

¹ Just Us! Coffee 3 – Teaching Note

Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Just Us! Coffee 3 for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

Just Us! Coffee Roasters Co-op, a Canadian Fair Trade coffee roaster, is currently facing the issue of visible separation between two segments of their business; wholesale and coffee houses. The problem was identified by Debbie Moore, the General Manager. This is primarily an issue because the coffee houses account for roughly one third of Just Us!'s business and are losing a lot of money. They are very dissatisfied with the way they are being portrayed by their coffee houses, as the coffeehouses have not bought into their vision or mission. They had even attempted creating a separate co-op for the coffee houses but this simply increased the separation.

Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

KEYWORDS

- Organizational culture
- Human resource
- Organizational structure
- Small business
- Co-operatives

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

¹ The Author wishes to thank Debra for her support of this project. At Acadia University, thanks are in order for Dave Sheehan.

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To provide students with a brief introduction to the retail coffee industry.
- To offer students an opportunity to analyze a situation using concepts that illustrate organizational change

POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- What are different organization structures that Just Us! Might consider?
- What does the literature say about the organization of coffee chains?
- What other business models might Just Us! Consider?

CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- I am Debbie Moore and I am the General Manager of Just Us! Coffee Roasters in Grand Pre, Nova Scotia. About a third of our business is coffee houses. We have struggled over the years to run a business that is retail and wholesale. Their needs are very different. We have used many different models of trying to manage the coffeehouses. We came to the point of a real crisis where the coffee houses had just had it. They did not feel part of Just Us! There was a lot of anger. They were very separated from the wholesale business. They had not bought into the vision and the mission. They had not bought into what we were doing. We were not seeing initiative in the coffee houses. They were losing money. As members we were dissatisfied with the way they looked, the way they were running, the customer service. There were numerous things that really came to a head. We, at one point in JustUs! had thought that we might spin off the coffee houses into another cooperative. So we had put in place the beginnings of that. The separation was purposeful on some level. We were trying to separate them out. All that it ended up doing was making them not feeling part of JustUs! One of the real challenges is that they are not in Grand Pre. They are in different places. They are not with us all of the time. With coffee houses, profit margins are very small. We pay higher wages than most coffee hours. We have full benefits. We do a lot of extra things. What was interesting was that the coffeehouse members resented all of that. You hear and read that in business books. When people are feeling discontent, the first thing to be mentioned is money. We are not being paid enough. Conditions are terrible. All of that is mentioned. Initially we wondered how we would pay them more. We thought that would satisfy them. So we got into different ways of trying to solve that. We got into different leadership models. We tried some different things. Fundamentally it came to a pretty big head. Something was wrong. Instead of trying to really find out what was wrong we were just trying to solve surface issues.

Analysis:

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- Just Us! provides employment to 45 individuals who are paid above minimum wage
- 40% of Just Us! current revenues are from grocery stores (i.e. SuperStore)
- Just Us! currently operates five cafes and one roaster
- The main competitive advantage of Just Us! is that it is both Fair Trade and Organic
- The major suppliers to Just Us! are coffee and packaging producers, and recently tea producers as it currently the fastest growing part of their business

Researching information sources other than the content of the cases should enable students to garner the following insights:

- 86% of adult coffee drinkers, drink their coffee with their breakfast in the morning (*Agriculture and Agri-Food Canada*)
- The greatest consumption of coffee is found in the 50+ age group, with the least amount found in the 18-24 age group (*Agriculture and Agri-Food Canada*)
- The quick service coffee market is currently estimated at \$3 billion (*Agriculture and Agri-Food Canada*)

- For Canadian coffee drinkers, 67% is drank at home and the rest being bought at restaurants (*Coffee Association of Canada, 2012*)
- The average profit margins of a small independent café's coffee sales; roughly 25% on coffee sales (Houston Chronicle, n.d.)
- The estimated total sector value of the coffee sector in Canada (coffee driven sales only); upwards of \$5,000,000,000 (Coffee Association of Canada, 2012)
- Growth rate of Fairtrade and Organic coffee segments; 15% annually worldwide for Fairtrade coffee (Co-operative News, 2014) and 21% annually in North America for Organic coffee (Trading Markets, 2010)
- The standards of Fair Trade certified coffee; a floor price between US\$1.01-\$1.40 per pound depending on the type, \$0.20 per pound premium that goes towards social investments, and an additional \$0.30 for organic (Fairtrade Canada, n.d.)

