

Al Rifai: Lebanese Nuts Go West

A teaching case

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Abstract

From an institutional perspective, the Middle East has a long-standing tradition of multi-generational family businesses. Business is conducted through networking within family relationships, where there are no set rules but where an oral agreement is a matter of personal reputation. But can such a company which is more suited for high-context collectivistic cultures (Hall&Hall, 1990; Hofstede, 1980) operate in a low-context culture like Sweden? How can success be attained despite huge organizational, national, and cultural differences?

Since 1948, AIRifai Roastery has been a market leader in Lebanon for savory snacks. The company imports nuts and kernels from around the world, then processes and distributes them to retail shops to ensure excellent quality and service to the final consumer. AIRifai products are exported to various countries to cater to scattered Lebanese communities around the world. In terms of international expansion, 2006 was a milestone for the company with the establishment of a manufacturing facility in Sweden. This multi-part case follows the path of Moussa Al Rifai, an ambitious young entrepreneur, as he launches this new venture with a mixture of Lebanese and Swedish personnel.

This case is designed to accompany chapters in '**Management**' (Robbins et al.), used in an introductory management course.

Key words: Internationalization, family business, cultural distance, Lebanon, Sweden

Methodological area: qualitative – a teaching case

AL RIFAI: LEBANESE NUTS GO WEST

Introduction

In early summer 2006, when Lebanon was witnessing another chapter of war and devastation, two Lebanese entrepreneurs, father and son Al Rifai, the owners of Al Rifai Group, were discussing in the empty hallways of a newly rented factory in Southern Sweden, the prospects of processing and distributing nuts and kernels in the highly promising Scandinavian markets.

Al Rifai Lebanon

Founded in 1948, Al Rifai Roastery SAL is the market leader of savory snacks in Lebanon. Its business model revolves around importing nuts and kernels from around the world, processing (roasting, flavoring, coating, etc), and then distributing them to various company owned retail shops thus, ensuring excellent quality and service to the final consumer. In 2006 the company had 37 retail shops in Lebanon and it employed 210 employees.

The beginning was modest by all means; a small shop, in a heavily populated residential area in Beirut offering tasty nuts to its customers. The resources were limited, though the ambitions were not.

Al Rifai started growing in the late 1980s, and 1990s under the leadership of Mohamed Al Rifai, the son of the founder. His shrewd entrepreneurial and managerial skills transformed the very small family business to a well established and reputable company in Lebanon. The Al Rifai brand was eventually born, and a wide range of new, flavored, crunchy and tasty nuts were introduced, enriching the list of the world renowned Lebanese delicacies.

1996 marked the beginning of a new era, the company signed a franchise agreement with Al Homaizi Food Industries (a Kuwaiti based conglomerate) to capitalize on the growth opportunities in the Gulf and the North African markets.

Throughout the years Al Rifai nuts and kernels were exported to various countries, beyond the Gulf and North Africa, to cater to the Lebanese communities scattered all

over the world. Moreover, the Al Rifai store in the duty free zone of the Beirut International Airport helped in positioning the brand as an ambassador of Lebanese hospitality. 2006 marked a milestone in the company's pursuit of expansion with the establishment of Alrifai Nutisal in Sweden.

Alrifai Nutisal

As the exports to the Scandinavian markets started growing, the management of Al Rifai was prompted to look further into the characteristics and the dynamics of the promising snack market in these countries. An extensive market analysis, and a major feasibility study led to a strategic decision to set up a new production facility in Sweden.

3000 km away from the main Al Rifai factory in Beirut, a new 10,000 sqm factory was acquired in Helsingborg, a small town in south Sweden. (pop. 100,000), to process, pack and distribute Al Rifai products under a new brand name. Thus, Alrifai Nutisal was born. (June 2006)

Moussa Al Rifai, the son of Mohamed Al Rifai, and Steven Barendregt, a Dutch national and a former P&G executive, teamed up to accomplish the really challenging task of building, structuring and resourcing the new company from scratch. The goal was to start operations and production in January 2008. Moussa, the managing director, was also in charge of operations and production, while Steven was in charge of all commercial and marketing activities .

Overall, 40 employees were recruited, selected and trained. The outcome was, an interesting blend of 9 different nationalities from quite diverse cultural backgrounds (Lebanese, Swedes, Dutch, Danes, Spanish, Mexican, Vietnamese, Philippines, and Palestinians). The Lebanese, all specialists in nut processing techniques (coating, frying, flavoring, dry roasting and roasting) were allocated to Alrifai Nutisal from the main factory in Beirut. Thus, Khodor, Samir, Mohamed, Ahmed, Ziad and Abdallah had to leave the main factory in Corniche El Mazraa in Beirut to start a new life in one of the most developed nations in the world.

On the other side, Ola Langmarker was hired as National sales manager, Göran Hellström as trade marketing manager, Charlotte Jansson as quality manager, and Helena Pantzar as consumer service officer (all Swedes) and a sales team of 9 salesmen was formed.

