CAPI
THE CANADIAN AGRI-FOOD POLICY INSTITUTE

PROCESSED FOOD SECTOR RESEARCH PROGRAM

PROJECT 4:
CASE STUDIES ON SUCCESS TRAITS
Premium Brands

Premium Brands


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a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA
Land and Food Systems

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About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

Project 4a: **Food Processing Company "Traits of Success":** Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

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

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

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Canada

INTERVIEWEE: GEORGE PALEOLOGOU, PRESIDENT & CEO, PREMIUM BRANDS
INTERVIEWER: RON WASIK, UBC - LAND AND FOOD SYSTEMS

SYNOPSIS OF PREMIUM BRANDS CASE*

Core purpose of the business

To invest in specialty food businesses in North America featuring entrepreneurial cultures; great tasting foods made with wholesome ingredients; and a passion for both their local communities and what is best for the planet.

Bold choices

1. Proceeding to buy out the controlling block of shares from the Saskatchewan Wheat Pool to acquire control of Fletcher's (FFF).
2. Selecting the name "Premium Brands".
3. Selling FFF to raise cash to pay off debt and buy core assets.
4. Retaining the distribution business.
5. Diversifying into fish when the company had no expertise in the market.
6. Deciding to develop strong regional brands and not developing national brands.
7. Deciding to let each of its companies operate independently and not amalgamating them into one seamless organization with imposed uniformity and transparency.
8. Focusing on premium products at premium prices.
9. Continuing to avoid any involvement in commodities.
10. Expanding into the US market.

Key principles

1. Innovation
2. Entrepreneurship
3. Accountability
4. Operating company independence
5. Holding fast to the corporate vision
6. Execution of their strategies and vision
7. Consistent returns on shareholders' investment

* Note: This case focuses exclusively on Premium Brands, the holding company, and not on any of its operating companies.

Company's key success enablers:

1. Founders' expertise in finance and the food industry
2. In-house mergers and acquisition team
3. Strong risk management disciplines
4. Marketing intelligence
5. Acquiring companies that share Premium Brand vision
6. Allowing each of its companies to operate independently
7. Demanding accountability from its managers
8. Diversification into many product sectors
9. Penetration into all points of food consumption
10. Unrestricted sources of capital
11. Focus on quality products to justify higher prices
12. Fostering strong regional brands through a strong presence in the communities where the companies are located
13. Economies of scale
14. Extensive corporate services provided at no cost

Main barriers to growth:

1. Finding the right partners to acquire
2. Lack of access to competitively priced inputs in Canada
3. Lack of production capacity

Leadership traits of President and CEO:

1. Entrepreneur
2. Knows what he wants the company to be and not to be
3. Strong financial and industry expertise
4. Detests bureaucracy
5. Demands accountability
6. Confident in his abilities
7. Trusting of his managers

The origins of Premium Brands (PB) go as far back as 1917 to a company called FFF. FFF was in the business of slaughtering hogs and then processing some of the cuts into bacon, wieners and hams. Despite being in a commodity pork business, FFF business thrived in the early years as Canada's economy grew. However, this all began to change in the 1980s for a number of reasons, including changing competitive dynamics in the fresh pork industry as it began to consolidate.

George Paleologou, President and CEO

George joined FFF in 1987 as their Controller/CFO. Years prior to this, he had earned his Bachelors of Business Administration in 1982 from Simon Fraser University. After graduating from Simon Fraser, he articled for his CA at Thorne Riddel (today's KPMG). At Thorne, he got exposed to and became interested in mergers and acquisitions (M&A). His interest in M&A soon developed into a passion for studying food companies and identifying their strengths and weaknesses.

The Journey Begins

At the time George joined FFF, the company was owned by the Hog Producers of Alberta. In 1990 he orchestrated a buyout of FFF with the support of a venture capital company (VC). A year later the company went public and the company's stock appreciated significantly. The VC then sold its position to realize a handsome profit. Shortly thereafter, the Saskatchewan Wheat Pool acquired a controlling interest in the company by buying shares on the open market.

Soon after the Wheat Pool acquired control, George left his position as CFO to become President of Direct Plus, the distribution division of FFF responsible for direct store delivery to gas bars and convenience stores (C stores). The vision of what was to become Premium Brands emerged in George's mind over the next decade.

It was also during this time that George and Fred Knoedler, who was the CEO of FFF at the time, came up with the name "Premium Brands". "The name Premium Brands reflected the new vision of investing in branded specialty food companies."

