

Vertically integrated companies in Luxembourg: A case study on the organic grocery market

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Affidavit

I hereby affirm that this Bachelor's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

Date 11.3.2021

Abstract

This research paper aims to answer the question of how a vertically integrated company can be competitive in the grocery market in Luxembourg. To give a deeper insight into the market and to be able to analyze the situation of the company in question (OIKOPOLIS), the researcher has opted to lead a case study on the firm and its specific nature. Not only is the company vertically integrated, which is rather unusual in today's business world but it also relies 100% on organic products. The company thinks that by implementing more sustainable practices such as the fair treatment of farmers, land and animals a better future can be saved for the planet. After careful analysis of the driving factors for organic food purchases in a first step, the writer compares these findings with the statements given by the seven interview partners of the company that all hold different positions in the supply chain. Another aspect that will be analysed is the governmental situation that may allow for an increase in sales in the near future. The Luxembourgish government is launching a new project that aims to increase organically cultivated lands from 5% to 20% in the next five years. Essentially this means that the OIKOPOLIS group may expand in the very near future if it is able to analyze the situation and development of the project accordingly. There has been little to no research been done on this specific topic and since the future indicates a very probable change to more and more organic agriculture and food production, it may be quite interesting to have a deeper look at the matter.

Findings in this paper also suggest that customers actively choose organic products for three main reasons namely: environmental and health concerns and the perceived higher quality of the products. In combination with locally produced goods, this can be a very promising product mix that may be very attractive for customers and would be very beneficial for the environment due to the nature and basic advantages of organic farming.

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List of Abbreviations

BIOG - Bio-Bauere-Genossenschaft Lëtzebuerg

IBLA - Institut fir Biologesch Landwirtschaft an Agrarkultur Luxemburg a.s.b.l..

LLC - Limited Liability Company

GMO - Genetically Modified Organism

GDP - Gross Domestic Product

1. Introduction

1.1 General Overview and Outline

With the growing awareness for sustainable living and the rise in demand for regional and organic products, grocery stores need to adapt to these socio-cultural changes in order to maintain their position on the market and to stay competitive. However, all of the grocery store chains try to implement changes in order to improve their competitiveness, which results in the market becoming saturated and in need of innovative ideas and concepts. OIKOPOLIS Group stands out in the sense that it is vertically integrated and tries to reduce outsourcing and importing products from far away and instead focuses on regional products that support local farmers and producers.

The structural integrity of a company plays an important role in the development and the competitiveness of a firm on the market. A particular interesting model is the vertical integrated model on which this paper is focussing on. The essence of this paper will be to investigate if and how a vertically integrated and fair-trade promoting company runs their business and how they can be competitive in today's grocery store and food production market. For this, the researcher has decided to take a look at the OIKOPOLIS group in Luxembourg and conducted various interviews with different employees of the firm.

A large focus of this case study relies on the agricultural aspect of food production and the fair treatment of raw material suppliers, namely farmers. Because of the nature of the company, it is important to understand that the farmers in this case study are exclusively cultivating under ecological conditions and that their products are without exception all organic.

In the beginning, the researcher will state various definitions to allow the reader to understand certain aspects of this industry in order to facilitate the understanding of this paper.

To follow up the researcher will explain the philosophy and the concept of anthroposophy because this ideology plays a major part in the creation and leadership of the OIKOPOLIS group and will be referenced a lot by the interviewees. This was presented in a similar way by Lageder (2015) however, he failed to incorporate any analytical methods in his work, which will be done in this work.

In a third stage, the researcher will give an overview of the company and all the aspects and smaller businesses associated with it and will give a small overview of the general grocery and food production market in Luxembourg in order to allow an easier understanding of the situation in the Grand-Duchy.

He will follow up with the different problems and disadvantages and benefits that apply globally to vertically integrated companies and will continue by comparing this theory to the answers given by the interviewees. This allows to draw conclusions if theory and practice are close together and if vertically integrated companies can compete on the open market. Furthermore, it can indicate if farmers would benefit more from a sustainable business practice such as this one or if conventional agriculture is preferable for them.

At last, the researcher will summarize the case study in a conclusion and will add his own commentary to the findings. Additionally, he will have an outlook on the future and give his own prediction on it.

1.2 Presentation of the problem

Vertically integrated companies are fairly rare these days since they face a lot of challenges that horizontally integrated companies do not have. To illustrate: horizontally integrated companies have the main advantage that a company can easily expand in size through the acquisition of another firm that is in the same industry. In essence, this means that a company can reduce its competition on the market by buying them out of business. This allows to offer a more diverse selection of products or services to the end consumer which in return allows for a more diverse market selection the company can enter. From a business point of view, horizontal integration is favourable as it allows to merge two or more big players together in order to create a sort of monopoly. This essentially means that one company can control the supply and prices of a product and service more easily and boost their profits. It is a safe method for a company to grow their business and reach new markets and consequently new consumers (Tarver, n.d).

Vertical integration however portrays a lot more risks and is therefore implemented less and less in today's capitalist system.

A very big point that has to be made that illustrates this fact is that a vertical integration model can be very unprofitable. It has to be mentioned that this model is very costly and requires a high amount of upfront investment. Logistics and production costs are all centred in the firm itself and are considerably higher than outsourcing to other regions of the world with cheaper labour and lower property costs. This makes competing on the market rather difficult since rival companies that implement a more traditional and economic strategy can offer their products or services for a lower price, which in essence will attract more customers and can result in a bigger market share and higher profits.

Another aspect that needs to be addressed regarding financials is the fact that lower production will be a result of vertical integration. Lower production leads to higher prices for end consumers and can put a company at a misfortunate position on the market (Amadeo, n.d.).

With this information in mind, it is difficult to imagine a vertically integrated company competing on the open market nowadays and how they can stay in business even though they seemingly are at a disadvantageous position with higher production costs and less flexibility.

Another aspect of the problem is that sustainability is a big problem nowadays with the exploitation of natural resources. The food industry plays a big role in this unfortunate development and a change needs to happen in order to preserve nature. Not only is nature at risk by the constant rise in demand for food and products and consequent higher exploitation but also individual farmers face major problems if the industry continues its constant fight over cheaper prices in order to attract more customers. This practice is hardly sustainable for small farms and leads to bankruptcy for a lot of them. Small farms cannot compete against bigger farms since they cannot provide the amount of raw material that is needed to the wholesalers unless they lower their prices. This essentially means that they need to produce cheaper meaning that they need to find a way to lower their production costs as much as possible in order to stay competitive and make a profit for themselves.

The issue here is that harvests are not always stable. If for example, a small farmer has a lower amount of wheat one season, he has to increase his prices in order to make a profit. This consequently means that his product will be less attractive for wholesalers since it will be more expensive to buy than the product of a bigger farm that can compensate for a bad harvest a lot easier.

For the consumer, this creates a situation in which he or she is confronted with a great variety of choices and alternatives in his or her decision-making of what products he or she should buy and which not. In addition, it has to be noted that the potential consumer does not only buy goods that seem the most attractive to him or her as an individual but his choices are also influenced by social norms and perceptions about the products and in that sense also the stores the customer buys them at. (Fischler, 1980)

So in that sense, customer are susceptible to green marketing and the overall image of a company. If the consumer believes that his choice of living a sustainable lifestyle is supported by the company he or she buys his or her groceries, they are more likely to finalize the purchases and commit to that grocery store chain. This indicates that

companies need to analyze the buying behaviour of the customers and react and adapt to the trends these evaluations reveal.

This paper aims to explain how an organic food supermarket and its supply chain in Luxembourg has gained in popularity and how it impacted their sales, their customer base and how they compare to other grocery store chains and finally what their plans are for the future and how they want to continue their growth.

1.3 Aims of the Bachelor Thesis

The basic research objectives are the following:

1. Review the literature concerning sustainability, vertical integration, consumer behaviour, and the supply chain of organic food and how consumers feel inclined to buy regional and organic products
2. Get an insight into the company and conduct interviews with board members, stakeholders, and individual managers of the several subsidiary companies.
3. Identify and compare results from the several interviews and indicate what the reasons for a successful supply chain management are.
4. Explain how the management can be improved and what possible changes in the supply chain but also the individual supermarkets can be made.
5. Compare theoretical data with the interviews and draw conclusions on the market and on what is necessary for a company in order to stay competitive.

The researcher will have a look at the management and business practices of a vertically integrated company in Luxembourg, specifically in the food production/ grocery market and how they incorporate certain philosophies in their day-to-day business and how they stay competitive in their industry. This paper aims to answer the questions:

1. How can a vertically integrated company compete on the open market?
2. What differentiates this company from its competitors and what advantages or disadvantages do they may have?
3. How do the members of the supply chain perceive their working conditions and how do they envision their future in this model?

4. How can more sustainable practices be implemented in the agricultural sector?

By answering these main research questions the researcher aims to disclose the advantages of a vertically integrated firm and how this rather unconventional business strategy can be beneficial for certain companies, industries or niches. In addition to this, the aim of this study is to find out how the management of this concept works in theory and in practice and how the two aspects can co-exist. For this the researcher will dig deeper into the mechanics of the model and investigate and analyze the implementation of the proposed theory with the help of interviews with various employees of the firm, painting a representative image of the supply chain and their links and how they perceive the implementation of this theory and model and where they see the advantages and disadvantages.

In essence, the aim of this paper is to investigate if and how a vertically integrated firm can compete against horizontally integrated companies and give an outlook on the present and the future regarding more sustainable business practices, especially in the food production, agriculture and grocery industry. The research is relevant for this specific sector as gives a comprehensible insight on which innovations and plans have worked out in the past and which methods can be implemented in the future in order to maintain a certain level of growth or increase it.

Finally, the study aims to show how the entirety of the supply chain, so from the seeds to the farmer and eventually the grocery stores, are susceptible to the growing awareness for sustainability and how it affected it in the past.

1.4 Definitions

In order to make this paper more understandable to a wider audience, the researcher will explain some terms and give a basic interpretation of technical expressions. These terms are the foundation of the paper and will be referenced and mentioned a lot during this paper and it is best to give a comprehensive overview before investigating the problem.

1.4.1 Vertical integration

The term vertical integration means that the supply chain of a company is owned by that company. It is common practice for vertically integrated companies that their members of the supply chain produce various different products that can be

combined to satisfy the needs of the consumer (Perry, 1989, p. 222). Particularly in the grocery store market, this can be a great method to attract more customers since it allows a consumer to familiarize him or herself with a brand/company and make him or her aware of other products that may be of similar quality from the same company or producer. This form of management has various advantages and disadvantages which will be investigated in-depth at a later point in this paper.

1.4.2 Horizontal integration

In contrast to vertical integration, horizontal integration can be defined as a company increasing production by expanding at the same point of the supply chain which can be achieved by buying another company or by merging two businesses together. This practice can lead to monopoly which would be beneficial for a company economically speaking but is prohibited by law because of the detrimental impact it would have on the market and the freedom of choice of consumers (Caputo & Mininno, 1996, p. 81).

1.4.3 Environmental Sustainability

Environmental sustainability can be defined as a condition of balance between society and the ecosystems surrounding it while simultaneously satisfying human needs without exploiting nature and allowing for biodiversity to persist. (Morelli, 2011)

1.4.4 Social Sustainability

Social sustainability occurs when society and communities come together and form relationships and business practices that offer healthy and liveable conditions for everyone involved and for generations to come. In essence, it means that everyone is included and can benefit from each other in a way that nobody is exploited or feels treated unfairly. (McKenzie, 2004)

1.4.5 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the practice of a corporate manager confronting certain moral issues in his or her company apart from the economic. (Montiel, 2008)

1.4.6 Supply chain

A supply chain can be defined as the corporate practice of converting raw materials through various value-adding practices into a finished product that is finally presented to the end consumer. (Janvier-James, 2012)

1.4.7 Organic products

Organic products are products that derive from organic farming. The practice encourages the preservation of biodiversity and promotes ecological balance. In the European Union, this term is defined formally in law and farmers and producers that want to label their products as „organic“ need to meet certain criteria. The use of certain pesticides or fertilizers is prohibited and typically the use of chemical food additives is also strongly regulated. (Council Regulation (EC) No 834/2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91, (2007))

1.4.8 OIKOPOLIS Group

The main task of all the participating companies in the OIKOPOLIS group is the processing and marketing of organic products, preferably from regional producers. The main goal is to support organic farmers so that they can sustain their production for the future. The core philosophy of the group is the social threefolding theory from Rudolf Steiner. The group tries to combine the three aspects (social, ecological and economic) in the best way possible in order to be as sustainable as possible. The group consists of various smaller companies that form the supply chain of the group. Examples for these companies are NATURATA (grocery stores), BIOGROS (wholesale), BIOG Molkerei (dairy production) and various other small businesses such as organic bakeries or sustainable energy production companies. (OIKOPOLIS, n.d.)

1.4.9 NATURATA

NATURATA is the name of the grocery stores of the OIKOPOLIS group. They are situated at 11 different places in Luxembourg and are the main tool to reach customers in order to raise awareness for sustainable products and agriculture. Organic goods produced by various producers are sold here. (NATURATA, n.d.)

1.4.10 Bio-Bauere-Genossenschaft Lëtzebuerg (BIOG)

Every member of the association has to produce under organic conditions and sell their products either on their own on their farm or alternatively to the BIOG association. The participating farms are split up to differentiate between their products. The main groups are wheat, vegetables and fruit, eggs and milk. Quality is guaranteed through the ethical treatment of nature by refusing to use chemicals or fertilizers that could harm the plants or the environment. GMO's are also prohibited and the treatment of animals is also strongly regulated. Solidarity is the other main aspect of BIOG. In order to fight against international horizontally integrated companies, it is profitable for organic farmers to collaborate with a bigger partner that allows them to market their products to a bigger audience. In order to ensure satisfaction throughout the whole supply chain, meetings are organized to discuss various topics or problems. (BIOG, n.d.)

2. Theory

In this next part, the writer will go into more detail about the theoretical part of sustainability, vertical integration, social threefolding and more specifically the economic aspect of biodynamic, organic and integrated agriculture and how it can be beneficial in the long run for companies.

