

FUCHSIA BRANDS LTD:
A case study of networking among the Food Producer Members

Dr. Seamus O'Reilly
Department of Food Business & Development
University College Cork

2001

TABLE OF CONTENTS

FUCHSIA BRANDS LTD. – CASE STUDY

1.	Introduction	3
2	Fuchsia Brands Ltd – Evolution	6
2.1	Introduction	6
2.2	West Cork LEADER Co-operative (WCLC)	8
2.3	Fuchsia Brands: Predevelopment - Phase 1; 1991-1994	13
2.4	Fuchsia Brands: Development - Phase 2; 1995 to (February) 1998	16
2.5	Fuchsia Brands: Establishment - Phase 3; (February) 1998-2000	20
2.6	Concluding points	21
3	Fuchsia Brands Member Survey	23
3.1	Network Antecedents	23
3.1.1	Market Access and Uncertainty	25
3.1.2	Enterprise Capacity	29
3.1.3	Concluding points	33
3.2	Network Structure and Process	36
3.2.1	Degree of differentiation and interaction between actors	36
3.2.2	Intensity and complexity of the network activity and member dependency	42
3.2.3	Concluding Points	48
3.3	Network Performance	51
3.3.1	Transactions	51
3.3.2	Transformations	54
4	Fuchsia Brands Case Study Conclusion	60
4.1	Data triangulation	60
	Annexes	62

1 Introduction

In an era of globalisation and associated large firm activity the existence of small firms often challenges concepts such as economies of scale and barriers to entry. Indeed in some respects the very existence of small and medium sized firms (SMEs) runs contrary to trends such as increasingly globalised markets dominated by major brands and consolidated retailers. Yet these small enterprises not only exist, but also have proven to be rather resilient and in many sectors have increased in number. In fact it is the ability of large firms to compete in an ever-changing environment that has been challenged over the last two to three decades and much of the growth in SMEs has been credited to down-sizing and outsourcing of large firms. Therefore, large firms with many small sub-contacting firms 'in orbit' have become a common feature on the commercial landscape. Such networks of firms have often been forwarded as an organisational response to such changing and often contradictory demands, for example fragmenting market segments and globalisation of the market; increased efficiency and flexibility; increased coordination and decentralisation.

This networking activity has attracted much attention over the last two decades. In particular, researchers, policy-makers and entrepreneurs have been most interested in SME competitiveness and their broader role in the economy. A question arising is; if these reinvigorated SMEs are indeed linked more to the demise of large hierarchical firms than to any innate ability for SMEs to survive on their own, what about the small firms that have carved out their own markets independent of large firms? The speciality food sector is but one example of the latter. Here we find many small enterprises busily carving out niches in a marketplace increasingly dominated by large firms. Not only are large firms found at the manufacturing stage, they are found upstream at input and production levels and downstream at distribution and retail levels. The ability of speciality food firms to carve out very specialized market niches that are either unattractive or inaccessible to large companies is one reason that is often put forward for their success, however many of these small firms have also benefited from networking with other small firms. Therefore, another type of network appears on the socio-economic landscape, one that is based on a group of independent enterprises interacting within their own dynamic and often highly charged environment.

This case study presented here, Fuchsia Brands Ltd (food producer group) is one of three cases studied in order to probe into the reasons why small and medium sized food firms establish/join networks, how and why these networks evolve and how they perform and respond to internal and external factors. The other two cases were the Parma Ham Consortium, Italy and Saveur des Pyrénées located in France and Spain.

Case study themes

Three research propositions were tested and structure of the case study follows these three propositions or themes. The three propositions were:

Proposition 1 (*theme – resources*).

Food SME networks respond to resource related conditions.

Sub-propositions:

- Small food enterprises establish/join networks to improve efficiency (economies of scale and scope).
- Small food enterprises establish/join networks to deal with market uncertainty (information asymmetry).

Proposition 2 (*theme - network operation*).