Unlike the main factory in Beirut, most of the production and packaging facilities were automated. State of the art technologies were acquired. However, all the imports of raw materials were kept centralized, and carried out through the headquarters in Beirut.

A major change in marketing and sales strategies was introduced. While most of the sales in Lebanon was done through company owned retail shops, in Sweden it was to be done through packaged products distributed in supermarkets.

In January 2008, when the first truck left the factory filled with the first batch of the "SWEDISH MIX' (a new packed mix of nuts blended to meet the taste and preferences of the swedish consumers), Moussa Al Rifai realized that he had tasted also his share of the "Swedish mix", a mix of new experiences, obstacles, difficulties, challenges, huge financial obligations, deep anxieties, and high expectations.

The official opening of Nutisal was in June 2008. it was expected to process 7,200 tons of nuts per shift per year.

Discussion topics

1. Types of organizations
2. An Organization defined as a **system**
3. Effectiveness and efficiency
4. Levels of management (Top, Middle and Operational)
5. Roles and skills of managers
6. The Management Process (Planning, Organizing, Leading, and Controlling)
7. The Contemporary challenges which managers are facing

Optional

1. Scientific management and mass production
2. Human Relations movement

The Organizational Culture and the Environment

The Macro (General) Environment

“Wolves kill elk - But king Gustaf wants to hunt the elk, so he wants to get rid of wolves”

And why does he want to do that? Because every year the good king runs an elk hunt in Sweden. Despite the fact that some 100,000 elk are shot every autumn in Sweden out of an estimated population of 400,000, King Gustaf believes that the presence of 200 wolves might spoil his annual hunt, so has been advocating the culling of as many wolves as possible. Being the honorary speaker of WWF, which preserves wildlife, that was nothing but controversial!

Sweden is a constitutional monarchy, and king Gustaf XVI is the monarch, but in this country even monarchs get their share of criticism on the front pages of national newspapers.

Sweden is a peaceful country, it has not participated in any war for almost 2 and a half centuries. Its long-successful economic formula of a capitalist system flavored with substantial social welfare elements, has transformed it to a country which offers an enviable standard of living. (GDP per capita: US \$40,900 in 2011)

It has an area of 450,295 sq km (56th) and a population of 9,104,000 (92nd)

Having a small population has not stopped it from becoming a well-respected international model for doing business. The remarkable worldwide success of companies such as IKEA, Ericsson, Volvo, Tetra Pak and others has helped to illustrate the effectiveness of the Swedish model.

The significantly low population growth rate (0.168%, 180th globally) has caused an inevitable inflow of immigrants during the last decade. Thus, if Eric or Joseph are among the most common Swedish names, then the name Mohammed, with 7 different spellings, has been among the top 5 names of newly born baby names in Malmö, which is the third largest city in Sweden, over the last decade.

The core of the social contract is deep respect of human rights, zero tolerance for discrimination, a sacred commitment to freedom of religion practices, and Trust. It is so common to shop at IKEA or at a supermarket, pay by a credit card and leave without encountering any cashiers on the checkout. As it is common to buy boxes of fruits piled

on the roadside of a farm, and pay by dropping some cash in a box unattended by a farmer...

Discussion questions

- What are the dimensions of the **General** environment in which an organization operates?
- Which dimensions are missing in the above text?
- A class discussion highlighting the important aspects of the **General** environment, relevant to Alrifai Nutisal.

The Micro (Specific) Environment

In July 2007, the meeting with Sten-Åke Tjärnlund the representative of the business development agency in the town of Helsingborg, was a real eye-opener for Moussa Al Rifai. The rules of the game seemed different, structured and clear.

The quite unfamiliar term, the Ombudsman, was repeated several times during that meeting, hinting clearly to some sort of regulatory role, similar to the role of a referee on a football field. The whole idea of dealing with the unions to bargain a collective agreement, sounded vague and daunting to a Lebanese businessman.

As for procurement, all the raw materials were to be secured through the same well established channels of the main company in Lebanon, without ignoring the strict quality standards imposed by Livsmedelsverket, the Swedish Food Authority. Surprisingly, some of the suppliers failed to meet the required safety standards (ex. Iranian Pistachios with high aflatoxin levels).

For its financial resources and loans, Alrifai Nutisal had the advantage of having access to the services of major Lebanese banks together with their Swedish counterparts. The new technologically advanced machinery and automated production lines were imported from some European countries like Italy, Germany, USA, Australia and Greece, as some custom made machines from Lebanon.

As to customers, it was clear that the Nutisal products were to compete in the snack market, which in itself is fragmented into Potato chips & Crisps (41%), Snack Nuts (33%) and other snacks such as pop corn and similar product (26%) *fig a* . Those

products were to be packed and then distributed through supermarkets (ICA, COOP, AxFood and Bergendahls), to reach the final consumer, unlike Lebanon, where the company owns its entire chain of shops and sells directly to the final consumer.

