me to discuss these subjects with?
Appendix D: Personal interviews and product development meetings observed in the four cases

CASE: Aston Proteins – Gellert - Stern

<table>
<thead>
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<th>Date</th>
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<tr>
<td>Interview</td>
<td>Aston Proteins</td>
<td>Aston Proteins</td>
<td>2006.07.18</td>
</tr>
<tr>
<td>Sales and Application Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application Development Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 hour 15 min.</td>
<td></td>
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<td>Guided company tour</td>
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<td>Aston Proteins</td>
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<td>Gellert</td>
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<td>Development Manager (Stern)</td>
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<tr>
<td>Observations and several informal interviews at the fair</td>
<td>Aston Proteins</td>
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<tr>
<td>2 hours 27 min.</td>
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## CASE: W. Oschätzchen Aarhus a/s – Chicken Delight

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<td>W. Oschätzchen Aarhus a/s</td>
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<td>Development Assistant</td>
<td>W. Oschätzchen Aarhus a/s</td>
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<td>Quality Manager</td>
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<td>2006.09.07</td>
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<tr>
<td>Owner</td>
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<tr>
<td>R&amp;D Manager (Chicken Delight)</td>
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<td>R&amp;D Assistant (Chicken Delight)</td>
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CASE: W. Oschätzchen Aarhus a/s – Euretail

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| Marketing and Development Manager |           |          |          |
| 55 min                        |           |          |          |

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| Owner                        |           |            |          |
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Appendix E: Examples of interview guides

First company interview (prior to product development meetings)

Introduction to the company – based on the relationship card

• 3 most important customers (contributions to development or earnings)
• 3 most important suppliers (contributions to development or earnings)
• Other important relationships?
  o Describe the relationship: What is exchanged between you (products/processes, service, knowledge/information, etc.)? Do you develop products or processes for or in collaboration with the customer?
  o How important is the customer? Why is the customer important (large turnover/earnings, provides access to important/big markets, provides good references/image, helps develop our company, etc.)?
  o How well is your knowledge of the customer (contacts by the customer, knowledge of the customer’s future strategy, insight into the customer’s orders/forecast, etc.)? Is it easy or difficult to predict the actions of the customer? In which areas are you dependent on the customer – and the customer on you?
  o How are your and the customer’s activities connected? How do you deliver? Which of the customer’s resources do you have access to/are interesting to you (insight in markets, access to special machinery, shared purchase deals, etc.)?
  o How has the relationship developed over the past years? And
how do you expect the relationship to develop over the coming years? Will the relationship get a different/new focus? Will the relationship be closer, more formal or will it cease to exist?

Do any of the mentioned collaborators, customers, suppliers, competitors or knowledge institutions collaborate (not including your company directly)? What characterises their collaboration?

How do you work with development? – Formalisation, strategy?

- Products/concepts/services?
- Processes/technology?
- Markets?
- Organisation?
- Relationships?

In which way is the process thought through in the company? Do you have any procedures, data sheet, or something to that effect, to complete the development process – how formalised is it? Different processes for different categories of product development – customer initiated, own products, re-launches of/improvements on existing products?

- Activities in the process?
- Internal and external actors in the process? Who has the responsibility, who is brought in and when? Customers for final idea evaluation/selection? Chefs for recipe development? Suppliers for taste development?
• Resources in the process? Information – about the consumers, retail, ingredients, etc., assets – chefs’ special competences in recipe development, office for informational material, human, technical

First customer interview (prior to product development meetings)

Questions with regards to expectations for product development meeting

Expectations for the meeting:

• How were the appointments for the meeting on Friday arranged?
  o What have you arranged?
  o What is the basis for the meeting?
• Expectations for OTZ’s own products?
• Expectations for your own products?
• Which criteria must OTZ meet in order for you to be satisfied and place your business with them?
  (Special criteria indicating that OTZ has performed well?)
  Which criteria are the most important?
• Who is to participate from your business?
  o Why precisely these people?
  o What are they to contribute with?
• Have you invited others to participate?
  o Why precisely these people, businesses?
  o What are they to contribute with?
Follow up interview with customer (after product development meetings)

1. Internal organisation of product development

- How are products developed at Chicken Delight?
  - Strategies, formalisation, procedures
  - Responsibility and function areas
- How does product development work with other internal functions – production, marketing, sales?
  - Product adjustment of products?

2. Development project barbecue season 2007

- How, why/why not is this product different from your other development projects?
- The relationship with the chef
  - How did that collaboration come to be? Prior collaboration + expectations for future collaboration?
  - Did he meet your expectations?
  - What has he contributed with?
  - At the meeting at OTZ, it sounded like you had contemplated in advance which of his products could be relevant to your product programme – is that true? Elaborate

The selection of products

- What was your experience of the meeting with OTZ?
• Do you view the meeting as a typical development meeting with a supplier? Why/why not?
• You took a lot of notes – about what?

How are the products that were presented at the meeting selected to enter into your product programme?
• Based on which criteria are products selected/discarded?
• What considerations have you made in terms of the product programme?
  o Charles has told me that you have chosen 5 OTZ products and 7 CK products?
  o Are there other products – from other suppliers?
  o (When) will the final product programme be decided?

3. The collaboration/relationship with OTZ + expectations for future collaboration
• How long have you collaborated with OTZ?
• On what do you collaborate?
  o Regular purchases vs. development work?
  o How often?
• Is there anything that separates OTZ from other similar suppliers?
  o 3 good things about your collaboration?
  o 3 not so good things about your collaboration?
• With what does OTZ contribute?
• Why did you choose OTZ for this development project?
• When was it decided?
• Who decided it?

• How do you expect the collaboration with OTZ to develop over the coming (2-5) years?
  • What will it require in terms of resources and investments?

4. Third parties – customer relationships

• Who are the buyers of those products you have selected?
• What are your expectations for the customers’ reception of the products?
• How do you expect that other actors on the market (retail trade, competitors, other suppliers) will receive your products?

Follow-up interview with company (after product development meetings)

FROM IDEA SELECTION TO FINAL PRODUCT ASSORTMENT AT Chicken Delight

• How did you experience the meeting with Chicken Delight? What went well/badly?
• Did you deliver all the products to Chicken Delight? Do you remember anything in particular in that context?
• What happened after that? (Sales meeting with Chicken Delight at the end of September)? When did you get a final response?
• They chose 3 of your products and one of the chef’s. Was this as expected? What do you know about the rest of CD’s product programme?
• Are there still adjustments to the products? Taste/look vs. production technically?
• Have you hidden any information? Which? Where?

THE CONTINUED COLLABORATION WITH Chicken Delight

• Has this project differed from other projects for Chicken Delight?
• How many contacts do you have with Chicken Delight?
• You have previously talked about accessing the knowledge that the marketing department at Chicken Delight has? How is that connected to a development project like the one I have followed?
• Are you involved in any development project with Chicken Delight at the moment?
• Mention three positive things about Chicken Delight as a customer? And three negative?
• Which expectations do you have for the development of the relationship with Chicken Delight over the next 2-5 years?

OTHER CUSTOMER PRESENTATIONS

• To how many other customers have you presented your products? Whom?
• Have you corrected the presentation and products from time to time?
• Which of your products have been selected?
• How does your entire barbecue programme for 2007 look now?
THE RELATIONSHIP WITH THE CHEF

• How did you experience his input? His role/behaviour at the meeting?
• Have you collaborated with him since?
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