Food SME network structure and process is influenced by internal and external factors.

Sub-propositions:

- Network form is influenced by the degree of differentiation between units (domain similarity; motivation and objectives);
- Network form is influenced by the intensity and complexity of interaction (frequency of interaction and type of interaction).
- Network form is influenced by environmental embeddedness (socio-economic and policy context).

Proposition 3 (*theme – network performance*).

Food SME networks create and co-ordinate transaction-transformation activity chains.

Sub-propositions:

- Food SME networks develop specific transaction co-ordination mechanisms (relations – reciprocity, trust, relational investment and contractual solidarity);
- Food SME networks facilitate synergistic use of resources (transformation);

- Food SME networks strengthen ‘legitimisation’ (organisational credibility).

Case Study Structure and Sources of Information

This case study is based on three sources of information

- Member survey
- Depth interviews
 - previous development agency manager (FR1)
 - network manager/current development agency manager (FR2)
 - previous marketing manager (FR3)
 - development officer/marketing manager (FR4)
- Documentation
 - Network documents
 - West Cork LEADER Co-operative documents

The case study is presented in three main sections as follows: The first section explores the background to network establishment and traces key stages of development; this section relies mainly on depth interview and documentary data and concludes with a brief analysis of each proposition. The second section draws mainly on member survey data and considers each proposition in some detail. The final section briefly presents the main conclusions supported by triangulation of data (depth interview, documentary and member survey).

This case study is set in the West Cork region, situated in South West Ireland. Annex 1 provides a brief introduction to this area. This is a rather diverse region in terms of topography, industry and population settlements that extends over 3,200 kms² along the south-western coast of Ireland. It is a region that has a relatively high density of small and medium size speciality food enterprises. However, these enterprises have only recently formed a network to further the promotion of their products and region. This provides an opportunity to study the network establishment process almost as it evolves and investigate the main drivers of the initiative.

2 Fuchsia Brands Ltd - Evolution

2.1 Introduction

West Cork LEADER Co-operative¹, in association with tourist and food enterprises, officially launched Fuchsia Brands Ltd. in February 1998. Fuchsia Brands Ltd. at the time of fieldwork (January-March, 2001) had a membership of 100 tourist enterprises and 40 food enterprises. The objective of Fuchsia Brands Ltd was to oversee “*the development of a branded identity for selected locally produced goods and services. Such an identity is designed to emphasise excellence and quality and reflects positive local characteristics, environmental quality and richness of the heritage, culture and landscape*” (Fuchsia News, issue 1²). Thus indigenous resources and quality are essential features of the brand; therefore, members must adhere to specific criteria and food enterprises must accept the following:

1. *Relevant Statutory/Regulatory body approval*
2. *Implementation of a certified Quality Control Programme*
3. *Membership of relevant professional body or equivalent*
4. *Implementation of a Code of Best Practice*
5. *Commitment to sourcing local raw materials where possible*
6. *Commitment to Best Practice in packaging and labelling*
7. *Monitoring by Fuchsia Brands Ltd.*

Tourist enterprises must accept and adhere to the following criteria:

1. *Current Bord Fáilte³/regulatory body approval*
2. *West Cork tourism membership*
3. *Commitment to management and staff training*
4. *Implementation of a Code of Best Practice*
5. *Implementation of a consumer response card system*
6. *Monitoring by Fuchsia Brands Ltd. (Fuchsia News, issue 1).*

¹ This region has benefited from EU LEADER rural development programmes from 1992 to 2000. The West Cork LEADER Co-operative is a local development group funded under this programme – annex 2 provides a brief description of the EU LEADER II Programme