Biodynamic agriculture is based on the concept of anthroposophy and is the main influence for the business model of OIKOPOLIS. An essential point for biodynamic agriculture is the fact that farms act as their own entities. This means that every farm is self-governing and decides matters such as location, animals and workers by itself and is mostly independent of imports from other farms or producers. In day-to-day business, this means that a large percentage of food necessary for the animals is also produced on the same farm. (Freyer, 2016). In biodynamic agriculture, soil and plants are regarded as entities on their own too, similar to the farm itself. Therefore a high significance is accorded to the quality of the soil and the ethical treatment of plants, specifically the non-treatment of the products with chemicals or fertilizers. Another big aspect of bio-dynamic agriculture is the ethical treatment of animals to ensure the natural development of them. Therefore it is prohibited to harm the animals in any way to gain a financial advantage out of it. For example, bees are allowed to create their own swarms and are not restricted by the farmer or chickens have more space to roam around and live a healthier life as seen in conventional agriculture. (Freyer, 2016)

The effects of this form of agriculture have been studied by the Schweizer Forschungsinstitut für biologischen Landbau (FiBL). The conclusion was that bio-dynamic and ecological farming raises the fertility of the soil significantly compared to conventional farming but that overall production was down about 20%. (Mäder et al. 2002)

Regarding some parameters such as biomass or volume of plants, bio-dynamic agriculture was the clear winner compared to ecological and conventional farming. (Mäder et al., 2007).

On the other hand, organic farming is the term used for the production of food that is subject to various regulations and obligations to ensure a sustainable way of agriculture and the ethical treatment of animals and soil. It has to be made apparent that organic farming varies from the afore-mentioned bio-dynamic farming and the conventional practices in this industry. In opposition to conventional farming, organic farming relies on producing without synthetically created fertilizers or pesticides but

rather relies on naturally produced ones such as bone meal, compost or manure. The treatment of animals is also strongly regulated and includes obligations such as the prohibition of certain fodder or the requirement for enough living space for the animals. Essentially organic farming aims for higher sustainability and the preservation of the environment to a higher extent than present in conventional farming for example. Another point that has to be mentioned is the fact that organic products are not allowed to add any preservatives, flavour enhancers, colouring agents or flavourings.

In the European Union, the term „organic“ is defined by law and any products that are sold under this label have to meet the strict requirements that are put in place by the EU. This means the aforementioned restrictions regarding GMO's, fertilizers or fodder.

„This means that organic producers need to adopt different approaches to maintaining soil fertility and animal and plant health including:

- crop rotation;
- cultivation of nitrogen-fixing plants and other green manure crops to restore the fertility of the soil
- prohibition of use of mineral nitrogen fertilizers;
- to reduce the impact of weeds and pests, organic farmers choose resistant varieties and breeds and techniques encouraging natural pest control;
- encourage the natural immunological defense of animals;
- in order to maintain animal health, organic producers need to prevent overstocking.“ (“Organic production and products,” n.d.)“.

This can be reviewed in the Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91, which clearly defines the requirements, obligations and restrictions for organic products and their labelling inside of the European Union.

In 2008 the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) recommended organic farming as one way of solving the world hunger crisis because this sort of agriculture allows for more sustainability and therefore allows to feed generations to come. But it has to be mentioned that since 1999 organic farming has been on the rise. Since that year and 2013, the cultivating space for organic products has grown from 11 to 43.1 million hectares, which also marked the year where 1% of all agricultural space was

cultivated according to organic standards (Gill, 2009, p. 381). This trend continued and resulted in 57.8 million hectares of cultivating space being organic by 2016.

According to IFOAM, the organic food market was estimated at a value of 72 billion dollars with Europe making up for 31 billion in 2013. The biggest markets that year were the United States followed by Germany, France and the United Kingdom (Gill, 2009, p. 381). A steady growth can be observed if the numbers for 2016 are also considered. Ecovia Intelligence estimated the market at 89.7 billion dollars with China replacing the United Kingdom at the number four spot for the biggest market. Some markets have also been reported to have had a growth of over 10% in these three years with the most significant one being France with an overall growth of 22% (FiBL, 2018). Considering that Germany and France border Luxembourg, the country which this paper focuses on, it is beneficial to take a deeper look at the development of organic agriculture in these two countries because it may indicate a general direction in which the Luxembourgish market may wander.

In France, the organic was estimated to have a value of approximately 8.5 billion euro in 2017 which indicates a 17% rise in value from 2016. Additionally, 8.3% of all farms were compliant with organic standards and almost 7% of all agricultural spaces were cultivated organically. In 2019 sales achieved with organic products in grocery stores were estimated to be around 12 billion euro which made up for around 6% of all grocery sales in the whole country.

In Germany, a similar situation can be observed. It is proven that the demand for organic products has been steadily growing because they became more widely accessible to the average consumer. With the implementation of organic products in conventional grocery stores or even discounters, consumers were able to discover new products and this special kind of agriculture and production without having to change their initial buying behaviour. This allowed for a smooth transition from conventional or „traditional“ products to discovering organic products that have a more positive impact on the environment and are more sustainable. Through this initiation to the topic and the more positive impact these products can have over conventional products, consumers also started to shop at organic grocery stores which resulted in this significant increase in market value.

As for Luxembourg, in 2018 the organically cultivated land has been estimated to be around 5782 hectares which represents 4.4% of all the cultivated areas of the whole country. (Research Institute of Organic Agriculture (FiBL), n.d.)

According to the Luxembourgish government in Luxembourg only around 5% of cultivating lands are organic, meaning that the country is behind the European standard which can be estimated at around 7%. In 2020 Luxembourg has 148 organic

producers with 88 proper grain farmers, 15 vegetable farmers, 11 fruit farmers, 19 beekeepers and 164 collaborators such as bakeries, butcher shops or grocery stores that sell their products under organic regulations. Even though the market has been steadily growing over the last two decades, it is especially the fruit and vegetable demand that can often not be satisfied by Luxembourgish organic producers. This has various reasons; to begin with, the climate in the Grand-Duchy does not allow for every fruit or vegetable to be cultivated therefore some exotic vegetables such as tomatoes, bell peppers or avocado need to be imported from other countries. The same applies to exotic fruits such as pineapple, mango or passionfruit which can all not be cultivated in the country to the extent that would be needed to satisfy the market demand.

That is why the government has started the initiative „PAN-Bio 2025“. Essentially this is a project that aims to elevate the organic cultivating spaces from 5% to 20% by 2025. The subventions for the initiative will be increased steadily from 2 million in 2020 to 11.4 million for the year 2025 in order to meet the self-imposed goal. A similar program has already been done before in 2009 and studies have shown a positive impact on sales of locally produced organic food. Additionally, there have been some measures taken in order to make the topic of organic farming more accessible to the average consumer such as the opening of show and display farms that allow for visits and deeper insights into the technological aspects of an organic farm and the importance that they hold for the sustainability of the food market. For „PAN-Bio 2025“ it is important to add to these positive developments from the projects in the past by implementing new tools and allocate the funds that have been offered in a wise way according to the government. It needs to be noted that this project should indicate what measures are necessary in order to achieve a completely self-sustaining system that allows for 100% organic agriculture in 2050.

The four main pillars of the project are:

1. Analyzing the organic agriculture situation in Luxembourg
2. Analyzing the awareness for the sector among the average consumer
3. Analyzing the benefits of organic agriculture for the producers
4. Developing a better supply chain in order to increase demand and supply of organic products

Another new point in the „PAN-Bio 2025“ project is that new organic farmers will be supported all the way during their transformation from conventional agriculture to organic. To give a further incentive to switch their production, farmers benefit from a

bigger portion of the proposed funds from the project, while still offering a relatively fair amount of money to the organic farmers and producers that have been in the sector for a longer time.

In addition to this is the government aims to implement more regional products in school cafeterias, which are subsidized by government funds. The plan is to utilize organic products from Luxembourg to cover 20% of the ingredients and 30% from regional producers that may or may not cultivate organically but with priority given to farmers or producers that are converting to organic agriculture.

The whole project aims to improve sustainability in the agricultural sector as other measures such as involving other farms in more environmental-friendly practices are encouraged and harsher restrictions on pesticides and fertilizers are put in place. According to the agricultural minister of Luxembourg Romain Schneider, this new form of cultivation and food production called „agriculture+“ that relies on the three main points of ecological, economical and social sustainability can be characterized by its strong spirit of endurance, quality, diversity and inclusion. (“Présentation du plan d’action national de promotion de l’agriculture biologique ‘PAN-Bio 2025,’” 2020)

Another point that needs to be analyzed is the company structure of OIKOPOLIS, namely vertical integration. The term vertical integration means that the supply chain of a company is owned by that company. Especially in the grocery store market, more customers can be targeted since it allows a consumer to try products and make him or her aware of other products that may be of similar quality from the same company or producer, which could lead to more sales. Another strong argument for vertical integration that can be made is that forward vertical integration can offer a differentiation-based competitive advantage (Fronmueller & Reed, 1996, p. 725).

Finally, a point that should not be forgotten are the driving factors that lead to purchases of organic and regional products and how the company can capitalize on these facts. Numerous studies have been conducted in order to investigate what leads consumers to choose organic products over non-organic ones. The most represented motives for the active decision-making for organic products are a sustainable lifestyle, environmental and health concerns as well as the perceived higher quality of products (Basha et al., 2015), (Rana et al., 2017). Due to the vertical integration model of the firm, OIKOPOLIS has also a slight advantage because quality control in the supply chain is facilitated. This phenomenon has also been observed in

Pakistan, Turkey and Iran. According to Asif et al. (2018), the main factors for the purchase of organic food are also lifestyle changes and the raising awareness for a more sustainable lifestyle and a higher regard for environmental and health concerns. While the results were different for the three countries, this trend could be observed by the researchers. Similarly, in Thailand, a questionnaire with 316 participants indicated that the number one motivator for organic food are health reasons closely followed by regionality, the environment and food safety (Ueasangkomsate et al., 2016).

Another study that supports this idea stems from Beitzel-Heineke et al. (2017). Interviews with seven stores in Europe and six other partners were done and findings suggested that also the packaging of the products has an impact on the consumer. The less plastic is used in the production and packaging of the products, the more consumers with a more environmentally aware lifestyle are inclined to shop at these stores. This means that OIKOPOLIS could also capitalize on this point by offering alternatives to plastic bags such as tote bags that are reusable in order to further increase their customer base. This has been confirmed by Janssen et al. (2018): „Findings also showed that organic food consumers are concerned with environmental protection. For organic producers and marketers, it could be a promising strategy to add further environmental benefits (beyond the minimum organic standards) to the product when targeting regular buyers of organic food. Possible options for additional environmental benefits are the use of environment-friendly packaging or a low carbon footprint“.

However, it has also been found that the awareness for organic products may sometimes not be enough to finalize the purchase. Even though around a fifth of the households participating in this study claimed to have an open mindset towards organic foods, only around 3% spent more than 20% of their food budget on these products. (Janssen et al., 2018)

However, some other factors also need to be taken into consideration. A higher attraction of regional products is also a driving factor for the choice of organic products. Local food is mainly understood as produced in the region or within the country borders as shown by Jensen et al. (2019).

„Research thus points out the superior performance of the strategy of merchandising regional products within their product categories“, (Lombart et al., 2018a)

„This research also highlights the existence of the two groups of consumers (i.e., the “regionals” and the “moderates”) who are the most receptive to the regional products offered by grocery stores and on which retailers should concentrate their

sales promotion efforts.” (Lombart et al., 2018a). Essentially this underlines that local products are also very attractive to a niche of customers and could potentially boost sales. OIKOPOLIS engages in this practice with their BIOG line that have organic but also locally produced products in their range.

Consumer behaviour also plays a big role in the success of the OIKOPOLIS company so it is necessary to take a look at the main market for organic products. According to Ngobo (2011), organic food purchases are more common with higher status and wealthier families and college alumni. Therefore an adaptation of the price needs to be put in place that ensures that organic food becomes more accessible for lower-income families. However, this could be possible in the near future for OIKOPOLIS because of the „Pan-Bio 2025“ project that was launched by the Luxembourgish government, since more producers could join OIKOPOLIS which would reduce the cost of production.

To summarize the main factors for the purchase of organic products one could cite Shashi et al. (2015): “The findings affirmed globally that environment protection, pesticide-free food and animal protection are major sustainability issues. In addition, premium price, insufficient availability and low awareness are the greatest deterrents, considering that personal values such as health benefits, natural contents, superior quality and better taste foster customers to purchase organic foodstuffs. In demographic and socioeconomic environmental contexts, education and income have emerged as major predictors of organic product purchases.”

3. Methodology

In this chapter, the writer will explain the structure of his research and how and why exactly this data was gathered. Additionally, the methods will be explained and it will be shown why these approaches were the most suited for this research paper. The data collection has been conducted through interviews with various employees and affiliates of OIKOPOLIS. The sampling method used was not random as the researcher aimed to represent as many links of the supply chain as possible while keeping a diverse and inclusive set of interview partners. Consequently, the research is qualitative. The interview partners held different positions in the company such as CEO, baker or farmer which gives a more in-depth view into the company and how the different links in the supply chain perceive the project and how vertical integration can be beneficial for consumers and producers alike. Due to the different levels of knowledge and insight over the whole company the interviews were individually tailored to suit the person in question. For example, while CEOs were

able to give very detailed information about the theoretical background and structural issues, farmers were not able to give the most elaborate answers in this case. Additionally, the interviews were conducted in a way that allowed for a discussion rather than the answering of predetermined questions. This leads to a better flow of the interviews and a more relaxed atmosphere that can be beneficial to get more information.

The researcher utilized grounded theory to collect the data in order to keep the results as unbiased as possible and to allow for a better flow of the interviews (Cash, 2018). As for philosophical background, a constructivist approach was chosen since there was next to no data available for this specific topic. The fact that the research was conducted in Luxembourg only amplified this problem, hence why a constructivist approach was the most appropriate method (Long, 2013). Additionally, a constructivist approach allows for a deeper understanding of the different point of views of the interview partners and helps to be more inclusive in the research approach because the individual opinions of the interview partners are more easily understood through a deeper bonding with them. (Vial, 2015)

Quota sampling was used as the sampling method which is sometimes categorized as a type of purposive sampling. In essence, it means that the researcher decides which participants might be the best suited for the research due to their personal attributes such as age, gender or in this particular case affiliation with the OIKOPOLIS company (Farrugia, 2019).