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

- An approach to analyzing the case through a framework would be to use the **Competing Values Framework** (Quinn and Rohrbaugh, 1983) to perform a cultural assessment. An outline of can be found here: http://changingminds.org/explanations/culture/competing_values.htm
- **Competing Values Framework:** A theory that was developed on the major indicators of effective organizations, from this theory stemmed two major dimensions underlying conceptions of effectiveness. The first dimension is related to organizational focus, from an internal emphasis on the well-being and development of people in the organization to an external focus on the well-being and development of the organization itself. The second dimension differentiates organizational preference for structure and represents the contrast between stability and control and flexibility and change. Together the two dimensions form four quadrants. 1. Human Relations Model, 2. Open Systems Model, 3. Rational Goal Model and 4. Internal Process Model.
- **Organizational Structures:**
 - Functional Structure: Similar to the “flat” company structure, this has a department for each need within the company such as a Marketing department, Finance department etc. and each department is essentially self-sufficient.
 - Divisional Structure: Similar to the “hierarchy” company structure which is best for larger companies who operate in many different geographic locations. There are different divisions within the company that look after all of the different company functions. In most cases with divisionally structured organizations lots of departments are managed by one position higher up in the company.

Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the *Alternatives* video clip.

- Our options were to put a coffee house manager in place to manage all of the coffee houses and be their representative on the management team. Another option was to take the sales manager and say, okay this is all sales whether it is retail or wholesale and have that person working with the coffee houses. The coffee houses would have a bit more autonomy but would be supported by the sales side and the sales manager. The other option was to have the coffee houses individually sit on the management team and not be represented by one person.

The *Solutions* video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- So the option that we chose was to have the four, and now five coffee houses through the evolution around succession we created an operations team so all of the team leads, which is what we call the heads of our departments, sit of this so, so they sat on that as an equal as the head of production, head of sales, head of whatever. All the team leads were considered as equals and that sat on this operations team. That has been going on for a year. I felt that there was a lot of training that needed to happen with the team leads and the coffee houses to really bring them up to speed to where the wholesale team leads were. We have spent the last year doing a lot of training, we met monthly, I would facilitate different training options with them, but I use more of an adult training model so it was more so them training themselves, they knew what to do but it was more just me facilitating around certain issues and stuff, helping them to develop. In December we had our meeting around succession, it became quite clear that the coffee houses were still not self-managing themselves and they still were not functioning at the level that they needed to, to run these coffee houses successfully. So this year we had a fairly difficult financial year again. I was pretty disappointed that I did not see the team leads doing anything innovative or coming up with any new ideas; it was still this sitting back waiting for somebody in the wholesales side to figure it out and tell them what to do so they could be mad at us. That was sort of the pattern we were in. They challenged me and I challenged them, they came to me and said Debby we never make any decisions and I said it is true, I said we are just doing training and stuff, I sort of assumed you were making decisions. So I said why are you not making decisions? Their comments to me were that they were afraid and I said oh, that is interesting. Part of it was from historical reasons, they had been scolded by different people but part of it was just not knowing their boundaries and kind of knowing what they really could do. So what we will be starting this month actually is that the coffee house team leads will get together, I am going to do it every two weeks and we are going to make decisions together. I am going to facilitate decision making with them and then they are going to facilitate decision making with their teams. I think they need each other, they are just not ready to do it all on their own and so they will be accountable to each other so if we decide to launch eggnog lattes and one of the cafes decides not to do it. It is not me they are accountable to, it is to this team, because they all have to be consistent, they all have to be working together to do this stuff because if our customers walk into the different stores and expect the same thing. So there needs to be a consistency, this is what we are going to embark on this year. They are very excited about it and I am quite excited about it too. It also takes a lot of pressure off of me because to me it is not the role I am being asked to do, and they are asking for accountability so they are going to be held accountable. So we will see what this year brings. Our first session is next week and what we are going to be