Note: All quotes are from George Paleologou, President and CEO of Premium Brands.

*This case focuses exclusively on Premium Brands, the holding company, and not on any of its operating companies.

Premium Brands Emerges

In 2000 and 2001 George shared his vision of a new company to be called Premium Brands with a group of investors. The investors believed in the company's business plan and agreed to back the new company's executive team which consisted of George, Fred Knoedler and Will Kalutycz, all like-minded and highly experienced executives from Fletcher's. The three then proceeded to buy the controlling block of shares from Saskatchewan Wheat Pool for $50 million put up by their investor partners.

George was appointed as President and Director of the new company. Fred was appointed CEO and Director and Will took on the role of CFO. Fred passed away in 2007 at which time George became President and CEO. Will remains the CFO of PB.

George, Fred and Will had the benefit of having lived and understood the toughness of the pork commodity business. "That was our common bond between us. We knew what to do and what not to do. All three of us agreed what we didn't want to be. As a result we had a common vision."

The Plan

From the very outset the new company's business plan was to sell the commodity assets at the highest possible price, pay down the debt of the company and use whatever excess capital remained to buy or invest in specialty food companies. The initial focus was exclusively specialty meats, deli meats, sandwiches, artisan bakery and food distribution. Today, PB is a vertically integrated business where the company both manufactures and distributes its products to end users and customers. By doing this the company is able to stay close to its customers while capturing both the manufacturing and the distribution margins.

PREMIUM BRANDS TODAY

George's Letter to Shareholders in the 2012 Annual Report speaks eloquently of Premium Brands, the company he and two colleagues founded in 2001.

Strategic Vision

"The core principle of our company is entrepreneurship. In general terms our business strategy consists of partnering with successful entrepreneurs who are looking for help to grow their business and then providing them with a number of strategic advantages including purchasing power, access to new distribution channels and, mostly critical, capital. The combination of the energy and innovation of these entrepreneurs with the advantages of being part of a large group of companies creates a powerful business model that is perfectly suited to today's constantly changing food environment.

Our unique business strategy ideally positions us to take advantage of the rapidly growing demand by consumers for locally sourced products. In addition to the general ability of our business model to adapt to and take advantage of new trends, it has three other key characteristics that position us to capitalize on this trend. Firstly, the successful entrepreneurs that we partner with generally operate smaller more versatile production and/or distribution facilities that are regionally focused. Correspondingly, these facilities have a significant competitive advantage in meeting the needs of retailers and food service operators catering to the buying trend.

Secondly, our multi-brand approach, which focuses on a variety of strong regional brands instead of a single national brand, is resonating with consumers.

The third key characteristic of our business model that positions us to benefit from consumers' demand for locally sourced products is the true local nature of our businesses. …. Being local means being involved in the communities we live and operate in and participating in the grassroots events and charities that are at their core. On this point, I am very proud of how all of our businesses as well as our employees play a significant role in supporting great causes in their respective communities.

Furthermore, the very foundation of many of our businesses are based on a local history and the legacy of a founder entrepreneur who laboured with his or her family for many years in order to build a successful business. In a world too often dominated by large multinational corporations the story and the face of a founding entrepreneur, and his single minded passion for preparing good food using traditional methods and the best ingredients, is engaging consumers more than ever."

George further elaborated on the Premium Brands vision in his address to investors in September, 2013 in which he states: Our vision is "To invest in specialty food businesses featuring entrepreneurial cultures; great tasting foods made with wholesome ingredients; and a passion for both their local communities and what is best for our planet".

Premium Brands Business Profile

The September, 2013 report to investors profiles the company as follows:

- BC based company
- Over $1.0 billion in annual revenues and growing
- 24% compounded annual growth rate over the last 5 years
- Approximately 3,600 employees
- Focus on building entrepreneurial business with: leading regional brands; strong community values; people focused priorities
- Unique business strategies
- Track record of growth and stable cash flow
- Track record of successful acquisitions

TELL ME ABOUT YOUR COMPANY'S RECORD OF SUCCESS (AND FAILURE):

From a base of $273 million in revenue in 2001, PB compounded growth over the past 10 years is 24%. The company's run rate for 2013 is expected to be around $1.1 billion generated by 29 businesses acquired since 2001.

Investors have done very well. One early investor recently told George that his investment in PB has delivered annual compounded return of 17% over the past 10 years as he re-invested the dividends back into the stock. At the time of the original deal in 2001 PB market cap was $100-120 million. The company has since distributed $174 million back to shareholders. Original investors have seen their investments almost triple in value while receiving dividends totaling more than they had originally invested.