Due to the highly specific nature of this paper, this was the best sampling method to utilize since it allowed to get an insight into the company from various angles, from CEOs to logistics and branch managers to the producers also known as farmers.

7 different interviews were conducted with different employees and affiliates of the OIKOPOLIS company (Choi et al., 2019). To give the widest overview possible the researcher tried to include as many links of the supply chain as possible and therefore reached out to representatives of every single one of them.

The method used to analyze the data from the interviews will be the narrative analysis. It is typically used in order to analyze information from different sources such as interviews but also observations in the studied field. It focuses on the experiences of the interviewees to give answers to the research questions.

Due to the nature of the research, it is essential that the researcher needs to inform the interviewees about the purpose of the data collection. Written consent was asked to be signed upfront and confidentiality of the data and information provided was guaranteed. If the interviewee wished to remain anonymous, this was respected by the researcher.

Finally, some strengths and weaknesses will be presented that will be further analyzed in the concluding part of this research paper.

Strengths:

1. Social relevance: Sustainability is becoming a more and more important topic for our society nowadays and the study helps to draw more attention to the matter. Vertical integration becomes a rarer concept and it is interesting to see how this particular company can sustain this strategy and how it can still compete against other companies that outsource and import a majority of its products in order to lower costs.
2. Social inclusiveness: The research focuses on every part of the supply chain and treats the opinions and ideas of every participant equally.
3. Personal experience: The researcher is familiar with some aspects of the industry and is able to get a deeper insight thanks to interviews with various people in the company.

Weaknesses:

1. Collection of data: Not every participant will be able or willing to share the information needed to answer some of the questions.
2. Bias of participants: Interviewees may be biased in sharing information about the industry or the company.
3. Bias of researcher: The researcher may be inclined to be biased in reporting information due to the fact that the research method used, is a case study.
4. Difficult generalization to the whole market: Due to the unique structure of the company, drawing conclusions for the whole market in Luxembourg may be inaccurate.

4. Results

This chapter of the thesis will cover all the answers given by the employees of the OIKOPOLIS company and summarize them in a manner so that they are relevant to the four main questions established at the beginning of this paper.

Namely:

1. How can a vertically integrated company compete on the open market?
2. What differentiates this company from its competitors and what advantages or disadvantages do they may have?
3. How do the members of the supply chain perceive their working conditions and how do they envision their future in this model?
4. How can more sustainable practices be implemented in the agricultural sector?

These questions are not applicable to every interview partner since some of them do not have a big enough overview of the whole company to answer some of them.

In order to make this part of the paper easier to understand and follow the researcher will divide this section into smaller parts with each one stating the responses of the individual interviewees.

4.1 Änder Schanck (CEO of OIKOPOLIS)

This interview partner gave the most answers related to the management side of the business. He explained that the idea for the company came from the wish to „unite organic farmers“. After studying the philosophy of Rudolf Steiner regarding social threefolding and anthroposophy, he saw an opportunity to make a change and help build a more sustainable future for farmers in Luxembourg. However it is not always easy to combine both, theory and practice at the same time, especially in day-to-day business. However, he says: “It is essential to understand that it is not about the philosophical principles themselves but to learn from them in order to get a deeper understanding about the world and how it functions“. The philosophy must be transmitted and taught in a general sense but it remains to each individual employee to interpret it in a way that makes the most sense to them. The company started off as a group of farmers with the same desire for change for a more socially and environmentally sustainable future that gave everyone involved the same democratic right to vote on topics, no matter the economic contribution to the cooperative. He says he „wanted to implement this concept [of social threefolding] in the cooperation by combining democracy with the business-oriented mindset“. That was later realized by the first opening of an organic grocery store in Luxembourg that sold the products manufactured by members of the cooperation. It was not only the

first establishment of the business-oriented site of the cooperation and led to the later success of the company but it allowed farmers to sell their products for a reasonable price and for a profit that ensures the survival of the farm even if the harvest was underwhelming. This concept was very attractive to customers and sales were extraordinarily high from the beginning, which attracted competitors on the market for contract negotiations concerning the products. While the company was focussing a lot on the basic concept of anthroposophy and the adaptation by competitors with the help of certain contract criteria and obligations, it also knew that certain „traditional“ business practices needed to be applied in order to ensure the growth and development of OIKOPOLIS not only as a company but also as a tool and aid for small organic and regional farmers. In a general sense it is more important to the company „to help develop the organic food market and help establish sustainable farming conditions“. The company’s success relies on the fact that there is a fundamental change in society’s perspective on agriculture and food production. By familiarizing consumers with the fact that traditional grocery stores promote a toxic rivalry between farmers over market position, the company tries to sensitize customers and businesses alike for a more sustainable way of living and a more respectful way of collaborating with farmers that ensures that nature is preserved. In essence, this is the reason for the uncommon management strategy of vertical integration. This strategy allows them to work closely with producers and guarantees that they are competitive on the market.

Additionally, this interview partner said that Steiner’s theory played a major role in the setup of the company and is essentially the main difference between OIKOPOLIS and other companies in the food production market. He says that „The theory itself implies that the human holds a central role on our planet. The human should be the foundation of agriculture, social structure and economy but as it stands today, that is not the case. For me, the main focus was not to create a cooperation but to find answers to the questions: How can I create or contribute to a social construct that allows for the survival of sustainable agriculture?“. In essence, the main idea of the company was to create a sustainable alternative to traditional grocery stores that allows for the survival of smaller farms and gives fairer working conditions to farmers. He claims that: „It was always clear that raw material suppliers, in our case the farmers, are the big losers in traditional business practices. That is why it was clear for us that we need to implement new conditions to ensure that everybody is treated equally and that farmers are awarded fair and reasonable conditions“. Regarding the three different aspects of social threefolding namely the social, the ecological and the economic aspect, the interview partner said that they are

reunited in one of their buildings to cooperate to the best of their abilities. There are different associations that try to resolve problems regarding the three aspects, such as IBLA that focus on research and the development of organic farming to enhance the sustainability and ecology of farming. Bio-Lëtzebuerg is responsible for the corporate social responsibility aspect. The interview partner says that they „try to set up rules for the organic farmers in order to unite them and to represent a clean image in front of the end consumer“ and „try to solve problems regarding quality control, authentication and other legal issues. This also includes the representation and image of organic agriculture in society and politics“. In terms of business, the company aims to satisfy the supply and demand of products and is a strong advocate for recycling materials. In addition to that legal issues and contract discussions with other companies are also a major factor, also including companies such as Cactus (a rivalling traditional grocery store chain). These discussions and meetings help to communicate between 2 very different systems and facilitate trade and encourage development for a better and more sustainable future. However, there needs to be a common consensus between the different parties that change for a more sustainable business practice is needed. Not only businesses but society itself needs to realize that a continuation of the common business practices including exploitation of natural and human resources cannot persevere like this if the preservation of nature should be a central point. This also includes farmers. They need to work together as a united group to fight against discounted prices that endanger a lot of farms because they cannot reduce their prices enough to be competitive. If farmers keep underbidding each other the result will be that a lot of them will go bankrupt. Another point that has to be made is that „producer and consumer are oftentimes unaware of the impact they have on each other“. However, if both parties work together and communicate demand and supply openly and internally this relationship can be very productive. He continues: „If we try to outsource every member of the supply chain in order to cut costs it is only logical that consumer and producer become very distant. Nowadays we rely a lot on Adam Smith’s invisible hand and that it adjusts the market in a way that is beneficial for everybody but real life shows that that is not the case. With the associations, we try to reunite consumers and producers in order to create a united vision on certain things that leads to an equilibrium. Again we need to reflect on all aspects of the economy and cannot only put our benefits at first place“. This can also be attributed as one of the main benefits of vertical integration. The management strategy allows to bring producer and consumer closer together to discuss supply and demand so that a perfect balance can be achieved. It can also be argued that there has been a rise in

awareness for sustainable products over the last few years. This shows that the vertical integration and the reunion of consumer and producer has had a positive impact on society in the interview partner's opinion. He argues that people care a lot more about the preservation of natural resources and the fair treatment of workers nowadays than in the past. Additionally, the rise in popularity of plant-based diets is also a favourable development since it also promotes the fair and ethical treatment of animals.

Finally, another reason that was given by this interview partner in favour of vertical integration was that leadership pressure and responsibility is lifted from one single individual to various different employees that are all in line with the concept and philosophy of the company. Since it promotes teamwork and communication it is exceptionally good for creativity and allows for diverse decision making. The interview partner underlines this with this statement: „They [the employees] want to take part in decision making and therefore should be involved. In my opinion, people want to add value to life and society and make a change for the better. Solely completing tasks is not rewarding enough anymore. You have to show an individual their possibilities and opportunities by being able to understand them and what they desire and try to work together in an attempt to create a future that is beneficial for everybody“.

To conclude he also mentions that: „Sustainable or ecological agriculture is not enough in order to make a change. We need to embrace the social aspect of agriculture and food production as well and need to start thinking differently about the economy. I hope that we can start thinking differently and that labour and products regain a higher value in our society. We need to realize that behind every product bought at a store, whether ours or a conventional grocery store, there is a person and more importantly an existence and a story behind it“ (Schanck, Änder. Personal interview. 8 May 2020).

4.2 Pierrot Schmit (Wholesale and Logistics)

According to this interview partner, the philosophy mentioned before namely of Rudolf Steiner is difficult to teach in day-to-day business and requires an extraordinary effort from the employees even outside of their working hours. He thinks that there are still employees throughout the company that do not fully associate with the ideology behind the firm but rather only regard their occupation as a mean to make a living. It is difficult to teach everyone the philosophy and the importance of the company to each individual worker and so he thinks that it is up to each one on their own to educate themselves about the urgency of change in the

industry. With that being said he also claims that it is even more difficult to reach the general public and educate them about the need for more sustainability in the food production sector. „This requires a cultural change through the younger generations that have an interest in sustainable lifestyles“. However, there seems to be evidence that this socio-cultural change is underway and that more and more people realize the critical situation and adopt a more sustainable lifestyle by choosing a plant-based diet or by supporting small farmers by buying regional and organic products. These people can be found in any part of society and even at rivaling companies. According to the interview partner, it is essential that these people are identified and that OIKOPOLIS works together with them in order to ensure a better future and more sustainable business practices in the industry. The main benefit of communicating closely with the supply chain members is that the philosophy is easier transmittable to everyone compared to horizontal integration. But it needs to be mentioned that traditional grocery stores are not the enemy by definition but a partnership is a viable option to achieve a common goal: sustainable growth.

Additionally, the interview partner commented on the leadership form of „distributed leadership“ that is common in vertical integration. Personally, it was difficult to adapt for him to the shift of responsibility to more people because he was used to being the lone decision-maker from the start. However, he realized that is possibly a change for the better even if he does not fully agree with the changes. „ At the beginning, we just needed to get this project started and going. But when a business starts to grow it is essential that responsibility is shared between more parties. [...] The people in charge today want to have their freedom and want to take part in decision making. There has to be a possibility for everyone to bring in their ideas and to be respected for them“. Even though for him as an individual the changes have had negative aspects, the interview partner still thinks that they are for the better and necessary for a more sustainable food production industry. This is comparable to the statement given earlier by another interview partner who also claimed that in essence, the development of sustainable business practices in this sector are more important than the development of the company itself.

4.3 Sandrine Maas (Branch manager NATURATA Foetz)

This interview partner gave an insight view on the day-to-day business inside the actual grocery store and the contact with consumers. She also described how she perceives the implementation of the philosophy and vision of the company inside the stores and how it can be transmitted to customers and co-workers alike.

In essence, she talked about the differences between a conventional business that treats its employees rather poorly and how OIKOPOLIS improved her happiness and satisfaction again: „Before I started working for NATURATA, I worked in a company in which I was only a number. But when I came here that all changed and I became a person again, I got recognized as an individual, a human being“. She argues that at conventional businesses the individual employee is not valued enough and that managers often neglect opinions or suggestions from them. That is why she claims that the distributed leadership form that is implemented in this particular variant of vertical integration is a lot more human and promotes creativity, teamwork and communication. A democratic system helps to enhance productivity and is extremely helpful in order to realize the vision of a more sustainable food production industry which is the main goal of OIKOPOLIS. As a member of the supply chain, she also sees herself very much integrated into the company because she believes in the 3 main values of social threefolding: respect for other people, respect for the business side of the company and respect for nature. She believes that the biggest difference between her job at a „traditional“ company and her occupation at OIKOPOLIS now is that the individual matters. This refers to the corporate social responsibility that was explained earlier in theory by other interview partners. She said that the main goal for her is to increase sales to raise awareness for organic products so that the aspired change in society can be achieved. When asked about the responsibility and opportunities of her job and the impact each individual worker has on decision-making she stated that they are free to make decisions without having to ask higher managing entities. This allows for more freedom and creativity and encourages critical thinking and engagement, especially for the different members of the supply chain. She says that „It is nice when we work together. I don't like to dictate every decision and I'm always open for suggestions from my co-workers“. The result of this practice is better teamwork and a better understanding of the philosophy behind the company that can therefore be transmitted more easily to customers as well.

4.4 Fränk Obertin (Owner of the first organic bakery in Luxembourg)

This interview partner gave his view on the collaboration with OIKOPOLIS and therefore represents one of the voices of the supply chain members in the vertical integration model. He explained that he started his bakery almost 40 years ago with

no intention to become part of the group but out of pure interest in organic and sustainable food production. He argues that back in the day the intention for customers to buy such products was to support local farmers and producers but nowadays people rather see the health benefit aspect of the products.

He goes on to explain how the joint venture came to life and stated that it was an easy choice for him because OIKOPOLIS represented the same values as him. Trade had already been established between the two companies, with NATURATA actually being the biggest client with 30% of sales even before the two merged together. So according to the interview partner, this step was rather easy and helped him to preserve his bakery even if he were to pass away. This also meant that the employees of the bakery would keep their jobs and that the bakery would be modernized with new machines with funds offered by the new parent firm OIKOPOLIS.