As to competition, no significant barriers of entry were observed and anticipated, but the real race was in capturing market share faster than the competition, in an industry promising high growth rate. The real challenge was in introducing a brand name to which the European and the Scandinavian consumer can relate, while conveying 60 years of lebanese know how.

In a new environment, full of opportunities and threats, the Alrifai Nutisal management team was getting ready to launch its operations in January 2008

Discussion topics & questions:

- Who is the Ombudsman and what is his role?
 - What is the role of the union?
 - From which countries does Al Rifai get its raw materials, different types of nuts?
 - Do they buy directly from farmers or traders?
 - Bargaining power of suppliers
 - What is competitive rivalry?
 - Threats of new entries? Barriers to entry?
 - Threat of substitute products?
 - Complementary products?
- Environmental dynamism, complexity and uncertainty.

Organizational Culture

At the headquarters of Al Rifai in Beirut, among the employees, or managers, among the factory floors or offices, a visitor will almost always spot the active figure of the 82 year old founder of the company, walking around, giving directions, and orders to almost everyone. Criticizing is his all time favorite hobby, He can criticize the coffee server, the quality and the color of the latest batch of cashew nuts produced, and the tight uniform of a female employee simultaneously :). From the very first day, he has been a strong advocate of hard work, total devotion to the business, attention to slightest details, differentiated quality of products and customer satisfaction.

Over the years of growth and expansion, the values of the founder have become the shared values of Al Rifai's big family (around 330 employees in Lebanon). Thus, the grandfather and then the father of the family have been always the autocratic leader and the absolute decision maker.

High centralization has left employees with little or no say in any important decision making process. On the other side, employees have always reflected the demographic composition of the Lebanese society, and a lot of effort was invested to keep Alrifai brand distant from any religious, sectarian or political association typical to the Lebanese society.

in Sweden, with Nutisal, a new chapter of the corporate culture was about to start, The change seemed inevitable. Moussa Al Rifai (the grandchild of the founder) had to figure out the beginnings of a new corporate culture, a new set of shared values, trying to bridge the totally different Lebanese and the Swedish way of doing things.

Discussion questions:

- What type of changes would be emerging in the culture?
- What should Moussa be careful about?
- Should he keep managing like his father and grandfather did? or change things and make the culture evolve?

Managing in the Global Environment

Lagom

The Swedish proverb "Lagom är bäst", literally means "The right amount is best". It can be translated also as 'there is virtue in moderation'. Although the word Lagom itself, doesn't easily translate to English, it essentially means 'just right' or 'adequate', or 'optimal', or 'in balance', and can be used for just about anything.

Inevitably the Lagom mentality exists in the Swedish business world as well. Employees and employers often focus on doing exactly what is needed, not more and not less, but doing it well. This concept can be frustrating to foreigners to understand.

Fika

The one word that every person needs to know before working for, or doing business with a Swedish company is “fika.” “Fika” is a break taken from work, the purpose being to drink coffee and chat. “Fika” breaks in Sweden are sacred, and there are usually two or three every day, so don’t be surprised if colleagues or business associates are suddenly unavailable as they take their little caffeine break.

Relaxed atmosphere

A casual atmosphere dictates the manner in which people address each other at work. From the classroom all the way to the boardroom, titles like “Mr.” or “Dr.” are things of the past. Students and teachers, patients and doctors, employees and employers, everyone is on a first-name basis. Work attire is often conservative, but casual. Employees may wear sandals or tennis shoes at the office, switching back to sturdier outdoor shoes when they head home.

Punctuality is very important for Swedes, especially when it comes to business. It’s quite common that Swedish employees arrive on time and leave on time, and have “fika” on set times. Many Swedes place very high value on their private lives and therefore work overtime only when it’s absolutely unavoidable.

Decision Making

Swedish workers tend to rely heavily on compromise and consensus when it comes to making decisions and reaching solutions.

It’s generally felt to be much better if policies and ideas are discussed openly and across all levels before any conclusion is reached. Stereotypically, Swedes do not feel that it’s necessary to stand out in a crowd, or be the individual who makes a choice for the entire company. While this assures a sense of employee comfort throughout an organization, it can easily lead to slow decisions making processes.

Finally, Whether enjoying a “**lagom**” cup of coffee during a “**fika**” break or putting on sandals when you get to the office, being attentive to the Swedish way of working and doing business will help to make the work experience with Swedes quite enjoyable.

A direct investment in Sweden

the management of Al Rifai lebanon was aware that expanding the business outside their geographical comfort zone (MENA) will certainly call for a new global insight, new skills, new perspectives, new way of doing things....