doing is that we are going to come to agreements and how are we going to come to decisions together, what does that look like, what does accountability look like, we are going to spend two hours on that. I thought that before we get into decision making it would be better to talk about how we are going to do it together. So that is our first meeting and the next meeting we are going to start to tackle many issues that are kind of facing the coffee houses and the phenomenal opportunities that we have really missed and I am kind of excited. They are very passionate, caring, they get Just Us, there is nothing wrong there they are just young leaders that for some reason along the road did not get the moxy the some of us old guys did. The other two options were to have a coffee house manager. We tried that on and off for a number of years actually but in the end what we found was it really separated the coffee houses and it ended up being quite a negative thing. Maybe it was the people that we hired, I do not know but I tend to think people are good and processes stink. I think it was more that this process just did not bring out the best in everybody and it kept the coffee houses separate from what was going on. As soon as we removed that position and I began to meet with the coffee houses it was amazing in such a short period of time how many things we were able to understand and things we were able to clear up and really open up lines of communication. We did with the sales manager for a little while, only for a few months and that just became overwhelming for the sales manager and in fact retail sales and wholesales are very different and obviously the wholesales sales are a major part of our business and for the director of sales, because we had team leads that were not taking initiative and were not self-managing it meant she had to be in the coffee houses all the time and so she was getting distracted. The wholesales side was suffering and so we had to say this is not working so that was the end of that. Then we tried again with the coffee house manager again, we actually tried it twice. My new word is that the definition of insanity is you keep trying the same thing over and over again and expecting different results. So we talk a lot about that and we have done a lot of that at Just Us, we are learning not to do that anymore. So anyway neither one of those options ended up, certainly did not produce sales, did not produce prophets and in fact we had a lot of really angry, mad young people and I guess one of the joys we have at Just us is we have so many young people, half of our staff are under thirty five. It is phenomenal and energizing, I love spending time with them. I think we have unleashed them, and that is what I am looking for this year, there are a lot of bright young people there that are just chomping at the bit to do something exciting, they cannot get jobs in the valley, they are working for us so it is like, let us unleash them, let us start getting them being creative and innovative and see what we can come up with. So we are kind of excited I think that the power and the decisions are now in their hands.

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Organizational Theory
- Organizational Change
- Human Resource Management

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

- Agriculture and Agri-Food Canada.
<http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/processed-food-and-beverages/the-canadian-coffee-industry/?id=1172237152079>. This Government of Canada website looks at the Canadian coffee industry as a whole, including structure, performance, regulations, and associations.
- Agriculture and Agri-Food Canada
<http://www.agr.gc.ca/eng/industry-markets-and-trade/trade-events/post-show-reports/coffee-and-tea-industry-trends-from-the-canadian-coffee-and-tea-show/?id=1410072148362>, Coffee and Tea Industry Trends from the Canadian Coffee and Tea Show
- Coffee Association of Canada.
<http://www.coffeeassoc.com/coffee-in-canada/>. This site provides statistics and trend analysis for the Canadian Coffee industry, including many of the sustainability efforts that Canadian coffee roasters and retailers are engaged in
- Equal Exchange.
<http://equalexchange.coop/>. This website focuses on beneficial relationships between consumers and farmers in co-operatives and Fair Trade.
- Fair Trade Canada.
<http://fairtrade.ca/en/products/coffee-0>. This section of the Fair Trade Canada website looks at facts regarding Fair Trade coffee in Canada such as price volatility and other pricing data.
- High Beam
<http://business.highbeam.com/industry-reports/food/roasted-coffee>. Industry report for the coffee industry
- International Coffee Organization
http://www.ico.org/trade_statistics.asp Provides information on the coffee statistics globally which include total volume and exports by countries.
- Euromonitor International,
<http://www.euromonitor.com/coffee>, Provides “country reports” with information regarding performance and reasons for the performance.
- Statista The Statistics Portal,
<http://www.statista.com/topics/1248/coffee-market/>. Statistics and insight on coffee market
- International Coffee Organization
http://www.ico.org/trade_statistics.asp, Provides information on the coffee statistics globally which include total volume and exports by countries.

REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

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