After being asked where he sees the advantages of the network that supports smaller businesses and envisions ecological and sustainable goals and business practices in order to promote agriculture he explained that the main advantage of OIKOPOLIS at the moment is that they are the only collaboration partner in Luxembourg. To achieve this common goal of a more ecological food production industry it is essential for smaller businesses to work together with a strong partner that has the financial resources to cope with potential problems or shortcomings. In addition, he states that the product is also very important. The product has to be suitable for sale and meet a certain demand on the market. Bakery products were rather easy to market so for him personally it was not difficult to negotiate a contract but he figures that products with lesser demand on the market may not be approved by OIKOPOLIS. This leads to the failure of some organic producers but is necessary to ensure the growth of the company. Essentially this is how the company stays competitive because it has to compete with more traditional firms on the market that are able to lower production, logistic and marketing costs significantly by outsourcing a big portion of the supply chain. So the three parts of social threefolding need to be balanced in order to stay competitive.

He also agrees that the distributed leadership form implemented by the company is beneficial and helps to create a more diverse working environment that allows for less stress but also promotes creativity. „I do not know if I would have been able to continue working in the small shop anymore, physically and mentally. It is pleasant to work here now because the responsibility is shared which allows for less stress for the manager“.

4.5 Tom Kass (Organic Farmer)

This interview partner gives another point of view on the integration into the supply chain and expands on the statements given by another interview partner beforehand. This helped to diversify the research in order to make it more representative. He explained that they started off by joining BIOG because they saw the potential of the label and thought that they needed to support this initiative. After a few years, the farm was supported by OIKOPOLIS due to financial troubles that almost ended the farm and the NATURATA store and BIOG-cheese factory associated with it „We have been in a critical situation in the past because we thought that we could not fund the project anymore. So we knew that we would have to cancel the project entirely or would need to abandon certain aspects of it. But I did not know how because of the concept of the farm was an entity and it was nearly impossible to take out one thing“ (Tom Kass. Personal Interview. 15 May 2020). An LLC was set up so that they still own 80% of the stake in the farm and the remaining 20% was split up between OIKOPOLIS and shareholders. In essence, this interview partner gave similar answers to the interview partner before and a lot of parallels can be drawn between the different members of the supply chain.

He also claims that: „Personally I see the strengths in the union that was created and how everyone has the same idea in their head. We all work together to achieve a future for smaller farms and that is what motivates me. OIKOPOLIS is the main collaboration partner so far in Luxembourg, so they were able to help us in these rather difficult times in the past. As for working conditions, I think that we work hard but with pleasure. It fulfils me to be part of something that operates for the greater good of society. I find enjoyment in my work and it is something I can openly say I am proud of“.

4.6 Volker Manz (CEO BIOG)

This interview partner goes into further detail about the collaboration between BIOG and the smaller farmers and how both parties share mutual profits. He explains that for him personally, the company is very important since he saw an opportunity for the producers to get more into contact with the end consumers and that this could potentially lead to more sales and consequently more revenue. It is also a tool to reduce the „anonymity“ of conventional grocery store chains. He goes on to explain that „this helps to put a face on the products which helps to promote fairer working conditions for farmers. BIOG helps farmers to establish themselves on the market and gives them a voice in order to fight against the constant price reduction of

agricultural products“. In addition to this, he explains that BIOG is essentially the main legitimization of Rudolf Steiner’s philosophy that the company represents. It creates the opportunity for the organic farmers to sell their products under fair conditions in order to enable a market that allows for a more sustainable future and working conditions.

However, he argues that it is still not recommendable to work in agriculture in Luxembourg. The sector only makes up for around 0.3% of the Grand Duchy’s GDP but is still one of the most competitive ones for individuals to make a living. He says that in order to compete one has to invest a lot of money into new technologies such as automated milking robots or gigantic harvesters and that therefore conventional agriculture is not very lucrative. But he also argues that small organic farms are not easy to set up or to maintain. He is of the opinion that it is not enough to be aware of the sustainability issues at hand to make a change, because this awareness could possibly be just a trend that may be gone in a few years time. He has a more pessimistic view on lateral entrants and states that without financial backing through land or funds it is especially difficult to be successful in the industry. However, everyone that is interested and can meet the right qualifications should be supported. He gives the example of the Kass-Haff that was also interviewed earlier. They are supported because the company sees a big potential in their concept and a mutual benefit can be generated through this investment. The Kass-Haff is supported and can maintain their land and structures and sell their products under fair conditions and OIKOPOLIS was able to establish a NATURATA store at the facility and therefore also can reduce transportation costs of their products significantly.

Another talking point were the working conditions for organic farmers and how they may have changed over the years. He argues that a lot of younger people are interested in making a change for a more sustainable future, because of the numerous lateral entrants in the industry, „despite the harsh working conditions“. Farmers nowadays want to start families and have a social life away from the business and do not necessarily want to take over the family’s farm. On the other hand, lateral entrants may have never been in contact with agriculture and they need to be supported by providing land to cultivate on. That is why BIOG supports these individuals with land in a similar manner to the „Terre de liens“ in France. He explains that the concept of these cultivating spaces is „that land is freed of sole ownership and should be regarded as collective workspace that is not volatile to changes in land prices. If we do not make this change then we could find ourselves in a situation where too much money is lost to rent and consequently leaves the circle economy of agriculture“. He sees a big issue in the fact that there is competition over

land prices between farmers and that this ultimately leads to the fact that money leaves the agricultural industry and will end up in the private sector or the real estate market.

When asked about the future of agriculture the interview partner argued that it is only sustainable due to subventions but that they are divided unfairly. Even though society demands for more sustainable practices, lobbies still try to reduce costs as much as possible to artificially increase their profits. In his opinion, it is not fair that the government still supports conventional farms that only focus on profits and disregard sustainable practices because they can combine certain environmental measures to secure more funds but in essence do less for the environment than organic farmers because they are easily integrable into day-to-day business. He suggests that a social contract needs to be set in place that ensures that both producer and consumer can profit. Such a contract is difficult to put in place because it requires a change in mindset for organic and conventional farmers alike.

He continues to argue that there needs to be a „cultural reset“ in order for agriculture to become sustainable again. The focus needs to shift from technology and business to ecology and preservation of nature again. Of course, a certain amount of technological and management know-how needs to be present for a farm to flourish but it should be balanced out by care and thought for natural resources. „One should ask themselves other questions such as: What does my soil say? In what season should I plant what seeds? Should I focus on milk or should I have more diversity in my products? This is especially important when milk prices are lower than expected so that the farm does not go bankrupt“. Essentially farmers should focus on being profitable in the long run by engaging in sustainable practices such as cultivating seasonal fruits or vegetables in a way that is not harmful to the environment.

The interview partner sees the strengths of vertical integration in the fact that discussions and meetings are a lot easier to organize and that therefore communication between the different supply chain links is enhanced and productivity can be raised. However, everyone needs to have the same mindset and needs to put their personal aspirations aside to focus on the common goal that is to ensure a secure future for small organic farmers. By sharing prices and giving advice and insights it is easier to make progress and create added value for the customers. These meetings need to be representative, however. The main representatives of the different departments need to be present but including everyone would be obsolete. „That’s when we restricted ourselves to one subject per meeting. If we are discussing practices for vegetables it does not make sense for cereal farmers to be present for

example, so we limit ourselves to the main representatives for every department for these discussions“.

4.7 Anika Hammes (Product development)

This interview partner explained how she sees the cooperation between OIKOPOLIS and BIOGROS and how the vertical structure is beneficial for the company as a whole. She stated that she perceived the company as socially responsible, ecological and sustainable even before working there but realized that the philosophy that is essentially the backbone of the company is not always easy to incorporate into day-to-day business. As head of product development, she has to compromise between regional products and products that need to be imported from other countries in order to satisfy the demand of customers. This can be difficult to manage because obviously with greater transportation ways, ecological footprint is worsened. But Steiner’s philosophy still has a big impact on the department. They discuss with the suppliers but generally accept their conditions and will not argue about prices. This aligns with the anthroposophy ideology because the social aspect of business is the main factor and not the biggest profit.

She goes into more detail about the flat hierarchies and how she perceives this specific structure. „For me, they mean that I can discuss important matters and that my opinion is valued. The success of a flat hierarchy depends heavily on the motivation of the employees. If somebody only works here to make money and does not understand the underlying importance of our project, preserving the sustainability of agriculture, then the flat hierarchy will struggle. You can achieve a lot with training to raise more awareness for the own effect on society and nature but the initial will and determination need to come from within.

If the own voice is adhered to by supervisors it adds to the motivation. This also applies when you can see that you helped to change or shape the company“. She claims that it is sometimes difficult to manage a department of the complex company because one cannot only focus on the profit of the own department but one needs to act in the best interest of the company. This means that every member of the supply chain needs to be satisfied with the decision-making because every decision has a significant impact on the whole company.

5. Conclusion

The main aim of this research was to investigate how a vertically integrated company can compete on the open market since the company form obviously carries a fair amount of disadvantages such as higher costs and lower flexibility in production compared to a traditional or conventional company in the grocery market. Additionally to this point, it needs to be noted due to the nature of the company (being vertically integrated) one has to consider every single link in the supply chain and how they perform and cooperate. A large focus in this research paper has therefore been on the agricultural aspect of food production and how organic farming is beneficial for the farmers and nature itself.

Therefore it was essential for the credibility of this paper to interview different employees and affiliates of the OIKOPOLIS group in various positions to give a representative overview of the supply chain and the integrity of the company. As the market-leading vertically integrated company for organic products in Luxembourg, this company seemed ideal to question about the day-to-day business of such a firm, how they came to be, what their philosophy and added value is and what their plans are for the future in order to stay competitive on the market.

As a qualitative research project, a constructivist grounded theory approach was chosen in order for the researcher to remain as unbiased as possible in this case study. Interviews were conducted with seven different partners all holding different positions in the group, from CEOs to bakers, logistics managers, branch managers and finally farmers. Another focus was on an equal distribution of genders so the writer tried to keep the balance between the number of interviews with male and female participants. These results are analyzed now in comparison to the theoretical framework and the researcher aims to highlight some reoccurring themes that support the statements of the interview partners. While some interviewees gave very extensive answers and explained their reasoning and point of views in very detailed, some gave rather short answers which made interpretation for the researcher all the more difficult. Nonetheless, the research was conducted as openly as possible to avoid bias. With rising awareness for sustainability, there seems to be a growing market for organic products since 2013 (Willer, Lernoud. 2015) as mentioned in the theoretical part of the paper and especially in Luxembourg where the numbers have been pretty underwhelming so far. In the Grand-Duchy only around 5% of cultivated lands are organic, meaning that the country is behind the European standard which can be estimated at around 7%. This could indicate a need for more organic agriculture in the country. This claim is supported by the fact that

the government is launching its „Pan-Bio 2025“ project, which essentially aims to increase the sustainability of agriculture by elevating the percentage of organically cultivated lands in the country to 20% by 2025. This is especially interesting for OIKOPOLIS since their product range solely depends on organic agriculture and food production which in return means that they could engage even more in expanding their company by working closely with new farmers or producers that are transitioning from conventional agriculture to organic with the help of subventions offered by the government. This essentially means that there is a big opportunity to seize for the company that could allow them to have even more growth in the near future. However, a negative aspect of expansion may be that some producers feel less valued and could lose interest in the project. Since they control the BIOG products that are also sold in conventional grocery stores, an increase in sales and therefore profit is almost guaranteed, since production can be amplified with more farmers providing raw material. It also helps to lift pressure from the individual small farms so they do not have to face any critical repercussions if their crops would fail to meet the demand of the OIKOPOLIS group. This was also an essential point that was explained by an interview partner. The main idea behind the whole group was to give small farmers a voice so they could live sustainably and were not exploited by other grocery chains with their discount price policy.

Not only can OIKOPOLIS benefit from the opportunities that present themselves through the „Pan-Bio 2025“ project but also the other way around. Since OIKOPOLIS also actively engages in the development of organic farming with IBLA, governmental entities may ask for help in the matter.

A theme that was omnipresent was the awareness for ecological responsibility and the preservation of nature. It became very clear that this system only works if every link in the supply chain has the same mindset and acts accordingly. This essentially means that every worker and collaborator needs to have a similar opinion on matters such as sustainability and environmental protection. No employee should take the job in the company as a mere utensil to earn a salary but should engage in the policy and philosophy behind the group. The underlying theme was that nature should not be exploited to a degree that is damaging biodiversity and that agricultural labour should be more respected. It is predominantly a task in social responsibility to support local farmers that would otherwise be overwhelmed by the overbearing demand of conventional grocery stores. This is also demonstrated by the fact that the group often helps out farmers that need funds to survive as stated by an interview partner.

According to various interview partners, the success of the company is to a huge part due to the rise in awareness for sustainable living and organic and local products. This fact starts with the end consumer since he/she is the one that will ultimately pay more for the products out of free will. Therefore it is important for this particular company to educate people on the negative effects of conventional farming and how shopping at organic stores can be beneficial for sustainability and consequently also personal health. But it needs to be mentioned that the company cannot be the only source of information about this topic, it should serve as a guide to a better direction but the end consumer should do his own research on the matter and educate himself if he is truly interested.

There needs to be a mutual interest in making change happen from the farmer to the end consumer otherwise it can/will not happen. A sort of fraternity between the different supply chain link has to be understood in order to create a better future. This means that every link should take into consideration the effect an action will have on others, be it other links or the environment. In the end, it can be broken down to the main aspect of the OIKOPOLIS group which is working towards a more sustainable and therefore better future for agriculture and the grocery market. This is the basic concept that needs to be understood in order to be a successful part of the firm. The vertical integration model makes this communication a lot easier. It allows for instant discussion between links and also facilitates the controlling of the different links if they are implementing the philosophy accordingly.

To answer the question of how the company stays competitive at the moment, it relies massively on its customers to have the same mindset which seems to be working very well so far. The growth of the company since 1989 has been remarkable, opening ten more stores and adopting a large number of daughter companies. Obviously, due to the very specific nature of this research, it is difficult to generalize the subject to other countries due to various factors. First of all populations of other countries may be more or less aware of sustainability matters or organic products, secondly, the distribution of cultivating lands may vary heavily from country to country and finally, subventions for agriculture in other countries are normally lower than in Luxembourg and therefore force a lot of small organic farmers out of business. After all they cannot compete against the big producers because the production costs are too high.

To circle back to the previously mentioned „Pan-Bio 2025“ project by the Luxembourgish government, this may be the big breakthrough for the company that could allow them to be even more competitive on the market and could hand them

an advantage over other grocery stores. But this remains to be analyzed in a few years.

To add to this last point, the researcher wants to take a leap of faith and discuss the possible opportunity and risks that could present themselves to the company in the near future.