The management team of Alrifai Nutisal, decided to hire the right person for the right job irrespective of nationality, religion and ethnic background, what mattered was achieving the goals with high levels of effectiveness and efficiently. A decentralized and flat organizational structure was to ensure prompt decision making.

It was crucial to customize the products to the needs and tastes of the Swedish and scandinavian consumers, while capitalizing on 60 years of accumulated technological know-how and expertise. It was clear that, what Swedes expect from a snack brand, couldn't be figured out in the headquarters in Beirut, Only local management could address this issue effectively.

Throughout decades of operations the business model of Al Rifai has been always clear and simple. A well managed supply chain, which starts by importing raw nuts from so many countries, roasting and processing them in lebanon and selling them via company owned retail stores to the final consumer. In 1970s the company started exporting its products to various Middle-Eastern countries (Iraq, Saudi Arabia..etc). The Lebanese civil war (1975-1991) put all growth strategies on a halt, and damage control and survival became the challenging tasks.

In mid 1990s, shortly after the end of the war, the company signed a master franchise agreement with Kuwait based al Homaizi group in order to expand and roll out retail outlets in the MENA region. However, the planned expansion in Europe was planned to take a different course. It started on a different note. A new company Nutisal was founded and an independent production facility was to be launched.

Discussion Topics

1. Parochialism, ethnocentric, polycentric, geocentric attitudes
2. Global sourcing, importing, exporting, franchising, strategic alliances, joint ventures and direct foreign investments (foreign subsidies).
3. Multinational, multidomestic, global and transnational companies
4. Hofstede's framework for assessing cultures.
5. GLOBE

Managers as Decision Makers

The **DECISION** was made: Al Rifai was to venture in new territories.

The entry to the European markets was to start from the Swedish gate.

A single DECISION marked the beginning of Alrifai Nutisal, to pave the way, in turn, to an endless chain of new decisions..

Here are few decision making situations which the management of Nutisal encountered.

Decision 1: Build, Lease or Buy the factory?

In early summer 2006, the management of Alrifai Nutisal had to make its first crucial decision: Should it buy? lease? or build from scratch? the factory and office space needed for its operations.

The ideal scenario would have been, to centralize all operations in one location. What was needed was a facility which could accommodate:

1. Factory space to have a full-fledged factory that meets the requirements of the food authority of Sweden and the GMPs (good manufacturing processes)
2. Office space to accommodate all the administrative staff.
3. Warehouses for both raw materials and finished goods

It was not an easy task to find all the above requirements in one location.

The Helsingborg city council was willing to help, to encourage investments in its district. An initial meeting with the city planning and development unit led to series of site visits. 4 sites were presented with different specifications and standards.

Discussion topics & questions

1. What are the decision criteria?
2. How to allocate weights to the criteria ?
3. Which you think is the best alternative and why?

Decision 2: Own Sales force or hiring Agents?

In October 2007, the facility was almost ready and the last part of the fine tuning was underway. Yet another major decision was to be made.

The retail market in Sweden (supermarket and hypermarket) is considered to be rudimentary compared to other European markets in the sense that, every company (like Alrifai Nutisal) has to take care of, and ensure the proper marketing and merchandising of its goods on the shelves of individual branches of those supermarkets.

Centralized listings are not a guarantee that the products of Alrifai Nutisal will be on the shelves of each branch of that supermarket. Thus, each branch has to place an order to buy Alrifai Nutisal's products from the centralized warehouse of the supermarket chain, and those orders are secured primarily, through the visits and by the efforts of the sales representatives of the company itself.

In general 3 options are available:

1. Company's own sales force. (employed by the company)
2. An agent, who has its own sales force.
3. A strategic alliance with another company to combine efforts and resources, and create synergies.

Discussion topics & questions

1. What are the advantages and disadvantages of each alternative?
2. What are the decision making criteria? Allocate weights to those criteria.
3. Which alternative is the best for Alrifai Nutisal and why?

Decision 3: Branded or Private label (PL)?

The Alrifai Nutisal factory has a productive capacity of 7,200 tons of nuts per shift, per year. That is a huge quantity of nuts to produce and sell.

It was clear that selling 7,200 tons of nuts from year 1 under the Nutisal brand was a very challenging, and somehow unrealistic scenario.

Moreover, in 2008 the financial crisis hit Europe and suddenly consumers shifted their spending habits fearing the worst, Alrifai Nutisal had to revise its pricing strategy.

On the other side, keeping production capacity underutilized was nothing but inefficient, and a blatant waste of scarce resources.

Facing this inevitable scenario, the management of Nutisal had to make a new decision tailoring a solution to this problem.

Discussion topics & questions

1. What is the difference between PL and branded goods? Compare and contrast branding vs. private labeling.
2. Why would a company like Alrifai Nutisal resort to PL?
3. List and allocate weights to the decision making criteria.

Decision 4: Create a new brand or keep the Al Rifai brand?