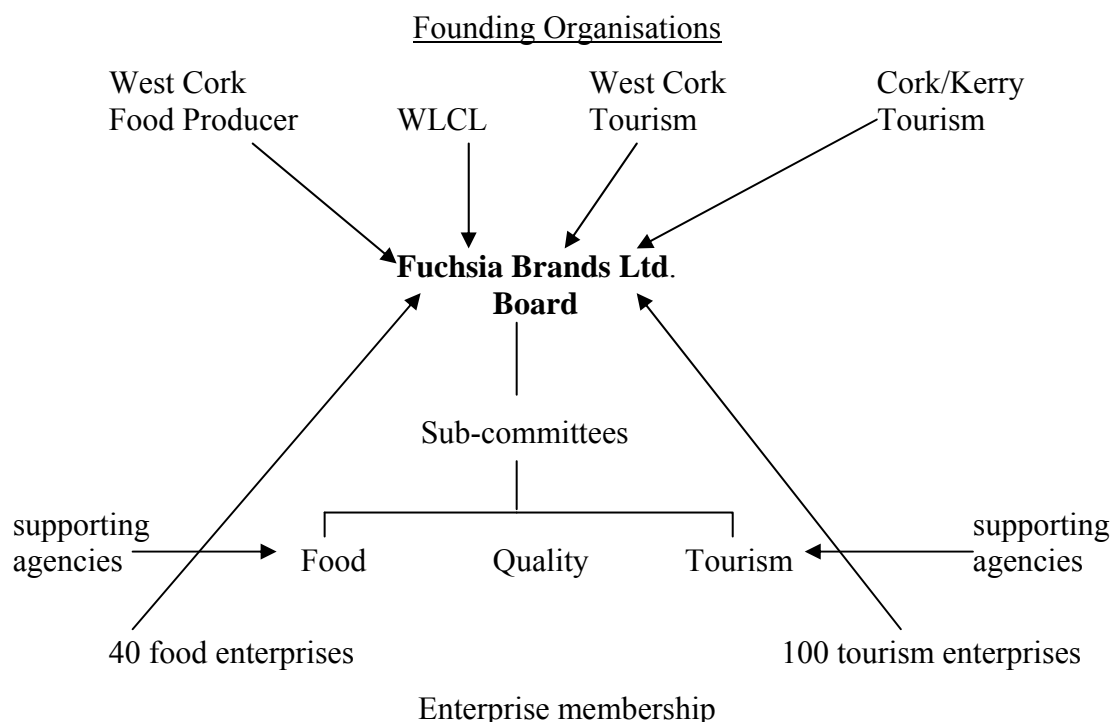
² 3 Fuchsia Newsletters are not dated, however issue 1 was published in 1998, issue 2 in 1999 and issue 3 in 2000

³ Bord Fáilte is the Irish Tourist Board.

The Fuchsia Brand is promoted as “*a symbol of quality and designation of origin*” (Fuchsia Brands Ltd. 1998). The Brand mark exists in two formats; one for food producers uses the slogan ‘A taste of West Cork’ and the other for tourist providers uses the slogan ‘West Cork – A place apart’. However, both follow a similar design as set out in Fuchsia Brands Ltd. “Brand Identity Design Elements Guidelines”. These are illustrated in annex 3.

The Fuchsia Brands Company incorporates West Cork LEADER Co-operative (WCLC), West Cork Tourism, West Cork Food Producers Association and Cork/Kerry Tourism (Fuchsia News, issue 1). The board of directors includes representatives from each of these organisations and is supported by 3 sub-committees – food, tourism and quality. The membership of these subcommittees includes relevant statutory bodies or agencies. WCLC funded staff (a marketing manager and a salesperson/merchandiser) and administration costs. Fuchsia Brands have pursued a promotional campaign in the marketplace since establishment; however, the intensity of this promotion and staffing levels has changed over time. An outline structure of Fuchsia Brands Ltd. is presented in figure 1.