Firstly the risks will be addressed, which in essence revolve around the competition on the market. It may well be that other grocery producers/stores adapt better to the upcoming changes regarding organic agriculture and in that sense could gain a competitive advantage over OIKOPOLIS. Even though the latter is more established in the business, the risk of newcomers always needs to be accounted for. In addition to this it needs to be mentioned that the opportunity that presents itself now with the „Pan-Bio 2025“ project, an expansion of the business would also mean new investment costs in the business, that, in the past have been sometimes difficult to afford, as stated by an interview partner. With the growing business, the company would need to acquire more partners (organic producers) and possibly invest in new store locations. Not only that but research and development would also be a field that would need to be accounted for. Financial backing could be difficult to bring up so a too rapid increase in demand would possibly even be harmful for the company as it potentially could not keep up with the demand anymore. Therefore the growth needs to adequately paced, moderate and steady.

In contrast to this, there are also a few opportunities that present themselves for the company. The growing awareness for sustainable practices will most likely continue and reach even more people in the future so that the company will naturally grow its customer base. This results in a higher number of sales in organic produce and would eventually lead to lower demand for conventional agriculture. In essence, this means that by maintaining the level of product quality, the company could further do their part in preserving nature for generations to come. With this positive attitude and policy, the company will undoubtedly attract more and more customers, who are looking for more eco-friendly solutions on the grocery store market. The interview partners argued that profit is not the main driving factor of the business but the social aspect. However, if both were to be combined, it can be suggested that this would be the best-case scenario.

To sum up, this research showed how this company is a driving factor for more sustainable practices in the grocery store market in Luxembourg. By its rather unconventional nature due to its vertical integration strategy and its exclusive use of organically produced goods, it is a pioneer in this area in the Grand-Duchy. The business balances corporate responsibility and economic growth, sustainability and

development and could become one of the main actors in the market in the next few years due to the „Pan-Bio 2025“ project.

Personally, I think that this company will be very influential in the near future as it aims to incorporate fairer working environments and conditions for farmers that will ultimately lead to higher satisfaction and therefore productivity. By seizing the opportunity given now by the government, OIKOPOLIS can expand their brand even further but should do this at a gradual scale in order to prevent too high costs, as previously mentioned.

Finally, it will be interesting to observe the project and development for the coming years and then maybe revisit the company in order to analyze the changes and adaptations that have been made.

Additionally, I would like to personally address the importance of CSR (Corporate Social Responsibility) to the business that became apparent during this research. This is particularly observable due to the fact that the supply chain management is very open and transparent. As mentioned in the appendices, the company goes to great lengths to have discussions with every link in the supply chain, from the farmer/producer over the transportation department over to the end consumer. This creates an exchange for all parties where questions or problems can be addressed, discussed and resolved. Another aspect they focus on is the environmentally friendly orientation of their business practices, which has been portrayed during this research paper. This also goes hand in hand with the philosophy of the company and their employees. An open and sustainability-oriented spirit is essential for their practices and they act as a role-model for comparable competitors in the grocery store market. Essentially they are future-oriented and aim to reduce inequality for small producers in order to secure survival for them and generations to come.

Personally, I think that they have a prosperous future ahead of them and that they could become an even more essential part of the Grand Duchy's market than they are at the present moment in time.

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Appendices

Appendix 1

Interview Änder Schanck (CEO OIKOPOLIS)

How did you become interested in ecological farming?

I was raised on a conventional farm and got a degree in mechanical engineering and worked for a construction firm. Sometime later I came in contact with the subject of building biology () and the theories of Rudolf Steiner (an Austrian philosopher whose impact on educational sciences and agriculture have been quite significant). Because of Steiner, my brother Jos and I started planning to restructure our parent's farm in 1977. By 1979 our farm became the first in Luxembourg to switch from conventional farming to organic.

What made you decide to found a cooperative a few years later that would be restructured to a corporation? What significance can be attributed to the selected legal status of the corporate group?

At first we faced some backlash regarding the decision taken about the legal status of the group. However we went through with our plan since we saw an opportunity to unite organic farmers since the word „Genossenschaft“ (cooperative) was already familiar to a lot of them. The basic concept behind this was also to give every single member a voice to express. A democratic right was essential, no matter the size of the farm or contribution to the cooperative. It was imperative that the voice was not correlating with the economic benefit to the cooperative.

However I want to add that a democratic point of view has its use in society, but whether or not it is applicable in business remains to be seen.

At this time I strongly researched the social threefolding theory of Rudolf Steiner and wanted to implement this concept in the cooperation by combining democracy of the cooperation with the business oriented mindset. This was our first idea in order to ensure entrepreneurial freedom but was never implemented since a majority of farmers were not on board with the idea.

In July 1989 I took it onto myself to start the project for the first grocery store, because I saw that the space was available for rent. I proposed the idea in a meeting to members of the cooperation but it was met with disapproval. However I saw a big opportunity to kickstart our idea and ignored the majority vote. I know that this was not in the spirit of a democratic cooperation but I was convinced that with this entrepreneurial freedom I was able to guide our vision to reality. I would even argue that without this decision we would not be at the same place that we are now.

A similar situation presented itself later when we planned another building in Munsbach, Luxembourg. We presented the project to the board and while the majority was convinced by the idea, some people were not on board with the project. This could have caused a lot of internal disputes, because it is not healthy for an enterprise if even a handful of people do not support the idea. Even though nobody would have made significant losses in profits, some farmers were not ready to expand to the levels needed and therefore declined responsibility for such a big building project. This led to the founding of two new corporations namely: OIKOPOLIS sàrl. And OEKimmO.

In 2005 these corporations have been restructured by the founding of the holding firm OIKOPOLIS Participations. That way everybody can participate in the project and support it by holding shares in the firm.

How important is Steiner's anthroposophy for the cooperation?

The theory itself implies that the human holds a central role on our planet. The human should be the foundation of agriculture, social structure and economy but as it stands today, that is not the case. For me the main focus was not to create a cooperation but to find answers to the questions: How can I create or contribute to a social construct that allows for the survival of sustainable agriculture?

We want to create an alternative to the current market dominance that gives fairer opportunities to farmers and ensures the survival of small farms. Even if we do not succeed, it was worth trying. Things will evolve and that's how we need to look at life in my opinion. Anthroposophy is a strong concept and even if the project should cease to exist, the idea will live on and inspire other individuals in the future.

To return to the question: without anthroposophy the cooperation would not exist but one does not need to have a fundamental understanding of the matter in order to work for our group.

How do you find a balance between the three components of social threefolding namely the social, the ecological and the economic?

In everyday life we can find the three components in different places. Therefore we unite in our main building in Munsbach other groups such as IBLA or Bio-Lëtzebuerg.

IBLA focuses mainly on research and the development of organic farming. They aim to answer questions such as: How can the soil be treated better? How can we create ecological seeds? How can animals be treated better? IBLA does not primarily focus on a economic benefit but more on the ecological and sustainable aspect of farming. However I think it is important and to some extend necessary to take into consideration sustainability in order to ensure success in the future.

We collaborate with Bio-Lëtzebuerg on a corporate social responsibility level together. In essence we try to set up rules for the organic farmers in order to unite them and to represent a clean image in front of the end consumer. We try to solve problems regarding quality control, authentication and other legal issues. This also includes the representation and image of organic agriculture in society and politics.

Our main component however is the economic. It aims to satisfy supply and demand and that products are in circulation. Naturally all economic business also includes some form of legal issues, especially when we discuss contracts with other individuals or other companies.

Since 2013 the companies of the OIKOPOLIS-Group have published the Gemeinwohl-Bilanz. We often reflect on our impact on the environment and society outside of our group in order to find ways to better ourselves and to help create a better future.

Are there any tensions between philosophy and real life?

It is very hard to combine the two things however I do not perceive a big divergence inside the company since there is a great acceptance for anthroposophy. It is always an interesting question and that is why we organize „OIKOPOLIS am Dialog“ and „Mittwochkreise“ to create a unified understanding for the connectivity between theory and application. This is not an easy task however and requires perseverance and engagement from every single individual.

It is essential to understand that it is not about the philosophical principles themselves but to learn from them in order to get a deeper understanding about the world and how it functions. At the beginning of the BIOG cooperation there was no philosophy but rather the need for a pragmatic solution for the marketing of

Demeter and organic products of our members. It was always clear that raw material suppliers, in our case the farmers, are the big losers in traditional business practices. That is why it was clear for us that we need to implement new conditions to ensure that everybody is treated equally and that farmers are awarded fair and reasonable conditions.

According to Steiner it is essential that an individual steps back and acts in the best interest of an organization. How do your employees implement this idea or how do you convey this message? Is this teachable or can you solely act as a role model in hopes that they pick it up?

It is undeniable that the desire for individual freedom and independence nowadays distances individuals all over the world from their roots namely old traditions and their natural surrounding they grew up in. Globalization is a big factor in this development but it is also empirical to understand that we cannot turn back time and go back to the „good old day“. Rather we should try to find an answer to the question how we can find a new way to connect to nature and how we can build socially responsible and sustainable cooperations in this day and age.

Furthermore it is important to understand that this change cannot be mandated from governments but rather needs to come from individuals. That is why we offer theoretical advanced training on different levels of our companies and at the same time try to show in practice how this theories are implemented.

Even consumers seem to be very distant from reality nowadays and are uneducated about technology and the industry and sustainable agriculture seems to become more and more unimportant. Is it difficult to change this mindset?

For the modern human it is difficult to understand that his knowledge is limited. Although the knowledge is often present, wisdom is oftentimes lacking. To acquire wisdom one needs to get in contact with the matter from a young age onwards. Even Goethe presented this idea already in his theory of educational province. There he stated that the most important thing in agriculture is the first hand experience and development one gains from contact with nature. If an individual does not have this experience it is nearly impossible to convince him with arguments. One has to create facts because a modern human is rather able to understand things in this way and can change his point of view easier like this.

How can you convey the concept of sustainable agriculture and business to the outside if the other party has a completely different fundamental conviction?

You cannot argue with people that are not willing to reflect on their view on the world. Their decision has been made and there is nothing you can do about it. An example for this is when he or she thinks that is essential for the open market to be secretive in order to maintain a power position or if he or she thinks that individual gain is the quintessence of business and that Adam Smith's invisible hand concept is the solution for everyone involved.

That's why we need to find people that have the same mindset as we do and cooperate with them.

That brings me to our first negotiations with Cactus in 1994. The fact that these discussions even took place are thanks to a handful of people that also saw the potential of sustainable products and agriculture and that the constant fight over market position with discounted prices was detrimental for raw material suppliers and farmers. At that time these few individuals were outsiders but are nowadays regarded as pioneers and important figures in the history of the conventional super market chain by the board and shareholders alike.

My approach has always been to debate certain aspects that are feasible in conventional grocery stores but not to expect that they fully adopt our philosophies because that would be way too unrealistic. A mutual agreement has to be put in place and potential has to be there.

Since many members of Demeter do not want to associate or cooperate with conventional grocery stores, how did these contracts with Cactus come to life?

To be honest I had the same opinion at first about conventional grocery stores. In our ranks there were even rules to not cooperate with anybody since their business practices can be very toxic, unrewarding and unsustainable for local smaller farmers. They could just turn their back to you one day and say that your prices for products are too high and that they could easily replace you as a supplier for somebody that offers lower prices. Sadly this is still common practice today and the sole concept of trade. Where can I buy my products the cheapest in order to have the biggest win

margin. That's why it is so dangerous for farmers to associate with conventional stores or discounters. And there originates the idea for the cooperation. Udo Hermannstorfer (consultant for the realization of social threefolding) once said that farmers need to unite in order to combat this constant price reduction. They need to negotiate with merchants that they are not willing to accept discounted prices in order to sign contracts.

Our main advantage back then was that not only did we have our cooperation but also were able to sell our BIOG-products through our first NATURATA store in Rollingergrund directly to end consumers. The immediate popularity of our products raised awareness from other competitors on the Luxembourgish market who started contacting us about contract negotiations. For the first two years we refused to deliver our products to them but eventually we decided to reach out and negotiate with them but on our conditions. We restructured and adapted the German Demeter paper about „Kriterien zur Belieferung von Selbstbedienungsmärkten“ and sent this draft out to the other grocery stores on the market. Cactus were the only ones to accept.

In order for this to work one needs to learn to unite old and new business practices and then one can apply them in different forms. In our case one needs to understand the concept of agriculture as a recycling economy, in which every entity is an organism. However we should not forget that a certain structure is needed for economic success and we perceive that a vertical integration is the right way.

If one understands how these two opposites that in essence drift apart can work together by the principle of association, then you will find solutions to your problems.

Associations are not founded by principle but because there is an opportunity for benefit.

It is essential to be able to apply certain theories and concepts in real life in order to solve problems or to broaden your or other people's horizon.

In 2014 we renewed our cooperation with Cactus and agreed on two contracts. Not only do we have a strictly business and supply oriented contract in place but we also agreed on certain guidelines and ethics that we see as essential. Also included are new ways on how to organize our „Rundtisch-Gespräche“.

We realized that too many participants are not beneficial and that we need to focus on smaller groups and be more specific about our topics in these discussions. A large group was a good idea twenty years ago to familiarize grocery store chains and local farmers but that is not that necessary anymore. It is more important to have small

discussions where everybody can share his or her opinion and where the interests of everyone are in line.

But this is not easy to achieve. After the first discussions there were also negotiations about pricing and marketing strategies but eventually we ran out of topics and the meetings became stale. New employees also came in but we could not let them join the meeting right away since they were missing experience about our philosophy and ethics.

How did you teach these new employees your philosophy?

Usually you have a board at a company that dictates what to do or an external consults the firm and then this strategy is implemented. However we have a different approach. We involve our employees in the reflection process with our executive and coordination board. I have to note though that we are still learning on how to execute this better. Of course there are also some employees that are used to other managing strategies and have bigger difficulties to adapt to our strategy.

Nonetheless we try to manage things no matter how hard they may appear. That's how we must educate people on how to be empathetic and associative: we need to learn how to understand the interests of others.

Would you say that other grocery store chains such as Cactus have the same awareness?

No. Not everyone understood it in our cooperation and it is the same for them. But in my opinion we need to persevere. I don't think that our „Rundtisch-Gespräche“ are the solution to every problem but they help. There is a common desire to normalize sustainable agriculture and fair trade but it is hard to implement if not everybody is on board.

