Developing the Management Competencies for Getting a Competitive Position in the Organic Food Market [1]

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Abstract

Although almost any conference tackles the issue of organic foods, we consider that this article does not fit into normal patterns of research. Our paper proposes a complex analysis in the field of organic food products. It also highlights the need of developing new competences of managers and marketers in analysing market for getting a competitive position on it.

The method used is the Six Thinking Hats, devised by Edward de Bono. This method appeals to the driving creative thinking; it can be applied in almost any field of analysis. The outcomes show that, using creative thinking, the leaders develop new competences which enable them to better analyse organic food market and to identify and gain competitive positions on it.

Keywords: *management competencies, organic food, six hats method, creative thinking, leaders, competitive position.*

JEL classification: M1, Q13, M3

Introduction

The importance of organic foods is widely recognized in the food system. Organic agriculture today (ORCA, 2009) can be described in few words:

- More than 1.2 million farmers around the world currently practice organic food production. Most of them live in developing countries (Eurostat, Faostat, et al., 2009);
- The market value of organically certified products, now more than US$46 billion annually, has sustained steady annual growth for two

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decades, increasing by 10 percent in 2009 despite the global financial crisis (Willer and Kilcher 2009);

- Market-marginalized farmers are increasingly adopting organic agricultural practices, as they seek food self-sufficiency through a better use of existing resources;
- Global consumer demand for organic food production is increasing, creating lucrative markets for smallholders and expanding the right to choose healthy foods;
- The benefits that organic food systems provide to farmers, consumers and the environment are well documented (Istudor et.all, 2011). For example, organic agriculture:
  - gives smallholders a fair chance to access an economically attractive market while also improving household food security (Stoian, 2003);
  - optimizes farm output while using fewer capital inputs and increasing labour productivity and employment in marginalized market areas and those with low-potential;
  - attracts women farmers who build on their traditional and indigenous knowledge and take advantage of engaging in commercial food production while also producing food for their families;
  - produces nutritious and diversified food and celebrates culinary traditions (Marion, 2006);
  - uses biodiversity to decrease agricultural inputs and increase outputs, thus supporting broader environmental conservation goals at gene, species and landscape levels and ensuring that organic producers receive premium market value in return for their environmental efforts (Winter & Davis, 2006);
  - stabilizes the farm ecological balance, which increase the adaptive and risk management capacity needed to cope with climate change;
  - reduces greenhouse gas emissions and increases soil carbon sequestration, thus contributing to climate change mitigation and reducing fossil-based energy requirements (Stolze et.al, 2000).

Consumers are more educated and informed about the benefits of organic products. The reasons why people buy organic food are related to health, social and environmental responsibility (Makatouni, 2002).

The importance of organic food sector emphasised above represents ground of debate. The objectives of the article consist in deeply analysing organic food market, from a different perspective: creative thinking. It helps identifying the difficulties, problems, benefits, values, attitudes etc. related to organic food.

1. Materials and methods

Leaders in the competitive organizations are responsible for the strategic thinking and the valuing of the organizational resources, especially in the terms of

the intellectual capital.

Evaluation of the complex situation and drawing possible ways of actions are important competencies that the leaders have to develop in a more competitive business environment.

The following method is part of a creative thinking that could lead to a good analysis of both internal and external environment and to assure a sound base for future development of the organizations that are specialized in manufacturing particular products, as it's the case of the organic food.

Six Thinking Hats is a strategy devised by Edward de Bono (de Bono, 1985). It requires extending the way of thinking about a topic by wearing a range of different "thinking" hats:

- White hat thinking focuses on the information available and needed.
- Black hat thinking examines the difficulties and problems associated with a topic.
- Yellow hat thinking focuses on benefits and values.
- Red hat thinking looks at a topic from the point of view of emotions, feelings and hunches.
- Green hat thinking requires imaginative, creative and lateral thinking about a topic.
- Blue hat thinking focuses on reflection, metacognition (thinking about the thinking that is required), and the need to manage the thinking process.

Six Hat Thinking can be applied to many situations in which brainstorming, problem solving, creative and lateral thinking are required. Managers and leaders may use this strategy, which can be a very useful tool in reviewing a range of texts or even creating a character profile. This method is applied to organic food sector, which is characterised by quickly development.

Organic foods are products that are produced using methods that do not involve modern synthetic inputs such as synthetic pesticides and chemical fertilizers, do not contain genetically modified organisms, and are not processed using irradiation, industrial solvents, or chemical food additives (Allen & Albala, 2007).

Organic food accounts for 1–2% of total food sales worldwide, and the market is growing rapidly, far ahead of the rest of the food industry, in both developed and developing nations. World organic food sales jumped from US $23 billion in 2002 (Organic monitor 2002) to $52 billion in 2008 (Datamonitor 2009). The world organic market has been growing by 20% a year since the early 1990s, with future growth estimates ranging from 10%–50% annually depending on the country.

Worldwide, almost 31 million hectares are under organic production representing 0.7% of total agricultural land. Seven of the top ten countries of the world, ranked by percentage of agricultural land worked in the ecological system, is the European Union (European Commission, 2010). Eurostat data provided by the European Commission shows that the area under organic farming accounted for 4% of utilised agricultural area in the EU25. In Romania, organic farming is

practiced on an area of 182,706 ha. The surface increased 10 times between 2000-2010 (Eurostat, 2010).