Figure 1: Fuchsia Brands Ltd. Structure



Thus Fuchsia Brands Ltd provides an infrastructure to network various development/public agencies (founding and supporting agencies) and commercial enterprises (enterprise membership). The main objective of WCLC, the initiator, was to establish an 'infrastructure' that would provide support to enterprises in the region, particularly enterprises that add value to indigenous resources. In providing this support the Fuchsia Brands network has played a role in enterprise development and has also become actively involved in market development and product promotion. The impetus to establish Fuchsia Brands, the activities pursued and the achievements and beneficiaries are investigated throughout this chapter.

The remainder of this section traces the evolution of Fuchsia Brands. Three phases of development or evolution of the Fuchsia Brands network have been identified:

1. Pre-development: 1991 to 1994
2. Development: 1994 to (February) 1998
3. Establishment: (February) 1998 to 2000.

Therefore, this section is structured according to these three phases. Since the development of the Fuchsia Brands network is intertwined with that of the West Cork LEADER Co-operative (WCLC), a brief overview of the origins and operation of WCLC provides a background to the establishment and operation of the Fuchsia Brands network. This is presented below and is followed by an examination of the three main phases of development.

2.2 West Cork LEADER Co-operative (WCLC)

Introduction

The West Cork LEADER Co-operative (WCLC) was established in 1991 in response to a call for submissions for funding under the EU LEADER I Programme for Rural Development. This programme was operated on a pilot basis from 1992 to 1994 within EU Objective 1 and 5b areas; during this time 17 LEADER Groups piloted the programme in Ireland. These 17 groups covered 61% of the total land area of Ireland and represented about 30% of the Irish population. This pilot programme aimed to promote an integrated area-based approach across numerous sectors at a 'local' level. A 'local' area was loosely defined as having a population of at least 5,000 and not more than 100,000 people. Therefore the programme aimed to improve involvement at local level in development and implementation of innovative strategic development plans. Administration of the programme by a locally representative public-private

organisation or partnership was stipulated (DAF, 1991). Such a partnership came together to develop a West Cork submission for funding under the LEADER I Programme. A group representing the agricultural co-operatives, a regional development agency, educational and agricultural & food authorities developed a local integrated area-based strategy and they sought assistance from the nearby University College Cork in the areas of research, analysis and compilation of the submission.

The objective of the WCLC, through the medium of the LEADER I Programme, was to develop and foster an environment and culture conducive to, and supportive of, local enterprise in West Cork. The WCLC endeavoured to initiate and support a variety of measures aimed at assisting local initiative, to maximise the development potential of local resources and to utilise these resources to satisfy specific market needs (WCLC, 1991).

This integrated area-based development plan identified major strengths within the region and devised a strategy to address the problems and meet the challenges facing the region. The main indigenous resources identified were based on the region's natural unspoilt environment and socio-economic profile. A 'quality food culture' and environmentally friendly tourism were identified as major strengths of the region and important contributors to the indigenous wealth in West Cork.

A local Development Strategy

West Cork has traditionally attracted visitors from Britain and Continental Europe as well as American and domestic visitors. It also had a long tradition of farmhouse and very small-scale food enterprises producing a wide range of the dairy, meat, fish and preserved products. There is a rich variety of entrepreneurs in the food sector, ranging from foreign nationals (most from EU member states) to long-established traditional enterprises (mainly co-operatives) and indigenous entrepreneurs setting up business over the last ten/fifteen years. This diversity of 'players' created a dynamic sector; however, it had been one that in many respects lacked a sense of 'sectoral' coherence or concerted action, although strong informal groupings existed. The West Cork Rural Development Plan submitted for EU LEADER I funding stated: "*The major thrust of the overall strategic plan for West Cork is to organise these producers*

so that they are capable of exploiting indigenous resources through target marketing thus making optimum use of resources. The sectors identified were: Rural Tourism, Craft, Fisheries and Agriculture” (WCLC, 1991:37). Strengthening product identity was the central objective of this development plan, *“with the long term objective of establishing a West Cork Brand”* (WCLC, 1991:37). The establishment/strengthening of sector organisations was the first tentative step towards this long-term goal. A West Cork Tourism Co-operative had been established during the late 1980s; however, by the early 1990s this had lost momentum and, as noted above, no umbrella organisation brought together the diverse food interests in the region. Thus the sector lacked the ability to build on its collective strengths in a concerted manner.