I mean we have the wish to change the perception of employees and workers in society, yet we still talk about a job market as if work was a product. These terms normalize a degrading point of view on labour. But that is our culture. It is not easy to escape this opinion and it requires from every single individual to reflect and to act accordingly.

Where do you see the success of the „Rundtisch-Gespräche“? Why do you need them?

I can firmly say that we would not be at the same place that we are now if we did not incorporate this form of cooperation and associativity. We would never have been able to develop our current position in our small country and we would never have been able to satisfy the farmers in the way we did.

We always had the discussion if we should sell our products to other firms and quite frankly I was always against the idea, since we can sell carrots, potatoes or wheat through our own NATURATA stores.

But then we reflected on the question if it was more important to open more NATURATA stores or if it was more important to help develop the organic food market and help establish sustainable farming conditions. The latter was more important. And so the negotiations started and helped us on our mission to create a fairer work environment for our organic farmers.

We've been talking a lot about the associative without defining it clearly. How would you describe it? What have been the impacts on the micro, meso and macro level?

Let's regard agriculture in the European Union as the macro level. Then it becomes apparent that agriculture needs to be subsidized. Of course one could argue that the state always made sure that farmers get the compensation they deserve and that their products are affordable.

However I think that we need agricultural land and security for crops and both of these things can only be united if the funds provided by rationalizing workforce compensate for the costs of agriculture. That's why I think subsidizing is the way to go.

For me economizing means meeting demands in a way that producer and consumer have the same interests. Usually both parties are unaware of the impact that they have on each other but they can actively shape this relationship for a better outcome for both.

So in economy there is a polarity between production and consumption. Supply and demand in simpler terms. If supply exceeds demand there is waste and if demand exceeds supply there is need. In essence both extremes form an unity and the main question remains on how to balance both out in order to achieve the perfect midway.

If we try to outsource every member of the supply chain in order to cut costs it is only logical that consumer and producer become very distant. Nowadays we rely a

lot on Adam Smith's invisible hand and that it adjusts the market in a way that is beneficial for everybody but real life shows that that is not the case.

With the associations we try to reunite consumers and producers in order to create a united vision on certain things that leads to an equilibrium. Again we need to reflect on all aspects of the economy and cannot only put our benefits at first place.

How important is the association in the future even outside of OIKOPOLIS? Can it play an even bigger role?

100 years ago people were a lot more connected to their families, their nation and especially nature. But the protests of 1968 altered this perception in my opinion.

Nowadays a lot of people care a lot more for fair trade and incorporate the spirit of fair conditions for farmers all over the world. They actively speak out for a fair treatment of farmers and that they are paid adequately for their work in order to ensure a sustainable working environment especially in developing countries.

Also the raising awareness for a vegan lifestyle helps. Not only is fairness towards humans but also towards animals a central point. The common perception nowadays is that „fair“ is perceived on an emotional level and not on a rational level as it was the case in the 1968 protests in my opinion. Everybody has their own perception of what is right or fair and from this spirit a lot more initiatives will sprout. However we need to realize that everybody needs to reflect on their own needs and take into consideration what other may want as well. Solid team work and communication is key to the success of a more sustainable lifestyle and to stop the exploitation of land and workforce. This is the spirit we need to incorporate and that will help develop a better future for all of us.

What importance would you give to the individual development of employees through the challenges faced by the work at hand?

If more people are able to work on their own then leadership shifts from one individual to a whole group and allows for more creative innovations and ideas that can be very beneficial in the future. On the contrary if the employees do not reflect on their own then one person has to decide every single decision and it becomes an insanely high amount of work and responsibility that it is almost impossible to manage. It is a lot better if everyone holds a bit of responsibility and speaks up for him or herself to delegate work.

What is very damaging to the success of a company in general not only for our specific setup is a the blind following of managers. One should take initiative in the spirit of the company and accomplish tasks on their own.

The right mindset should be that employees do not see themselves as workers for a manager but for the whole enterprise and the vision it incorporates. They should seek to accomplish the tasks of meeting the demands of consumers outside of the corporation. But we are a long way of this ideology. For now it would be great if employees would see an emotional purpose in their work.

How can you exemplify this mindset when the cooperation starts to grow?

Our cooperation has grown to 250 employees in the last 2 years so it is quite difficult to incorporate this mindset into every single one. I think that it is easy to tell that our mission is sensible but it still needs some time to be completely absorbed.

Personally I think that the people in charge of major decisions need to be a role model in this sense and that therefore dogmatic lecturing of the values is contradictory. The realization has to come from the employees themselves.

However I also see some problems there. You can regard the association as a right thing but sometimes it can be hard to incorporate the spirit. Many factors can play a role in that such as destiny, family life or materialistic or spiritual circumstances that can hinder the development of an individual. That is something that is nearly impossible to change.

Is the reason for vertical integration, that processes can be directed from inside of the organization?

I'm not directly opposing the idea that an extern can have a leading position in our company, however he needs to have certain experiences in this domain. Ideally leadership can be shifted to more people in order to diversify decision making. My vision is that the certain divisions are overseen by a manager that are still subordinated to a board and the shareholders. Of course we have to take into consideration the nature of humans and their wish for power. In order to prevent fights over higher positions in the organization we need to put in place certain structures that promote teamwork. In my opinion an employee has a better view on things since he is in constant contact with the problem and knows what to do. In that sense an employee is the manager since he is a lot more knowledgeable in the matter than a manager.

How do you encourage employees to take responsibility?

In essence every individual is ready to do that. They want to take part in decision making and therefore should be involved. In my opinion people want to add value to life and society and make a change for the better. Solely completing tasks is not rewarding enough anymore. You have to show an individual their possibilities and opportunities by being able to understand them and what they desire and try to work together in an attempt to create a future that is beneficial for everybody.

What are your wishes and visions for the future of the OIKOPOLIS-group?

My wish is that we continue to work hard and that we maintain our focus on our goals. Sustainable or ecological agriculture is not enough in order to make a change. We need to embrace the social aspect of agriculture and food production as well and need to start thinking differently about the economy. I hope that we can start thinking differently and that labour and products regain a higher value in our society. We need to realize that behind every product bought at a store, whether ours or a conventional grocery store, there is a person and more importantly an existence and a story behind it.

As for visions, I don't exactly believe in them because I prefer to focus on real life. In my opinion you need to educate yourself about the principles and then you are ready to face the world and its challenges. If more people have this wisdom, more people can react correctly or adequately to these challenges and we can make change happen.

Appendix 2

Interview Pierrot Schmit (Wholesale Fruits, Vegetables and Logistics)

You have been one of the first employees and helped to found the wholesale BIOGROS about 25 years ago. How did you perceive that time and what has changed since then?

Even before my time at BIOGROS I was a delivery driver for BIOG but left after half a year. I did stay in contact with the company however because my wife started working for NATURATA. That was when Änder Schanck contacted me if I were interested to join the wholesale. I was quickly convinced and we started building the project as a group of four. Namely it was Änder Schanck, Roland Majerus, Hugo Krijnse Locker and myself.

It was certainly a challenge because we had to start at ground zero. We had to do everything. From the purchase from the organic farmers to the sale of the products to others and we had to organize and structure logistics. But I was a great experience. With the help of Änder we firmly believed in the project and it was a joy to work with him. He made it easy to trust in the vision because he always raised enthusiasm.

We could have never imagined the dimensions our company has nowadays. It was small, the job was hard and overtime hours were a frequent occurrence. We learned how to be creative and work together as a team in order to make the dream work. It was the best time of my life, because everyday you woke up, you had a new challenge to face and a new obstacle to overcome. We even had to pump out water out of the warehouse at some point.

I also realized back then, how much work a farmer actually has to do on a daily basis. They also have to take into consideration that the harvest may be not that great one year. For me it was fulfilling to work with them together. They had the difficult task at hand. They needed to harvest the crops, fruits or vegetables in order to sell them. For them the risk was a lot higher because their salary was not secure. That helped

me to incorporate the spirit of social threefolding. I wanted to give something back to nature and found my purpose.

I have to thank Änder that I changed my perception on the important values in life. Of course I have a car, a house and a salary but I only learned the importance of a single individual and the impact he or she has on the environment, society and economy while working here.

When I started working here I thought that the human is trapped in his knowledge and roots but I quickly learned that everyone can develop his mind and broaden his horizon if he or she sees a reason and a purpose behind his occupation.

In the early stages everyone was involved in the decision making and could add his or her opinion and help shape the structure of the wholesale department. It was a job that I really enjoyed. I loved taking initiative and starting projects to bring our vision to the next step.

Surely we could have made some other decisions but Änder trusted me even when I specialized on fruits, vegetables and logistics. I did not know much about these things at first, but he helped me develop the knowledge required for the job. I bought the products for high prices initially but also acquired knowledge and experience from some partners.

Then the firm started to grow and new people came in. I was not the only one making decisions anymore and I knew that an era came to end and a new just started.

How do you witness this new era?

This is the time I dislike the most to be honest. I am aware that I can no longer dictate every decision by myself and that we need to distribute leadership but I am a lone wolf. I was used to indicate the direction that we would take and that helped to accelerate the decision making process. Nowadays it is necessary to discuss projects and ideas for a long time before making a change because the responsibility is shared between a lot of parties. But I do not like this development. That is why I get upset when my decisions are met with criticism in meetings. Work structure received a new form I do not enjoy anymore and that is why I decided in 2015 to start working part-time in my position.

However I think that this change is important and necessary. At the beginning we just needed to get this project started and going. But when a business starts to grow it is essential that responsibility is shared between more parties. It does take more

time to come to conclusions and maybe even costs more money when you have to discuss matters a lot longer before action is taken.

But it is the right path and the path that we will have to take in the future. The people in charge today want to have their freedom and want to take part in decision making. There has to be a possibility for everyone to bring in their ideas and to be respected for them.

But I have the problem that I know how it used to be and how it is now. We can organize these informational evenings because we do not have any commercial pressure. Would we have this pressure, I am not sure if we would be able to do that. The employees learn that their work does not involve any pressure but this can change in an instant. Also our internal costs and the funds needed for our social involvement would need to be checked then. Maybe we can afford it because we are in Luxembourg, but for our partners in Germany there are difficult times ahead.

In my opinion we can continue to grow as long as Änder is part of the company. But I'm skeptical about the potential of the young employees. How will they adapt to sudden changes on the market? I'm almost the only one that questions the growth of the company and thinks that we should wait for a new younger board to overtake the company. Because then they have the opportunity to see the problems through their own eyes.

On the other side, the gross profit grows with the increase in demand and we should meet this demand.

That is the conflict that I see for the company in the future but I do not know how to solve it.

What importance does the philosophy of OIKOPOLIS play in day-to-day business? Where do you witness the philosophy in the company?

The philosophy and anthroposophy are mainly represented by Änder. But there are also a lot of younger employees that incorporated the spirit, which is positive. Mainly the higher employees try to be a role model by living the philosophy to try and teach it to the others but with 250 employees that remains a difficult task.

But I also see the other side where certain employees only work for us in order to make their salary. It requires a lot of effort to teach the philosophy to these people and this task is not feasible in normal day-to-day business. The workers should do an effort by themselves to learn the philosophy but they rarely do. Especially the young ones do not want to use their free time to do that. Some try to do it during working

hours but if they really wanted to they would also use their time off. It is the effort that counts that we saw in our pioneers and that is often missing nowadays.

With all these team meetings, we lose valuable working time that has to be done by others. That is why I think that in the future only the higher up positions will properly live the philosophy. We try to help newer employees to acquire the wisdom with our mentor program but obviously we cannot educate everyone.

It becomes even harder to educate people outside of the company. This requires a cultural change through the younger generations that have an interest in sustainable lifestyles. But I see that progress is in the making and I believe that we are on the right path. It may not be the exact philosophy we try to present but any form of anthroposophy is a step in the right direction.

I think that the most important aspect is that every single worker should be proud that he or she works for a company that helps to preserve nature and promotes a sustainable lifestyle.

Let's talk about your view on the „Rundtisch-Gespräche“. The main point of these talks is to optimize the cooperation and to create fair conditions all throughout the supply chain. What importance would you give to these discussions in the future? Also with partners outside of the company?

The discussions on the market are very important. Only the fact that they take place is a big step forwards because it indicates that there is a mutual agreement that change is necessary. But this alone does not impact anything in my opinion.

Discussions are held and we negotiate about commercial questions but there is not enough time to really go into detail and debate about the true issues at hand.

That is why I decided to meet people in their stores and talk with them there. I realized through these meet ups that some of our partners from conventional grocery stores also shop at our stores, eat at our restaurants and are aware of nature and a sustainable lifestyle. This is the point that we need to focus on because it shows a mutual interest in preserving nature and ensuring fairer conditions for raw material suppliers and farmers.

The main benefit of these talks and vertical integration is that we can unite under a common goal and try to achieve it together. If everybody is convinced of the strategy then there is an opportunity to promote sustainable agriculture even more. We need to realize that conventional grocery stores are not the opponent by definition, but that they also have suppliers and employees that have the same philosophy as we

do. We need to identify these people and try to work together in order to find common benefits.

Appendix 3

Interview Sandrine Maas (Branch manager NATURATA Foetz)

You have been working for NATURATA for 6 years now. What has changed since you started?

Before I started working for NATURATA, I worked in a company in which I was only a number. But when I came here that all changed and I became a person again, I got recognized as an individual, a human being.

I used to work in a completely different industry but we have a lot of farmers in our family so the transition was not too difficult and it changed my life. Even my husband started working for BIOGROS after he quit his unfulfilling job. I am very proud to be able to say that my family can live off of our work in this company. It does not feel like work and I am a lot happier since I started in the company.

What motivates you?

Mostly the philosophy, the working environment and the respect for nature. My cousin is a farmer and we often talk about him making the change to organic agriculture. I even thought about it myself but only with the help of the OIKOPOLIS network. Sadly this remains a dream since it does not operate in France.

What does the philosophy of the company mean to you and how do you transmit it to costumers?

I acquired a lot of knowledge and wisdom through the seminars organized by the company but I mostly try to give my joie de vivre to the costumers. A socially responsible or sustainable way of living is what I want to represent and teach to customers and co-workers alike. I don't want to be seen as the branch manager but

rather just a simple co-worker. That's what OIKOPOLIS and NATURATA taught me: respect for other people, respect for nature and for the products produced.