The company strategy and the execution of that strategy have rewarded shareholders handsomely in the past decade despite having to overcome such challenges as the deepest recession in the last 80 years, the worst drought in the last 50 years, the exchange rate going from 80 cents to parity and skyrocketing commodity prices. Today PB continues to execute their original strategy and is well positioned for the future. Their capital base and assets are in excellent shape. "There isn't any reason why we shouldn't be able to continue to do well for our shareholders. We are a good Canadian success story."

Failures

Over the course of seven years PB developed a very strong C-Store business focused on direct store delivery and distribution business across Canada. This is a similar business to the one that George managed called Direct Plus. This division was initially very successful in driving the growth of the meat snack and sandwich businesses.

Unfortunately PB was slow to react to changes that were happening in the C store channel and they paid the price. George lamented, "We continued to believe that the issue was product innovation and bringing the right product to the channel. We didn't foresee the contraction of that channel for reasons like the high cost of gas limiting disposable income. After spending $100 to fill up the gas tank, how much disposable income is left to spend in the C store?" Other events contributed to the distress of the division. Pay-at-the-pump legislation in BC cut back on in-store traffic. Consumer tastes also changed as consumers chose to buy food at quick-service restaurants* (QSRs) rather than shop in a convenience store. To minimize losses, the company took trucks off the road, consolidated routes and took on distribution partners, but in the process it lost the critical mass needed to service this industry profitably.

*Quick-service restaurants (QSR's) are concepts such as McDonald's, Wendy's, Burger King, KFC, Taco Bell, Pizza Hut, Dairy Queen and A&W.

The company also had many other “bumps on the road” with respect to outside events beyond PB control. For example in 2008-2009 because of the deep recession, their fine dining segment took a big hit. The distribution business catering to this segment took a hit as well. “We managed through it but it was very difficult at times.”

SUCCESS FACTORS

The PB Ownership Solution

A big part of Premium Brands success has come from the due diligence done up front to make sure that there is a match between their vision and the target’s vision. “We have looked at a lot of deals where the companies were wonderful but there was not a commonality of vision so we walked away.” Specialty food companies with strong regional brands that are still led by the owner/founder are their favorites.

Once a company is identified, George and Will approach the owner/founder to explore the possibilities of becoming his or her partner. “Founder/entrepreneurs don’t have to sell a 100% of their company. A lot of time they are not ready to completely let go of their baby. They don’t want to quit their job. They love what they do, they just don’t want to have all their eggs in one basket given their age and risk profile. Under our structure we step in and buy 60% to 90%.”

Premium Brands provides them with capital and other services that a smaller company wouldn’t normally have access to and then works with the owners to develop a plan to grow the business organically and by acquisition. George explained, “We have had a lot of success partnering with the founders of companies and leveraging our services and resources to help take them to the next level. Our capital gives them better efficiencies and economies of scale, our IT systems give them better sales, and costing information and our distribution systems may give them access to new markets and channels. Some partner companies went on to double, triple and even quadruple in size. Top and bottom line growth provide us and our partners with strong returns on our investment while everyone’s interests are completely aligned. Many of our companies today have grown substantially over the years and they are wonderful businesses while they are still being run by the original founder entrepreneur.”

In any deal it makes, PB ensures that it has the first right of refusal to buy any outstanding shares owned by the founder/entrepreneur in order to protect its investment. PBs never wants to see the minority block of shares owned by the founder in the hands of anyone it doesn’t know. However, the company encourages members of the founder’s family who have worked in the business to continue running the business as well as holding onto the founder’s shares providing they agree to PB’s right to acquire these shares. “We have a couple of situations like that right now where the old generation is transitioning the shares to the new generation. We encourage this.”

Mergers and Acquisition Team and Due Diligence

Once a tentative deal is in place the M&A team takes over to do the due diligence which includes assessing risks. The PB M&A group is very active. The M&A group have completed about 50 transactions in the last 12 years. It is very high performance. "We tend to hire young professional accountants who have the technical skills and energy to keep up."

Premium Brands and Operating Divisions

Premium Brands is essentially a holding company that owns a majority interest in 29 operating companies. Although each company has its own president they are operated within five divisions. Here is a brief description.

Premium Brands - The corporate office offers a variety of services, on an as-needed basis and at no charge, to all of its companies. A short list of the services provided includes: IT, finance, procurement, insurance and dry-goods procurement.