The Role of West Cork LEADER Co-operative

The West Cork LEADER Co-operative (WCLC) was formed in 1991 by an alliance of those organisations⁴ that had jointly prepared the submission for EU LEADER I Programme funding. WCLC was formally registered as a Co-operative under the Industrial and Provident societies Act 1893/1978 on the 3rd of January 1992. The objective of the WCLC as stated in Articles of Memorandum committed the organisation to *“engage in, promote, combine, co-ordinate and integrate the protection, development, management, marketing, use, enjoyment and benefit of the resources of West Cork on an integrated basis for the common good of the area and in particular with a view to the creation of employment and wealth, financial, cultural and otherwise”* (WCLC, 1994:2). A board of directors representing sectoral and geographical/community interests in the region was formed and this was supported by sub-committees and a professional management team.

The West Cork LEADER Co-operative focused primarily on Tourism and Food sectors; in total 76% of total LEADER funding⁵ was invested in these sectors under the LEADER I programme (49% and 27% respectively). In addition much of the expenditure under other measures was tourism or food related. It is estimated that a

⁴ South Western Farm Services Ltd. (represented the agricultural co-operatives and also had considerable tourism interests), West Cork County Development team (a regional development agency), the West Cork Educational Institute for Rural Development (representing the vocational educational authority) and Teagasc (the state agricultural and food authority).

⁵ WCLC was awarded IR£1,910,000 in funding under the EU LEADER I Programme for the period 1992-1994; of this amount funding totalling IR£1,703,498 was invested as direct grant aid and the remainder as a contribution (75%) to overheads and administration costs borne by the WCLC over the life of the programme (WCLC, 1994:1-2).

further 3.3% and 6.2% of total funding under technical support (47% of total expenditure under this measure) and training measures (69.3% of total expenditure under this measure) were invested in these sectors (WLCL, 1994). Initially most progress was made in the tourism sector and this was spurred on by the publication of a development strategy - "Tourism in West Cork - A Strategy for Growth". This plan *"presented a blueprint for the strategic market-led development of the Rural Tourism Product"* (WLCL, 1994:15) and laid the basis for the revitalisation of the waning West Cork Tourism co-operative, reconstituted as the West Cork Tourism Council. This council pursued a 3 year marketing programme, which included branding a sign-posted route and attractions (using the Fuchsia flower symbol) and this was supported by a comprehensive Tourism Training Programme. A Tourism Training Partnership delivered the latter; this included public and private training organisations and represented regional tourist interests (WCLC, progress report 4:5). In the food sector the WCLC established The West Cork Food and Alternative Farm Enterprise Partnership *"to put a framework in place for the development of the West Cork food sector in assisting current and future projects"* (WCLC, progress report 4:4).

It is significant that the final progress report of the LEADER I programme focused attention on the activities of the West Cork Tourism and West Cork Food/Alternative Farm Enterprise Partnerships, stating that: *"Both structures have made a significant contribution to the respective sector in which they are involved. We are confident that both structures have an important role to play in the economic development of these industries in the future"* (WCLC, progress report 6:1).