How do NATURATA and OIKOPOLIS teach this respect for nature? Through seminars?

It's the people. For example our managers that respect our work as much as the work of every single other employee, no matter their position in the company.

You can only teach such a positive attitude and philosophy if you are open for it yourself. You need to be open for social interaction, team work and have a positive outlook on life, otherwise it is impossible to teach this philosophy. Mr. Schanck or Mr. Houtmann can do this, they represent openness and sympathy. You start to realize that you want to listen to them and adopt their views a lot easier and that was when I tried to have the same work attitude in order to influence other co-workers or customers too.

Of course one can just do their job, collect their salary and leave again but I am convinced that this work environment teaches a lot of values that touch everybody. It's not about the knowledge and technical details that are taught in the seminars but about the all-round philosophy. It's about the respect for animals, the planet, the whole biodynamics essentially. I never thought I would be able to convey this message but thanks to our bosses I am. Without them there would be something missing in my life.

Are there people that are unfazed by the philosophy and only work for the company because it offers a higher salary than similar companies in the neighbouring countries Germany, France and Belgium?

I don't think that people who are unfazed by our philosophy stay long at the company. It's omnipresent so it is difficult to not be influenced by it.

For me this experience gave my life a purpose again. I was motivated to learn new things again and I want to convey this positivity to others too. If you are unhappy with your situation, you cannot convey this message, you only promote stress and misery. If I leave sometime in the future I will look back at the years and if I could share my knowledge, enthusiasm and respect, then I achieved everything I ever wanted.

What was different in your previous job?

The company was too big and therefore we were only numbers for them. We were not valued as individuals but were just responsible for the productivity and economic success of the business. No one asked for our view on things and everything was decided by managers that did not care about our opinions. At first you are enthusiastic but you quickly realize that this leadership style is detrimental to your mental health.

How much pressure do you have now compared to your old job?

I try to do my best in order to increase sales so that more people become aware of organic products. But you are not alone here. I was taught certain basics and principles but also had the opportunity to request help or guidance at any given moment. If you are given this chance then you become a lot more confident and are able to include yourself a lot easier into the company. This philosophy guides you and sends you on the right path.

Can employees bring in their own ideas?

Yes we can. Not long ago we rearranged our wine selection because we were unsatisfied with the way it was set up. We attended seminars on how to set it up and then decided to rearrange it. You just need to try, after all we know where the weak spots of our store are.

It is nice when we work together. I don't like to dictate every decision and I'm always open for suggestions from my co-workers. And that is where I see my job. I want to motivate my co-workers so that they take initiative and bring in new ideas for the store. If everybody is involved in the store then you can achieve a lot more than if only the manager is.

Therefore I need to make an effort too. I need to help out my co-workers with day-to-day business affairs such as filling up shelves too. Otherwise they will not see me as equal and it becomes more difficult to convey my message to them.

Does this not result in even more work for you?

Of course it does, but it does not matter, I find enjoyment out of this. In my opinion it is essential that you have a job that you look forward to do. Since I started working here my motivation has been a lot higher and I want to learn new things and teach

my way of living to others. This is what I enjoy and what makes me get up in the morning.

What are your wishes for the future?

My biggest fear is that the company will cease to exist. But when I see our bosses then I know that the company is in safe hands. Our concept is unique and I love it. I feel like I found my purpose and that is a nice feeling.

Appendix 4

Interview Fränk Obertin (First organic bakery in Luxembourg)

Where did the idea for a organic bakery come from?

At first I was teacher and while teaching I became very interested in sustainability and organic products. After I quit my job as a teacher I wanted to pursue a career in that field and then through coincidence I had the idea for a bakery.

At the beginning I had certain principles I wanted to implement. I wanted manual work, I wanted to bake sour dough and it had to be organic. I wanted to return to the good old times. Especially the sour dough like all other fermenting products were a true revelation for me. You can create a new product from another. Through the fermentation, flavour is added and creates a rich taste, similar to wine or beer.

I opened the first shop in a small village next to the Mosel river, where success was very moderate at first. The majority of people thought I was insane for trying to sell bread like we used to have in the second world war, but some have been waiting a long time to buy this again. 1983 people started to realize the benefits of organic products and I started to have success. These customers had the same vision as me. Nowadays people buy organic food for health benefits in my opinion, back then it was to support the farmers.

You joined the OIKOPOLIS-network one year ago. Why did you decide to join ventures?

I started to ask myself how and when I will quit. I always thought that I would work there until my death but a few years ago I started to realize that my body would not be able to work as long as I want it to.

That was when I started to search for options in order to preserve the bakery and the legacy it has created. I started talking to Änder and Volker and felt that there was an interest from their side. It was hard to maintain the small shop and saw the opportunity that the two presented. The bakery would have a lot more space and newer machines in the OIKOPOLIS centre in Munsbach. Another important aspect was that my 8 co-workers would be able to keep their jobs and that was a convincing factor for me.

Now it was possible to include our biggest customer into the production which NATURATA was with 30%. We founded a new corporation where the OIKOPOLIS Holding holds 50% of the shares, Horst Sander (another baker) holds 25% and I hold the remaining 25%. So we are 2 bakers and OIKOPOLIS that try to hold balance. The project was engaging enough for me to continue to take part in it.

The OIKOPOLIS Holding's social responsibility consists of supporting smaller businesses that also envision ecological and sustainable goals in order to promote organic agriculture. Where do you see the advantages of such a network and how can it be expanded in the future?

I do not know how the network will develop in a few years time. Fact is that this is almost the only structure in Luxembourg for ecological and sustainable agriculture. An organic food business can only survive if it has a strong partner on its side. But it also depends on the products that are offered. For us as a bakery it was easy to negotiate the contract because we are an important member of the supply chain. We connect the mills and their wheat with the grocery stores and it was clear that we would all work together in order to make the transition work. But if a business does not exactly fit the supply chain it might get lost or go bankrupt. For economic benefit the idea needs a clear structure.

What impacts did the investments from OIKOPOLIS and Horst Sander have on you personally?

It has been a positive development so far for me personally. I do not know if I would have been able to continue working in the small shop anymore, physically and

mentally. It is pleasant to work here now because the responsibility is shared which allows for less stress for the manager. I am used to being the responsible for every decision and it is hard to let go of these habits. I need to force myself to delegate work which is oftentimes not that easy as you might expect.

There are a lot of new parameters I need to adapt to. In our small shop we were a small entity that only had to look after themselves but now we are part of something much bigger.

What are these parameters?

At first I was only a customer and I have been treated that way. Now I am a part of the organization and that is a whole new situation. You need to adapt to these new relationships and understand why people are acting differently around you now. You have known these people for years but only now you realize what everybody does and what responsibility each one holds.

Do you feel like you are a part of the OIKOPOLIS-Group?

In a way I do not feel incorporated as of right now. In my opinion there are not enough organized and structured meetings with members from different departments. I feel like our bakery is just another business in a huge structure.

On the other hand I see the realization of a vision that was proposed in the 70s and 80s. We are in the final stages of a development and I feel proud that we made the decision to join OIKOPOLIS. I'm not a shareholder out of economic gain but because I feel more connected to the project if I have money invested. There are surely also other ways to feel connected but this was the easiest for me personally.

Regarding the practical integration I am also unsure because I had a different vision in mind. We are five bakers that sell their products in the NATURATA stores. I was under the impression that a new member of the supply chain would receive preferential treatment. You can argue about the advantages and disadvantages but fact is that we are all in the same boat. We struggle but that helps us to develop and offers new opportunities. I want to find solutions to problems as soon as possible but that is not feasible in a company of this dimension. A lot of decisions need to go through 2 or 3 departments before they are finalized. In my opinion we still need to work on understanding each others needs and desires and meeting would be very helpful. I often hear that too many team meetings are a waste of time and while I

see their point, I would prefer a few more meetings since we are fairly new to the whole organization.

Appendix 5

Interview Tom Kass (Organic Farmer)

How did you start the farm?

My wife and I graduated from university in 1999 and had no idea how to practice organic agriculture in Luxembourg. We joined 2 organic associations without even producing anything. We did not need them to sell our products but we wanted to join the movement. BIOG already existed at that time and it was only a matter of time when we decided to join them. 3 years after being back on my father's farm I brought back cows and milk was the first product we ever sold to BIOG.

You established a limited liability company not too long ago, where OIKOPOLIS and other private shareholders have stakes in. What was the reason for this step?

7 years ago I took over my father's farm in the traditional way. The farm's value was estimated by statutory assessed value which was paid out to my siblings. However they felt betrayed since the space would become building land in the future and would obviously be able to be sold for a lot more. This led to some unpleasant discussions.

So we decided that our children should not have those disputes in the future so we opted to establish a limited liability company, which allows for the separation of land owner and cultivator. We also thought about starting a foundation but realized that an LLC. Would be the best solution. The farm has a clearly defined value now. If one of our children wants to be paid out then he is entitled to 1/5 of our share (80% of the whole value).

Was the participation of OIKOPOLIS and other private stakeholders in the farm planned from the beginning?

The NATURATA store and BIOG-cheese factory were originally planned at our farm but the participations of the holding firm was not. But there were reasons for their involvement. We have been in a critical situation in the past because we thought that we could not fund the project anymore. So we knew that we would have to cancel the project entirely or would need to abandon certain aspects of it. But I did not know how because the concept of the farm was an entity and it was nearly impossible to take out one thing.

When you are in that situation, there are not a lot of people you can ask for advice. Änder however helped us find a solution. We agreed that our farm produced not only food but also added know-how and innovation that should be able to be supported. Then it became clear that OIKOPOLIS could buy shares but we also needed help from externs. Our stake in the farm became completely included in the LLC, so that we still hold 80% of the shares and remaining 20% are split between OIKOPOLIS and shareholders.

Since their equity increase in 2013 they are also loan providers for our expansion. Without we would have never gotten the loan from the bank.

How did you find the shareholders?

At first we asked to individuals. They were immediately on board and with this initial encouragement we quickly found others. Their shares do not have interest or payments in kind so they can retake their money at any point.

Generally we still need to find partners to support the financing since gross profit barely covers our running costs. Maybe we need to offer a CO2 compensation for businesses or private shareholders. There are firms that donate to various projects but these are often all over the world. Maybe we need to make it apparent how the farm works and how expensive it is to run. We can't forget that land is really expensive and prices are constantly rising and makes up for a big portion of our costs.

In France and Germany there are initiatives that offer free land for organic agriculture. Are there any concepts like that in Luxembourg?

In Luxembourg there are no free spaces that are not cultivated anymore. In France you can find these lands. Certain regions have blooming agriculture while others are forced to quit because it is not sustainable for farmers anymore. These areas become

available for organic cultivation. In Luxembourg it remains a fight over land. There are people that rent their conventional farming space to organic farmers but nobody will offer his or her land for free.

How do you perceive the working conditions and where do you see the strengths of this business model?

Personally I see the strengths in the union that was created and how everyone has the same idea in their head. We all work together to achieve a future for smaller farms and that is what motivates me. OIKOPOLIS is the main collaboration partner so far in Luxembourg, so they were able to help us in these rather difficult times in the past. As for working conditions, I think that we work hard but with pleasure. It fulfills me to be part of something that operates for the greater good for society. I find enjoyment in my work and it is something I can openly say I am proud of.

How do you perceive the philosophy of Steiner?

The concept of social threefolding is something that I support. It is essentially the only way we can sustain a healthy lifestyle for generations to come. I think that this philosophy is something most of us farmers have incorporated and is something we try to adapt as best as possible and therefore we decided to work with OIKOPOLIS.

Appendix 5

Interview Volker Manz (CEO BIOG)

You started producing wine in Germany but then moved to Luxembourg to build a dairy. Why did you switch?

I already became interested in organic agriculture during my studies. From 1985 to 1987 we organized seminars with organic winemakers in Germany. I realized that conventional winemaking opposed my true conviction and I wanted to create

something sustainable through my occupation in winemaking or agriculture in general.

That's why I started working for BIOG in 1994. In the cellar where I was the supervisor, we produced 1.2 million liters of wine a year. I also bottled 300 liters of milk 3 times a week at that time. Production-wise that was a step back from what I was used to in Germany. So I started to think on how I can improve the milk production.

At first we modernized the Hoerer-Molkerei with new machines in order to create a better work environment, improve sanitary conditions and improved the preservability of the milk. But spacial restrictions limited the potential of the dairy. We faced the same issue in the 90s when we started producing yogurt in Kapellen. Our budget was just too small in order to make investments that would improve productivity. A few years later we had to close both dairies.

The planned new centre in Munsbach was therefore a big opportunity for us to manufacture high quality products.

But why didn't you go through with the plans?

The plans were ready and we even calculated the whole budget that was needed in order to realize the project. But we failed to generate enough money in 2001 so we had to abandon the dairy.

At the same time we were able to negotiate terms and conditions with Luxlait to produce organic milk, even though they declined the offer at first. So we could reinvest the funds for the dairy into new office spaces which proved to be the right decision after all.

What meaning does BIOG have for you personally?

For me BIOG holds a very high importance. I saw in the idea that farmers go in contact with consumers and take selling of their products into their own hands a real opportunity to stop the anonymity of conventional grocery store chains. This helps to put a face on the products which helps to promote fairer working conditions for farmers. BIOG helps farmers to establish themselves on the market and gives them a voice in order to fight against the constant price reduction of agricultural products.

My work fulfills me since it allows me to support the development of marketing of organic and ecological agriculture.

What meaning does BIOG have for the whole company?

For the company BIOG is one of the most important businesses. In a sense it is the legitimization of our philosophy. We create the opportunity that our farmers can sell their products to our customers through their own marketing tools. Our goal was to create a sustainable market for our farmers in order to create a fairer working environment.

How did BIOG and OIKOPOLIS develop? What challenges did you face?

Änder divided our development in 3 stages.

At first we had the pioneer stage then we had the differentiation stage and then the cooperation stage.

Up until the second stage we were only a handful of farmers, so that we could discuss various topics in meetings. In the third stage we expanded a lot, the number of members has almost increased by 200% in the last 5 years.