In September 2005, a huge controversy started when a leading Danish newspaper “The Jyllands-Posten” posted 12 cartoons depicting the Prophet Muhammad (S.A.A.W). Muslims protested across the Islamic world, and some of those protests escalated into violence. Few Danish embassies (including the one in Lebanon) were set on fire.

Many Danish brands such as the famous butter Lurpak and other dairy products were boycotted throughout the Arab world. This controversy has caught peaceful Scandinavia by an unanticipated storm.

Launching the Al Rifai brand in Scandinavia coincided with that controversy, imposing yet another important decision. Should the 60 year old Al Rifai brand be kept? or be replaced by a new brand, more appealing to the Scandinavian consumer?

Discussion topics & questions

1. How to deal with similar situations? anticipate and plan for or just react?
2. How important is making the right choice in choosing a brand name?
3. What are the decision criteria?

Strategic Management

In September 2010, Al Rifai International Holding LTD successfully completed a \$15,000,000 capital increase through a private placement of shares. The offering attracted both local and regional investors who fully subscribed to the offering.

Med Securities Investments SAL, a wholly owned subsidiary of BankMed SAL, acted as the exclusive placement agent, and ProFinance International, the financial advisor of Al Rifai, arranged the transaction.

The objective of the private placement was clear, the proceeds were to be used to finance the growth of Al Rifai's core business (processing nuts and kernels) in the Lebanese and international markets. Moreover, a fraction of the proceeds were to be invested in developing and strengthening the complementary coffee business.

Mr. Mohamed Al Rifai, the General Manager of Al Rifai International Holding, considered this successful private placement as another achievement aiming at the creation of a strong global brand.

Al Rifai was embarking on a new growth era; The traditionally artisanal business was transforming into a state-of-the art automated, operation based business, while positioning itself for global growth.

A. Al Rifai Lebanon

The operations of Al Rifai in Lebanon can be grouped as: Retail, wholesale and exports

1. The Retail Channel

The competitive strength of Al Rifai and its leading market position has been primarily achieved by its retail operations in Lebanon.

In 1991 the company owned just 3 retail stores in Lebanon, (in Mazraa, Hamra and the duty free zone of the airport), In 2006 it had 37 stores and sales points, and by the end of 2012 the number is expected to grow up to 52. (Those are either 100% company owned stores, or express units (shop in shop) in major supermarket chains, like

Spinneys, TSC, etc.) All locations are carefully chosen, the catchment area and the capture rate are among the important determinants of the choice.)

A typical Al Rifai store offers a mix of products revolving around 3 main categories.

- Nuts and Kernels (raw and roasted)
- Confectionaries (malban, Nougat, chocolates, and candy)
- Coffee (roasted and freshly grinded), tea, infusions etc.

2. The Wholesale Channel

To reach the largest possible consumer-customer base, and to ensure the presence of its prepackaged products on the shelves of supermarkets, and grocery or convenience stores all over Lebanon, Al Rifai has established partnerships and signed agreements with the following 3 distribution companies.

- **Fattal**: the biggest distribution company in Lebanon, to distribute **Al Rifai** brand (premium quality mixes, targeting families)
- **Falco** (Daher-Master Chips) to distribute products under the brand name **Nutisal** (mixed nuts, in smaller packages targeting individual consumers and younger age groups).
- **Vincenti**: To distribute the **Innocent** brand (a special diet-line of nuts targeting health and shape conscious consumers) in pharmacies and in specialty stores.

Moreover, Al Rifai handles by its own sales force the **HORECA** segment of the market (hotels, resorts, restaurants, catering companies, clubs etc). Al Rifai products are also served on board of MEA flights.

3. The Export Channel

The export market is divided into 2 segments:

a. The franchise Agreement for the MENA region:

The network of 200+ stores across the Middle East and North Africa operating under the brand Al Rifai needs to be constantly supplied with products from Lebanon even-though a production facility exists in Kuwait, but some items can not but be sourced from Lebanon.

b. Exports to many countries in Europe and Americas. Primarily to Middle Eastern and Lebanese diaspora in the world.

Both the wholesale operations and the exports of Al Rifai have been growing fast during the last few years, raising urgently the issue of upgrading the production facilities and automating it, or even building a new factory with significantly bigger productive capacity.

4. Coffee

As mentioned above, coffee has been always a product offered In Al Rifai retail stores. However, the current volume of sales, and the forecasted growth in demand prompted the management, in 2009, to invest in a coffee processing unit. This move aimed at centralising the business and at enhancing both the quality control and the efficiency of the distribution. A factory was purchased from a Lebanese company, Cafe Rio, which was liquidating its business. (Capacity 10,000 tons)

B. Alrifai Nutisal and Europe

The **Nutisal** brand offers two lines: The **Gourmet** line and the **Enjoy** line.

- The **Gourmet** is a line of single item product in 100- 120 grams bags. Premium quality.
- The **Enjoy** line is a series of mixes targeted to the family and is sold in 220g bags.