Independent Operating Divisions

Each of these divisions operates quite independently of head office as well as their sister divisions. (More will be disclosed about this working arrangement later in the case.)

Food Service - Each division is an independent operating entity. Centennial Food Service is the largest company in this group, which includes the seafood and a trading company.

Deli Group - This group includes deli companies like Pillar's, Frebye's and Grimms. The deli group of companies produces sliced meats and meat logs for slicing by the delis.

Specialty Bakery Group - Baked goods.

North American Sandwich Group - Sandwiches.

Premium Processed Meats Group - Harvest and Hemplers in the USA. These are two companies that do what typically would be mainstream products like hot dogs, hams and bacon but their products are very high end.

Below each one of these divisional groups there can be a multitude of other businesses. As mentioned, each has a president. The five divisional structure was put into place five years ago to streamline reporting to head office.

WHAT ARE THE KEY ORGANIZATIONAL SYSTEMS THAT HELP YOU SUCESSFULLY SUPPORT YOUR MANUFACTURING ACTIVITIES?

Although Premium Brands gives its independent operating divisions considerable latitude, they are held accountable. Each company has its own ERP system that captures the necessary information and then reports it to the key people who make the decisions. There is also not a single financial system across all operating companies.

Planning Process

PB does not believe in centralization. PB pushes out decisions to the front lines. PB tries to empower the division presidents to make as many decisions about their businesses as possible. All of them may have different visions as well. George cautioned, "The only thing that PB dictates to the divisions is that if they move towards becoming commoditized they will no longer continue to receive corporate support" and may eventually be sold.

The holding company also comes up with its own plan, which is then consolidated with the divisional plans to produce a single corporate plan that projects earnings and expenditures for the coming year.

Purchasing

PB does not dictate that sister companies deal with each other or purchase from one another. The company has confidence in its managers and encourages them to make their own decisions as to where and what to buy. As mentioned earlier, the corporate office does offer, at no charge, services to leverage purchasing economies of scale to improve the buying power of all of our companies. Divisions are not mandated to use this service.

HOW DO YOU INNOVATE?

Product Innovation

Innovation at Premium brands occurs quite independently in each of the companies. Premium Brands does not encourage its companies to share their intellectual property with one another because it is their belief that this goes against the principle of entrepreneurship. This doesn't mean that information isn't exchanged but, if and when it happens, it will be between high-ranking executives.

From a customer perspective, "Our view is that if a customer comes to us looking for a product that normally takes a year to develop, we want to develop it in three months and do an excellent job of it. We are a very flat organization. We try to be as close the customer as possible and become part of their decision process. If we think their idea needs tweaking, we'll tell them so. We want to avoid wasting time and money by working on the wrong things."

Process Innovation

Six sigma methodology is used internationally primarily as a means to reduce costs and, to a much lesser degree, for quality improvement and process innovation. However Premium Brands shuns six sigma as it believing six sigma practices are not consistent with the company's entrepreneurial values. George explained, "We don't always want to be a low-cost producer and we don't want our managers to be filling out too many forms. Ultimately it's the look and quality of the products that counts and whether we can get the consumer to pay a premium price for it. We don't want to sell products that look like they came out of mass production line."

However, this doesn't mean that Premium Brands operates without a keen eye on operations. George pointed out that, "We have all kinds of ways of measuring efficiencies and productivity in the different divisions. We do not support programs that are centrally driven that discourage entrepreneurship. A lot of the six sigma programs discourage entrepreneurship which is a key part of our vision. Anything that gets in the way of entrepreneurship we discourage."

MARKETING

Market Positioning Vision of PB

PB positions its brands as strong regional, locally made brands. The company has no desire to make any of its brands into national brands. "We want our brands to be the number one local brand. We want to be regional not national." George went on to say, "We are very local in our perspective which means that the marketing needs to be local as well. Our companies support a lot community causes and charities consistent with the image of their brands."

Market Research

Each company within PB does its own market research depending on the business that they are in. For the most part, there is sometimes little commonality of markets and customers among the divisions within PB. Each company tends to be very focused on a micro segment of its specialty.

PB has an annual retreat attended by the sales, marketing and the presidents of each company at which guest speakers make presentations on emerging trends. Ultimately, the companies develop their own marketing strategies including those involving social media. Demographic information, economic and consumer trends as well as other general business information are provided to PB companies by the holding company at no cost.

HOW DO YOU MEET CONSUMER NEEDS (B2C)?