Of course some farmers joined that were a lot more independent than the founding members and had a more idealistic mindset. They represented their own beliefs and therefore it was hard sometimes to find a common consensus. In addition a lot of secrets were discussed and we could not be entirely sure if loyalty and secrecy was a given.

That's why we decided to elect a board where important matters would be discussed. It was a big step that was met with a fair share of criticism. If a farmer is present at these meeting he feels valued and accepted and has a better knowledge about the topics but if he is left out then he might feel excluded out of important subjects.

To avoid this sentiment of exclusion we started organizing farmer meetings at least twice a year. Every farmer can take part and protocols from board meetings are shared in order to inform the farmers about the decisions taken and the path chosen.

With the decision to build the OIKOPOLIS centre in Munsbach some farmers decided to part ways with us. Up until this point we worked together as a community and would vouch for each other's credits. But for the big investment for the centre a few of the farmers became scared of the big step into the future.

We knew that the farmers would not be able to raise enough money by themselves so we thought it would be a good idea to spread out the investment all throughout

the supply chain of the OIKOPOLIS group. In that way merchants and even customers that have the same philosophy as we do can take part in the initiative.

The centre should represent our connectivity to the regional agriculture through various production lines such as dairy or fruit and vegetable packaging. We decided to legally change our status to a corporation which allowed for new methods to raise capital. But still we were not able to finance the dairy so this project at the centre had to be abandoned.

You managed to raise equity significantly in 2013. Why did this task fail in 2001?

We were not able to present our idea for a marketing centre for organic agriculture the way that we wanted. That is why the exchange commission mandated us to label our project with an attention sign that should inform potential shareholders that our project was risky and that our shares would be difficult to resell if they lost value. Another problem was that shares were only available for purchase through the Spuerkees bank. Customers of this bank were not that aware for ecological projects at that time and feared the warning label on our project which essentially resulted in the fact that not many customers bought shares. Then we started to look for alternative loans that we finally received in Germany.

In 2013 this was different. The OIKOPOLIS share was regarded as a serious investment and allowed us to raise equity significantly.

Only 0.3% of Luxembourg's GDP is generated through agriculture. Less and less people work in farming and it becomes increasingly difficult for their businesses to survive. How would you explain the benefits of agriculture to younger people?

I cannot recommend working in agriculture, especially in the industrial and conventional one because it is a fully automated progress with all this new technology that is implemented. An example for that are the milking robots or the gigantic harvesters.

But I think you want to hear my opinion on small organic farms. I can't recommend these either. This is because I think it is not sufficient for young people to just say that they are fed up with conventional office jobs and want to face a new challenge. If somebody wants to live a more sustainable lifestyle, maybe with less pressure, agriculture is not the way to go. There are always people that want to go „Back to the roots“ and this conscientiousness for sustainability in society comes and goes.

It is difficult for lateral entrants to set foot in the industry. They need to find the necessary space to build a farm and need to collect the required funds. If you inherit the business from a family member, you immediately have this financial backing. That is why I think it is not recommendable to young people to start with agriculture unless they have the background. But with the right conditions they can be successful and should be supported.

In France there is the „Terre de Liens“ initiative. Do you think that this project has potential?

I am convinced that farmers not only need financial support but also should be helped with marketing. Lateral entrants in Germany or France often do not know how to adapt to their new market and therefore oftentimes fail to establish themselves on the market. They need an environment that helps them promote their products in order to be successful. Farmers need to support each other and create opportunities together. There needs to be an exchange of know-how and new creative ideas in order for the community to flourish.

Are there similar concepts in Luxembourg?

We hold shares of the Kass-Haff for example. If somebody wants to start in agriculture as a lateral entrant and needs financial support to start organic farming and needs help to market their products it is clear that the OIKOPOLIS holding will lend a helping hand. That was why we created the holding and started building a network of like-minded individuals. But it is not as easy as it sounds. The OIKOPOLIS holding needs to see potential in the individual because without a certain will and determination to switch to organic farming it will not support the business.

Nowadays there is a lot of talk about work-life balance. But in the agriculture industry this is quite difficult to manage. Are there even individuals today that are willing to commit to their work like that?

That is a difficult question. I often hear that people denounce the younger generations as lazy and uninterested in social matters. But I don't think that this is right. There are a lot of young people that are interested in a lot of things and that are ready to invest money and time into subjects that they are interested in. It is a question of personality, while you may prefer playing video games at a young age, a

lot of them realize after a time that this is not the purpose of life and start to reflect on how they can make an impact on society and the planet.

Let alone the fact that the number of lateral entrants make me believe that there is a future for agriculture despite the harsh working conditions.

Not long ago I heard that around 70% of farmers in Germany were just supposed to overtake the family farm without ever being asked if that was actually what they had planned for their individual future. I think that these times are over. Farmers nowadays want to start families and want to have time off work too and it is not evident anymore that they just inherit the farm and continue the legacy.

But on the other hand you also have people that have never been in contact with agriculture that want to start at a later point in their lives. We need to find a solution in order to be able to financially support these lateral entrants and we believe that we have to follow the spirit of „terre de liens“ similar to the situation in France. It essentially means that land is freed of sole ownership and should be regarded as collective workspace that is not volatile to changes in land prices. If we do not make this change then we could find ourselves in a situation where too much money is lost to rent and consequently leaves the circle economy of agriculture.

As long as farmers keep fighting over land, rent prices will be kept artificially high and money will leave the agricultural industry and will end up in the private sector or the real estate market. There are some agricultural real estate companies that try to implement land grabbing because if they acquire the lands they can decide what will be produced on them. On the other hand there are lot of landlords that gave up agriculture a long time ago because it was not beneficial or sustainable enough and that resorted to renting out their lands.

In fact we need to implement a variation of land grabbing for our organic farmers too. The funds would need to come from consumers that can identify with our mentality but we need to offer the platform for this.

Nowadays agriculture is only sustainable thanks to subventions but why do you still decide to support local and regional produce when there are cheaper alternatives in neighboring countries?

Subventions in Germany for example are a lot lower than the ones that are paid out to farmers in Luxembourg. In my opinion these financial aids have their merit if the individual does his job in a sustainable fashion. However the perception that the state should support conventional agriculture that only focuses on profits and disregards their social responsibility towards nature preservation is something that I

cannot agree with and that nowadays is also often criticized by society itself. Society thinks that subventions should be paid out in correlation to the level of sustainability that the farm can maintain. But this ideology is not supported by lobbies that still try to reduce costs and therefore organic agriculture is still not as supported as it should be.

We need to establish a certain social contract between agriculture and consumer. The subventions are in essence some sort of contract that obligates farmers to fulfill certain needs and reach certain goals but in reality these obligations require minimal effort which means essentially that financial aids are paid out for tasks that resemble the normal day-to-day business.

Conventional farmers can use certain tricks in order to receive higher subvention payments by combining so called environmental measures. This results in a situation where conventional farmers receive higher payments than organic farmers. This is a really unfair situation because they do not care as much about the environment and sustainability as organic farmers do. But I'm convinced that this situation will change once raw materials such as water become more and more scarce.

A social contract in essence suggests that both producer and consumer can profit. Conventional farmers also survive on these subventions because the resell price of their products alone could never cover their costs. In my opinion they should however engage in more ecological or sustainable practices, which they often refuse. Maybe they fear that they need to take into consideration to many restrictions and obligations similar to organic farmers, which is understandable in my opinion.

How could such a social contract look like in the future?

This still remains a vision for the future, but we try to live it in our OIKOPOLIS network. Our buildings and investments were only purchasable because of the financial engagement of customers. We are aware of our responsibility towards this trust of our customers so we make sure that our farmers all produce under organic conditions. All chemical or synthetical pesticides and fertilizers are strictly prohibited in order to preserve nature and to create healthy and clean products.

However I think that the farmers have to be convinced of the benefits of such a contract. They have to realize that they have to work with nature and that they can only continue with agriculture if they help to preserve it. That's why I think that the spirit for organic agriculture has to come from free will and determination to change

the industry for the better. Even though restrictions are high and commissions are constantly controlling production I am convinced that organic farming has to be the future. So far we are outsiders with this mindset and therefore I think that we are a long way off an unified social contract that applies for organic and conventional farmers.

How can you convince farmers nowadays that sustainability should be their primary goal and not profit?

In my opinion we can only convince a few more farmers that are aware of their impact on society and nature to join our cause if there is no cultural reset in agriculture. Most of the conventional farmers excel in technological know-how and business practices. But this is not enough to be a good organic farmer. Nowadays agricultural schooling is too focused on these two aspects. We need to go back to the days where the well-being of animals and plants were the central points and where the sustainable mindset of a farm was the most important thing. One cannot only see agriculture through a business-oriented or technological mindset.

One should ask themselves other questions such as: What does my soil say? In what season should I plant what seeds? Should I focus on milk or should I have more diversity in my products? This is especially important when milk prices are lower than expected so that the farm does not go bankrupt. But these are things that are not taught in schools. They only teach you to raise productivity and efficiency in order to have higher sale numbers. To teach them our mindset of sustainable agriculture after their graduation is very difficult.

So you think that school need to change their approach to teaching?

Definitely.

At some point members of the cooperation will stop to produce for various reasons. When there are new members that can or want to join, what does that mean for legitimization of the OIKOPOLIS group?

Agricultural schools need to open up to the idea of sustainable agriculture. If they can implement a way to teach ecological practices to the students then we might have a future. If our practices are recognized in the industry I can imagine that

teachers and students alike will start to learn from us and become interested in our philosophy. Until this is the case, we are making no progress.

Where do you see the strengths and weaknesses of discussions with all the members of the supply chain?

Provided that you have partners that are genuinely interested in making change happen, I think that these discussions are beneficial for consumers and producers alike. The farmers are always on board and with the help of marketing and operative representatives these talks are really productive.

But we also had negative experiences with these talks when some parties were reluctant to share their practices to others while meanwhile using secrets of others to their advantage. If somebody is self-centered then it is unnecessary to invite him to our talks. But when everybody is collaborating, sharing prices or giving each other advice on certain practices then we can achieve a lot more.

However we realized that need to form smaller groups for these discussions. At first we even invited certain customers without realizing that the opinion of one individual cannot represent the opinion of a whole population. So we exchanged the individual customers with branch managers because they know their customers the best.

But even without consumers the circle was still too big. That's when we restricted ourselves to one subject per meeting. If we are discussing practices for vegetables it does not make sense for cereal farmers to be present for example, so we limit ourselves to the main representatives for every department for these discussions.

What was the reason for these meetings?

We started these talks to force people from different departments to communicate with each other in order to form small associations that work with each other to create added value for customers.

What does the future hold for BIOG? There seem to be a lot of changes going on in the leading positions.

When I started working for BIOG I certainly took a bit of pressure of Änder's shoulders. But I am not sure what the future holds for us and I see two sides to the

succession. On the one hand I see Änder staying in the company for a few more years and that's what I wish for. He is still an inspiration for the whole organization and essential for the development and success of the company. Currently he is irreplaceable.

On the other hand I realize that we have a lot of young people that have incorporated our philosophy and that fulfill their tasks especially well. Even though we cannot be sure of the future I still believe that we have the human resources to find a solution.

Appendix 6

Interview Anika Hammes (Product development)

What were your expectations when you started working at OIKOPOLIS and how did they change over time?

I had high expectations because the company is perceived as socially responsible, ecological and sustainable in Luxembourg. That is why I became interested in the company because I did not see myself working for a conventional business in the grocery industry.

Before I started working the only knowledge I had about the company came from my own research through the internet. My first impression changed when I started working here. I started to realize that it is very difficult to convert a vision into practice. But I think that a lot of employees still try to realize this difficult task and that that is their main motivation. You try to set yourself goals and try to accomplish them but day-to-day business can be in the way of this sometimes.

Do you have an example for this?

I knew that it would be impossible to meet ecological standards to 100% in business. You need to consider that we also have to import products from other countries if there is a high demand for them and when our climate does not allow to produce them. This leads to higher transportation links that are bad for the environment. What was more surprising for me was that social goals and reality are also hard to combine. Flat hierarchies do not only depend on the departments but also from the managers in charge, which I did not expect.

What do you mean by flat hierarchies? How are they implemented in day-to-day business?

For me they mean that I can discuss important matters and that my opinion is valued. The success of a flat hierarchy depends heavily on the motivation of the employees. If somebody only works here to make money and does not understand the underlying importance of our project, preserving the sustainability of agriculture, then the flat hierarchy will struggle. You can achieve a lot with training to raise more awareness for the own effect on society and nature but the initial will and determination need to come from within.

If the own voice is adhered by supervisors it adds to the motivation. This also applies when you can see that you helped to change or shape the company.

How do you see the cooperation between OIKOPOLIS and BIOGROS?

In day-to-day business it is hard to see the cooperation between the two entities. Even though BIOGROS closely operates with NATURATA to sell the products because both want to share benefits, it is sometimes hard to see this interconnectivity. In certain situations you need to keep in mind the basic principles and values of OIKOPOLIS during decision-making and you need to make sure that every link of the supply chain is on board with the direction chosen. One tends to search for solutions that raise the own profit, in my case for BIOGROS, but you need to realize that we are a business that are only part of a bigger community and project. Sometimes you need to take a step back and think about the implications for other businesses too. That may be a NATURATA store, a BIOG farmer or a baker.

What motivates you to work here?

I get the most motivation out of the fact that I can market organic products that come from our region, which was in fact the main vision the founders had when they started the project. Also OIKOPOLIS itself is very interesting and purposeful to me, even if some things are not perfect yet because of the complex structure of the company.

Another thing that I like is that I can work with like-minded people from very different backgrounds. This allows for an interesting exchange of information and experiences that can help bring our company to the next level.

What impact does Rudolf Steiner's philosophy have on your department? What impact does it have on the cooperation with suppliers and pricing?

It has a really strong impact on us. We „discuss“ with suppliers but not very harshly. We ask for discounts for example of 20% but if we do not get said discount we will not pursue the matter further to lower the price. We only discuss prices if we have a high purchase quantity for example for raw materials. But I want to mention that we do not accept everything. We just want to make sure that fairer conditions are implemented and that is what I find appealing in my job.

What do you wish for the future of the company?

The company has been growing significantly over the past few years and it does not seem to be stopping anytime soon, so it is important that we spot necessary needs for structural change as quickly as possible. The most important thing is communication, because it allows us to maintain our growth and the pursue of our vision.