Nutisal sells its products to supermarket chains in Scandinavia, and to other distributors in Holland, Denmark, Germany, Greece and Bulgaria. It also sells to HoReCa distributors to hotels and restaurants to introduce people to the concept of snacking in public venues.

An attempt to operate self owned retail stores in Sweden was not successful due to the high cost, and a prompt decision was made to divest it.

The snacking industry is highly competitive. To stay competitive, producers have no other choice but to continuously develop, and introduce a new variety of flavors and product mixes to satisfy the different consumer tastes and needs. (without forgetting customization, example of pumpkin, sunflower seeds and chickpeas which european consumers do not like)

In the presence of strong and well established competitors, it was crucial for Nutisal to build and maintain a competitive advantage. The 60 years of accumulated tech-know how in the business of nuts processing was inevitably the cornerstone of this competitive advantage.

Within few years, Alrifai Nutisal AB succeeded in building the reputation of a producer which offers excellent quality products at fairly competitive prices. (slightly higher prices compared to major competitors)

In 2008, first year of its operations, Nutisal managed to capture 1% of the market in Sweden, In 2012, after 6 years of operation, its market share is expected to be higher than 10%, in an industry which was/is growing at around 5% annually. (high growth)

Discussion Topics and questions

1. Conduct a **SWOT** analysis: identify opportunities and threats, strengths and weaknesses. Link and align strengths to opportunities and threats, how to eliminate weaknesses?
2. Where lies the competitive advantage of Al Rifai? Core competencies?
3. Discuss the Corporate level strategy which Al Rifai is pursuing?
4. What type of Growth strategy is the company pursuing? What are the growth alternatives? compile a matrix using two dimensions (existing or new products vs existing or new markets)
5. What type of Business (competitive) strategy is the company pursuing?
6. Give examples of functional strategies (finance, marketing, production..etc)
7. Position Alrifai Nutisal on the BCG matrix

Organizational Structure and Design

One of the most interesting characters at Alrifai is Samia Alam. She has joined the company 20 years ago, and since then, her presence has marked the daily operations of the company.

Over the years, her job titles have changed, but her role, her total devotion and loyalty to the company, her character traits, and her way of doing things stayed invariably the same.

She has witnessed all the phases of growth, and all the ups and downs which the company went through.

Currently, She is the personal assistant to the CEO, Mr. Mohamad Al Rifai. Her job is to provide support in handling and supervising the day-to-day financial operations of the company.

In other words, she supervises and controls:

- the flow of cash in-and-out of the organization
- the relationships with banks
- the relationships with customers and suppliers, and the account receivables and payables.

Moreover, she handles all the operations related to governmental agencies (ex. social security), and Lebanese income tax authorities.

The action in Samia's office starts at 7:00 A.M and lasts till late evening..

She can be a true nightmare to suppliers waiting for their pay cheques, and a sweet angel to on-time paying customers.

Her vocal cords can generate a myriad of tonalities from the sweetest to the harshest depending on the balance of power. Her vocabulary offers a mix of adjectives and adverbs, curses and compliments, which can easily compete with the tastiest of Al Rifai's mixes of nuts.

What counts for her is the end result, and she always gets things done her way..

Samia and Change

Pre Private Placement

When Alrifai was 100% owned by Alrifai family, it was not necessary to do monthly book closing, cash-flow forecasts, or even margin analysis. What was important was meeting the obligations towards all the stakeholders without any lags and delays, and Samia was the one in charge.

Post Private Placement

When new investors joined as shareholders, formalization and transparency became inevitable, and reporting to all shareholders on regular basis became a must.

Monthly book closings, financial reconciliations, overall business consolidations are all examples of the new reality that imposed itself.

Samia was not ready technically to handle all the new requirements, and the company had to hire a new CFO to meet all those obligations and tasks.

Change has started taking its course at Al Rifai affecting the organizational structure, the reporting relationships and the chain of command.

Next

- Organizational Chart Al Rifai
- Organisational Chart- Nutisal 1

having displayed the org chart of nutisal, we can talk about teams which meet regularly. functional teams.

Three very important and critical meeting set occurs:

1. **The Forecast Meeting**
 - a. Frequency: bi-weekly
 - b. Attendees: Sales managers (forecasters) + Production Planner + Quality
 - c. Owner: Planner

- d. objective: To discuss the safety stock status of inventory and and decide on a production plan covering all articles in the organization.
- e. outcome: a clear production plan covering 10 /12 days of production meeting all demands and orders.

Note: It is important to note that alrifai has perishable goods. Customers do not accept products whose 25% of shelf life has been expired. maintaining a balance between stock and demand is key to success.