Premium Brands excels at projecting consumer trends into future and working backwards. The company has had remarkable success in capitalizing on consumer trends. Centennial Foodservice division demonstrates this point very well.

Centennial Foodservice

When Centennial Foodservice was purchased in 2008 it was the number one distributor of high-quality beef to hotel, restaurant and institutions in Western Canada. But shortly afterward, Premium Brands executives sat back and looked at the emerging trends driven by demographics like the aging baby boomers consuming less red meat and the Asian ethnic segment with their preference for seafood and came to the conclusion the company was very underinvested and underdeveloped in the seafood market. Over the next five years they invested significant capital in the seafood sector including making three key acquisitions (Hub City Fisheries, Maximum Sea Food, Harbour Marine Products) and creating a new seafood division called C2C Premium Seafood. Today, demand for seafood is very robust and things are working out very well for Premium Brands and its Centennial Foodservices under which the seafood businesses are managed. The company is now very well positioned to cater to the growing demand for seafood. This is a good example PB's ability to look forward and then work back to make the right investments for the future.

HOW DO YOU MEET CUSTOMER NEEDS (B2B)?

PB companies produce premium, branded products that are purchased by customers because consumers are willing to pay a premium for these products. Their products sell at a premium and turn over well at store level. George explained, "Retailers effectively lease out real estate to our brands and they do well when the products turn over at a higher frequency."

HOW DO YOU DEAL WITH CURRENCY ISSUES AND MACRO-ECONOMICS?

Premium Brands tries to balance out their exports with their imports. This gives the company a natural hedge.

HOW DO YOU DEAL WITH REGULATORY OBSTACLES?

Premium Brands works closely with the CFIA and other agencies to ensure compliance at all levels. The company also works closely with Food Processors of Canada (FPC) on any issues that come up. Each Premium Brands company is encouraged to deal directly with the FPC as opposed to having to go through head office.

TO WHAT EXTENT HAS PUBLIC POLICY PLAYED INTO YOUR ABILITY TO COMPETE?

George explained the company's position on supply management in this way. "PB has accomplished a lot in the food space but if we were to sit back and ask, Is Canada a friendly place for us to be a specialty food business? In some areas the answer is yes, and in some areas the answer is no. We are a North American company since we manufacture products for US and Canadian consumers on both sides of the border. In supply-managed areas our access to reasonably priced inputs is not very consistent. One of the primary factors in making a capital allocation decision is to make sure that we have free access to competitively priced inputs. This is not the case in areas that are supply managed." He added, "We also need to work closer with our supply chain in order to ensure that we are meeting or exceeding consumer demands and expectations. We are more successful in doing this in areas that are not supply managed."

He concluded, "Canada has incredible competitive advantages in food production. We have land mass. We have clean water. We have good people. We have a great brand name in "Made in Canada." We live in a different world today than we did 50 years ago. This area needs to be addressed if we are to create an environment where companies like us and others chose to invest in Canada."

The case writer pointed out that many economists believe that Canadian farmers will never be able to grow chickens, produce milk and other commodities as cost-effectively as it is done in the US. George replied, "I disagree completely. This is the same argument used by Canada's wine industry when free trade with the US was announced. The key here is that we should support innovation rather than protectionism. Look at the progress the wine industry has made when it was forced to innovate. I think that from the point of view of Canada's place in the food space, we could become the specialty manufacturers and providers to North America and the world.

HOW DO YOU COPE WITH RISING COSTS OF ENERGY?

PB has definite objectives in regard to reducing energy costs and it's part of the company's sustainability policy. The company hasn't disclosed this target publicly but it is in the range of 10-20%, depending on the operation over the next five years.

HOW DO YOU ATTRACT THE RIGHT HUMAN RESOURCES?

George explained why Premium Brands has little difficulty attracting good people. "What we try to do is basically walk the talk. The food processing industry is a small industry and people talk. We treat people well. We treat them with dignity. We provide them with lots of opportunity to grow because we are expanding as a business. We get a lot of calls from industry people that want to work for us. ….. Employees love the entrepreneurial culture that we've created. It is our competitive advantage and this is also why our employee turnover is very low."

WHAT DO YOU THINK MIGHT VARY IN YOUR COMPANY FROM OTHERS IN YOUR CATEGORIES?

It only took a brief moment for George to explain why Premium Brands was successful while others were not. "It's a combination of strategy and execution. Strategy without execution doesn't mean very much. We tend to be the guys that execute. I think that when you look at our history over the last 10 years we've executed every part of our strategy. To ensure execution, quite a large percentage of our peoples' compensation is based on performance. In general terms, about 20% of the bonus is based on personal performance and the rest on quantifiable objectives."