Consumers are more and more informed about benefits of organic food and they are willing to pay more for organic products. Results of previous studies on green living released in 2010 (Mintel, 2010) show that more than one-third of survey respondents said they would pay more for environmentally friendly products. Findings showed that only 21 percent of organic food buyers cut down or eliminated organic purchasing during the crisis, while 20 percent have switched to less expensive organic options. Meanwhile, 48 percent are buying as much or more organic food than before the economic downturn.

These are important issues that show the characteristics of a certain life style. The leaders have to be able to develop competencies that connect the external environment with the internal capabilities and on these bases to be able to offer what is required in the market, but also to educate the potential customers. Leadership is clearly one of the main factors that influence organizational competitiveness. It means both science and art, both born and learned skills (Radu & Nastase, 2011).

2. Results and discussions

White hat thinking focuses on the information available and needed. In this context, the main elements that should be analysed refer to:

- with a total estimated value of 20 million Euros in 2009, Romania's ecological product market will see an increase of around 33 percent compared to 2008;
- ecological agriculture is a reaction and an alternative to some of the strategies which have been used by government and donors during the last 50 years, and which have had a damaging effect on rural society and agricultural ecosystems;
- organic farming is defined by the directive 2092 of EU. Organic farming aims to minimize inputs to create an agricultural system that is as near as possible to a self-perpetuating or closed system of production;
- at the present moment in Romania there are 4 million of farm holdings. Could they passed in an ecological agriculture and ecological animal husbandry through a transformation of one part from their farms and individual householders of under being which yield, almost exclusive, just for themselves?

Black hat thinking examines the difficulties and problems associated with a topic. In this context, the main elements that should be analysed refer to:

- however, those involved in this business segment have claimed that the sector is still facing difficulties due to the poor information available to producers and consumers alike and the lack of financial support from the authorities. While globally this market segment had

a total value of 40 billion USD at the end of 2006, displaying a 10 percent annual growth, in Romania it only reached 15 million Euros in 2008;

- this market segment is not well promoted in Romania. Organic agriculture needs more promotion, focusing on the fact that it can sustain a healthy lifestyle against the avalanche of food additives, plant growth stimulants and substances;
- many of local ecological agriculture producers have no access to statistics regarding the production of ecological foodstuffs, to databases and many of them do not even have Internet access;
- the public are not encouraged to consume organic products;
- organic food are more expensive than conventional ones and producers have never benefited from state financial aid, which could cover some of the expenses and thus lead to a lower shelf price for such products;
- the ecological certification involves a lengthy process that can take up to two years. At the same time, the costs involved in obtaining those certifications are quite high.

Yellow hat thinking focuses on benefits and values. In this context, the main elements that should be analysed refer to:

- most of the Romanian exports are heading to other European Union countries, because we have the same requirements and regulations in this market segment;
- an increasing number of specialized shops have emerged;
- new employment opportunities in farming, processing and related services are already evident in the growth of the organic sector. As well as the environmental advantages, these farming systems can bring significant benefits both to the economy and the social cohesion of rural areas.

Red hat thinking looks at a topic from the point of view of emotions, feelings and hunches. In this context, the main elements that should be analysed refer to:

- the appreciation of organic food by Romanian consumers is low. In fact, Romanian farmers practice organic farming due to a lack of funds for agrochemicals, but their products are sold on the local markets at a lower price than in store. Great hope is put on external western European markets, but such markets are quite few;
- "when I buy an ecological product I have in mind the health";
- "pollution is a phenomenon that affects health";
- "when I see an ecological label on a product I thing that it is a good product, a clean one";
- consumers are conscious about the usage of green products and its importance and favourable consequences on the environment. Still

there are persons who can only think about their own health and who did not understand the real role they are playing.

Green hat thinking requires imaginative, creative and lateral thinking about the topic. In this context, the main elements that should be analysed refer to:

► What can Government do?

- Inform consumers: press campaigns; raise awareness (Some will choose eco, which helps demand!); energy costs are important to consumers; enables vigilance.
- Compliance: fair play; talk to suppliers; test products, check for labels; explain results; collaborate on enforcement around Europe.
- Government can set targets: how fast; how far.
- Recognise and reward success: publicity; endorsement; supplier lists; com-petitions; annual awards.

► How can Government help?: recognize and reward; set and explain the standards; support with promotion to consumers; endorse.

Blue hat thinking focuses on reflection, metacognition (thinking about the thinking that is required), and the need to manage the thinking process. In this context, the main elements that should be analysed refer to:

- transforming markets. Government options: regulate;
- enforce action, raise awareness: fiscal measures;
- reduce payback time, loan money: market measures;
- support and encourage business;
- who moves (for sustainability) first?: Government → Suppliers → Retailers; → Consumers; Government → Retailers
- organic farming and integrated farming represent real opportunities on several levels, contributing to vibrant rural economies through sustainable development.
- the creation of a National Agency for Traditional and Ecological Romanian products was approved by the Romanian government. The new Agency will be entirely financed by state funds and it will be based in the Braşov County, in the central Romanian Transylvania region.

Conclusions

A complex analysis of the field of organic foods by appealing to the principles of creative thinking can transform a very useful tool available to leaders and decision makers located in various links of the food system, especially under highly volatile economic environment.

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