1. **The NPD Meeting (new product development)**

- a. Frequency: Quarterly
- b. Attendees: Production Manager, Production Planner, Quality, Sales Manager, Product Manager, Consumer Services, Trade Marketing Manager Purchasing Manager
- c. Owner: Product Manager
- d. objective> To discuss current assortment and retirement of less performing item and introduction of new product into the production. the information should be shared equally among all team members (process life 5 months)
- e. outcome: A clear understanding of which product is coming in avoid confusion.

2. **The Strategy Meeting**

- a. Frequency: bi Annually
- b. Attendees: Senior Managers only
- c. Owner: Managing Director
- d. objective: To discuss what's working and what is not working in overall the organization
- e. outcome> An action plan with mid term and long term goal

3. **The performance meeting**

- a. Frequency : Monthly
- b. Attendees : Managing Director, Finance Manager, CFO and Group General Manager
- c. Owner: Managing Director
- d. objective: Discuss overall profitability of the organization, margins, and currency and any other financial risk
- e. outcome: An action plan based on the finding presented above.

Discussion Topics

1. Job content
2. Job specialization
3. Organizational design
4. Chain of command
5. Unity of command
6. Span of control
7. Centralization vs decentralization
teams: cross functional and cross hierarchical
8. Mechanistic vs organic structures
9. Traditional organizational designs (Functional, divisional etc)
10. Contemporary Organizational designs (team, Matrix, boundaryless..etc)
11. Contingency factors and challenges affecting Organizational design

Human Resource Management

During 2007, the Al Rifai Nutisal factory located at Andesitgatan 8, Helsingborg, was like a hive of bees. The factory space was redesigned, productive capacity was acquired, ovens, roasters, fryers and packaging machines were imported and installed and the process of hiring human resources was about to start, and the priority was clear: forming the managerial team to run the company.

Nutisal was in need of a Commercial Director, A highly experienced executive, to formulate and supervise the implementation of all the marketing and sales strategies. A highly competent executive to build the new brand from scratch, establish the sales channels, build the sales force, and finally to prepare and execute the annual commercial operating plan (COP).

The ideal candidate to fill this vacancy was someone with a significant experience in a similar industry, a “graduate” of a top marketing “school” like Procter and Gamble Unilever and Nestle, and with perfect knowledge of the European and the Scandinavian markets.

While Nutisal was getting constructed like a Lego, Just 70 kms away a leading Swedish manufacturer of confectionery and candy, Malaco LEAF was undergoing radical restructuring. The company was acquired by a Hedge fund, and the scale of the

change had triggered ambiguity and dissatisfaction among its executives. Even some of the top executives were looking for better opportunities elsewhere.

Having seen the CV of Steven Barendregt, the GM and the Vice President of Malaco LEAF, Moussa Al Rifai didn't waste any time in contacting him. After few rounds of meetings, and negotiations, Steven accepted the job to become the commercial director of Nutisal. What made him accept the job was the challenge of creating something new from scratch, and eventually make it a successful organization.

(find attached the CV of Steven)

Steven's first task was to form his team and the sales force. He hired Ola L. immediately, and together they started the process of building the commercial unit of the organization.

Recruiting and Selection

To recruit and select the team members Steven and Ola resorted to a hiring agency to save time. The agency did the advertisements, the interviews, the background checks via recommendations and proposed the three best candidates to be hired for each advertised job.

The interviews at Nutisal were done by Moussa, Steven and Ola. The interviews focused on the experience of the candidates and most importantly on their passion to join greenfield projects like Nutisal. The right candidates had to possess the ability to deal with ambiguity, uncertainty and stress associated with the operations of a new start up company.

On the other side, as mentioned earlier, most of the production employees were allocated from the main factory in Beirut. Those had all the technical skills, and the challenge was in making the transition smooth and educating them about the cultural differences between Lebanon and Sweden.

Training

Training for production laborers was done on the job while doing actual work. Moreover, Job rotation was used to enhance flexibility. (packaging worker can also work in the warehouse or production)

Certain employees were sent to workshops in order to enhance their knowledge about production related issues, quality controls, safety measures. (one example was sending the product manager to Holland to understand the details related to frying processes, chemical composition of oils, oxidation of fat during the frying process etc). The technical manager was also sent to the corrugated carton supplier to understand how to design carton boxes in order to double stack pallets and resist weather elements. The quality manager was sent to a training via the web to understand the requirement of RSOP which is the move that Europe is undertaking from palm oil to sunflower oil palm oil.

On the other hand, training salesmen has been always a continuous process and conducted via quarterly conferences, workshops and mentoring by their managers and team leaders.

Compensation and Pay

In Sweden wages and salaries are determined primarily, through collective bargaining processes between employers and unions. Negotiations take place on yearly basis, and the agreements have to be approved by the ombudsman.

The negotiated minimum monthly wage in the food industry in 2012 is 18,000 SEK (1,800 Euros). Employers have to respect this minimum wage requirements even if the company is undergoing losses.