HOW DO YOU STRUCTURE YOUR COSTS AND MARGINS?

Premium Brands and its companies have very strong cost accounting systems to effectively measure and capture everything; little is left to guess work. The company invests in people and in resources to ensure employees understand costs and how costs impact margins. This is to ensure that the right information is provided to the sales team. "That's one of the things we do extremely well."

George then elaborated further. "We use all kinds of systems to benchmark our fixed costs and to keep our fixed costs in line. Tracking variable costs closely is very important because these can change daily. If we believe that the material input costs are too volatile and too dynamic then our strategy is to cost-plus the product to the customer. We will simply not take the commodity risk. It's not that we will not sell a product below a certain margin it's just that we will assess the risk and ultimately share it or push it forward to the customer. About half of our revenues today are based on some sort of a cost-plus model. Now that changes all the time but I would say that this is a pretty good number. It's all about risk management in the end and the cost plus pricing model works for us."

DO YOU HAVE DEDICATED SALES STAFF?

Each operating company has its own sales staff. The number varies significantly between each company and the divisions. In some divisions the sales force only amounts to 5% of the head count. In others dedicated to selling and/or distribution, the sales force can be 30% of the company.

HOW FORMALIZED ARE YOUR SALES EFFORTS?

Premium Brands approach to selling is quite bit different from the conventional way of selling or marketing into the food sector. George explained, "There are a lot of food companies out there that sell only to retailers. Our approach is that we sell through every channel imaginable. We want to sell in every venue that people eat including grocery stores, food service, "C" stores, hospitals, concession venues, etc. We have sales systems that cater to every aspect of where people eat. Our approach to sales is a little more comprehensive than in a typical food business."

TELL ME ABOUT WHO YOUR COMPETITORS ARE

To this question, George replied, "Each one of our businesses has different competitors. We do not have one competitor that we compete in all aspects."

TELL ME ABOUT INTERNATIONAL AND CROSS-BORDER COMPETITORS

Again, Premium Brands strategy to deal with international and cross-border competitors was surprising. George explained, "We are invested in the entire food chain from manufacturing to distribution. We will also sell products that are made by others, assuming these products adhere to our standards. When we see a good product made and sold in the US, we will approach the company that makes it and ask to distribute it in Canada."

HOW IS THE COMPETITIVE CONTEXT IN OTHER COUNTRIES?

Premium Brands divisions operate at near capacity at this point in time thus limiting their ability to export. George explained, "We always have limited capacity and we have a very measured strategy to the US. The difference in the US is that we don't have enough capacity to go national with any of our products. So it's not that simple. We've had a lot of success with our own brands but we have to be careful."

LEADERSHIP

You don't have to listen to George for very long to hear about his passion for entrepreneurship and his abhorrence for bureaucracy. He explained, "We want our divisions to spin on a dime. We don't want to spend a lot of time on formalities."

TELL ME ABOUT YOUR KPIS IN THIS BUSINESS*

George's reply was swift and to the point, "This is a question were you could come up with a hundred indicators or one. It's the return on capital. It's the only thing that counts. We ask ourselves whether we are staying consistent to the vision and are we generating the right return on capital."

IF YOU WERE TO ADVISE OTHER PROCESSED FOOD COMPANIES, WHAT WOULD YOU TELL THEM IS CRITICAL FOR SUCCESS?

Embrace entrepreneurial values at every level of your organization.

Ultimately avoid centralization of decision-making.

Avoid commodities if you are based in Canada because somebody in the US will make it cheaper for many, many reasons.

Produce and market a very high quality product under a brand that consumers identify with.

Stay specialty, stay branded, avoid commodity and be entrepreneurial.

ADDITIONAL COMMENTS OR INFORMATION?

To this question George remarked, “We are proudly domiciled in Canada. Most of our operations are in Canada but we tend to look at ourselves as a company operating in North America without a border. That’s our view of the world.”

How does this company remain entrepreneurial while growing beyond a billion dollars in sales? The answer is by continuing to follow its key principles and success enablers described in the synopsis of the case.

*KPI is an abbreviation for “key performance indicator” which is a quantifiable variable that reflects performance in a key activity. Normally a firm will have a number of these indicators (KPIS) to monitor performance of all the key activities throughout the organization to achieve desired outcomes.

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