However, a specialized agency publishes, once a year, the average (mean) salary of all organizational jobs and positions in Sweden, and the policy of Alrifai Nutisal is to meet those averages to attract qualified human resources

As to the overtime pay, employees have to be paid 150% of their normal salary during working days (M-F) and 200% during weekends and holidays. Any employee working between 6:00PM and 6:00AM (night shifts) has to get an inconvenience raise of 14 SEK (1,4 Euros) per hour.

Sales team members who meet and exceed annual sales targets, get an additional bonus of 0.25%-0.5% of the generated revenues.

Pensions plans cost 60% of the monthly salary of an employee.

Moreover, All businesses operating in Sweden, have to ensure the safety measures at the workplace, and offer employees some recreational, leisure and sport activities.

(exercise rooms, ping pong tables, saunas..etc) alongside a kitchenette and free coffee.

Managing Diversity

Alrifai Nutisal employs people from diverse cultural, religious, ethnic, and national backgrounds. Swedish is the most common language at the workplace, and English bridges the communication gaps. Zero tolerance for discrimination, mutual respect, and a strong focus on productivity ensure the effective management of the human resources. Moreover, the Swedish Law imposes equal gender employment opportunities. (50% of the employees have to be female)

Firing employees

Employment in Sweden is for life, Businesses can fire their employees only when they steal, or the company doesn't have any job to offer them on LIFO basis.

Motivating Employees

In Summer 2012, 13 pallets (25,000 thousand units) of Enjoy mix have been packed with identical expiry and production dates. After 4 years of operations, with all the quality control measures and documented production routines, such a mistake was simply unacceptable. Moreover, this mistake, was just an additional indicator, summing up to others, and hinting towards the presence of more serious problems within the packaging phase of the production process.

It was quite obvious, to Steven, the current managing director of Nutisal, that this issue requires immediate attention. He was determined to identify the causes and figure out solutions to all those problems without further delays.

The packaging unit

Nutisal has 5 semi-automated production lines, different in nature but similar in process. Packaging is the last phase of the production process, and is considered a crucial phase in the value chain which ensures quality, safety and on time delivery of the products. Problems in the packaging unit would inevitably lead to bottleneck situations, delays in delivery schedules, and bad service level to customers. (All

supermarket chains in Sweden issue on monthly basis 'service level' reports ranking their suppliers based on the timely and flawless delivery of orders)

The unit is managed by Samer K., a Lebanese, who was allocated from Al Rifai Lebanon, because of his experience and technical skills in the field. His job is to plan, organize, and supervise the work of a team of 20 blue collar employees (almost one third of the employees of Nutisal) from 5 different nationalities.

His responsibilities include coaching, training, instructing, motivating, and controlling the performance of those employees. Moreover, he is responsible for creating and maintaining a safe physical work environment in order to minimize the risk of having accidents causing harm to employees or packaging machines.

The source of the problem

Upon thorough investigation, and to his surprise, the managing director realized that the rate of absenteeism in that unit was significantly higher than the others, employees were occasionally showing up late, and requesting sick leaves.

It was clear that the team members were dissatisfied, somehow demotivated and this was the underlying factor explaining most of the inefficiencies of the unit.

Moreover, It was quite obvious that the team was not managed effectively. In the absence of systematic schemes and clear routines and procedures, the unit was managed on AdHoc basis, and firefighting was the norm.

Moreover, A general failure in proper communication between the team leader and employees and poor delegation of responsibilities were observed.

The team leader was always busy issuing orders and expecting employees to abide without questioning. Employees naturally resisted this, which created a lot of tension in the unit. To handle those tensions, he started favoring some employees on others, which in turn triggered a new wave of tensions. Some incidents of abuse of power were also recorded.

when all those were brought to his attention, his ego couldn't cope with constructive criticism, and his relationships with his peers, other team leaders and supervisors started deteriorating.

Moreover, what was making things even worse was the work pressure, The factory was running most of the time on 3 shifts, and under pressure mistakes and inefficiencies were increasing.

On the other side, Samer was a loyal employee, devoted to his work and to the company. The problem was in his inability to resume the role of a team leader and motivate the team members. Eventually, one third of the workforce was demotivated.

He was the one creating the weak link, in the value chain of the company. A weak link would inevitably cause damage to the whole chain, increase costs and cause harm to the image of the company.

Discussion topics and questions:

1. What are the alternatives available to the top management? How can this problem be solved?
2. Which assumptions were made by Samer? Those of **Theory X or Theory Y?**
3. What are the other reasons behind the de-motivation of the team members in the packaging unit.
4. How to motivate blue collar workers? And why at different levels of the organization things change. (blue collar-white collar)
5. What are the advantages and disadvantages of job specialization and narrowly defined jobs?
- 6. What can be done to motivate those employees? (the main question)**
7. Why unfair treatment of employees and favoritism lead to de-motivation?
8. Has Samer's cultural background shaped his behavior?