These "Key Sector Partnerships" were central to the formulation of the development strategy submitted by the WCLC for funding under the EU LEADER II Programme (WCLC, 1995:1). This submission for funding stated: *"The development of high quality goods and services, utilising the region's key resources to satisfy specific market needs shall remain a priority"* (WLCL, 1995:4). In the tourism sector the submission proposed a marketing strategy to position the region *"as a distinctive nature-based activity holiday destination"* (WCLC, 1995:16). Three distinctive elements in the development process were set out – project predevelopment, new product development, and market and promotional support. The strategy proposed: *"The mechanism for the delivery of these marketing supports will be the West Cork*

Tourism Council. ...Using the services of the West Cork Tourism Council will allow the branding of printed promotional literature and routes, with the fuchsia logo, continuing a strategy that was devised in the Pilot Programme” (WCLC, 1995:19). Similarly the food sector development strategy aimed to add value to local produce and achieve maximum returns from the marketplace and stated: *“The West Cork Food Partnership is a joint public/private sector initiative designed to provide a framework and environment for the successful development of new and established food products”* (WCLC, 1995:21). WCLC also aimed to provide a wide range of marketing supports for small food enterprises and proposed to *“further strengthen the identity of local produce by instituting a West Cork Quality Brand, adopting the fuchsia logo used to identify tourism products in the region. The objective is to create a distinctive identity within the marketplace and to make the West Cork name synonymous with quality food production”* (WCLC, 1995:22).

Indeed the regional branding initiative became a central development programme during the lifetime of the LEADER II Programme (this operated from 1995 to 2000); for example, the manager’s report in the 1997/98 annual report identified the development and promotion of Ireland’s first Regional Brand as foremost amongst the achievements of the year. He also highlighted the integral nature of the initiative to the LEADER funded Development Strategy: *“Many of the year’s developments were closely tied to the Regional Branding initiative, such as the comprehensive Tourism Training programme and the HACCP⁶ food programme”* (WCLC, 1998:3). Similarly the programme manager stated in the 1998/1999 annual report: *“The integrated nature of the Brand strategy, as well as the capacity of the brand to garner significant support from local enterprise and the general public alike, remains a formidable achievement. Whilst the development of a branded identity for the West Cork Region was identified as a key objective in the LEADER II development strategy, few of us involved could have envisaged its current scope and strategic value to local enterprise development”* (WCLC, 1999:3). The Fuchsia Branding initiative benefited from significant funding under the LEADER II programme; in all an estimated 38% (48% of total project investment) of total programme expenditure was invested.

⁶ HACCP –Hazard Analysis Critical Control Points- is a quality control system.

This investment is likely to continue under the next phase of public development programmes. The Fuchsia Brand initiative was central to the WCLC submission for funding under both the EU LEADER+ and National Mainstream Rural Development Programmes (2001-2006): *“To enhance the region’s productive potential through the effective use of the unique identity and character of West Cork..... Based on the resource potential of the region and the successful development strategies employed to date, the priority theme proposed for the LEADER+ programme is the use of know-how and new technologies to make the products and services of rural areas more competitive. The proposed thematic approach will utilise the strong regional identity, culture and environmental values of West Cork, Lee and Owenabue Valley areas to achieve territorial competitiveness and enhance local competitive advantage. The theme comprises three complementary and mutually supportive elements. The further development and marketing of the West Cork Regional Brand, the enhancement of the natural, built and cultural environment of West Cork, and the development and application of new technologies in West Cork”* (WCLC, 2000:47).

Therefore, not only is the Fuchsia Brands a West Cork LEADER Co-operative initiative but it also forms an integral part of WCLC’s development framework. While this research addresses networks of small food enterprises and collective branding, the origins and to an extent development and competitiveness of the Fuchsia brand rely on synergies created between the tourism and food sectors. Therefore, it is necessary to track the involvement of both the West Cork tourism and food sectors in the Fuchsia Brand initiative.

2.3 Fuchsia Brands: Predevelopment - Phase 1; 1991-1994

The WCLC role in building organisational structures at both community and sector levels during the LEADER I period is evident from the brief review above. The aim was to mobilise and harness local resources and initiative (WCLC, 1994). It appears that the first significant steps were made in the tourism sector. This sector had an established representative body at regional level - The West Cork Tourism Co-operative – however, as reported above, this co-operative was somewhat stagnant and required a fresh approach: *“West Cork Tourism... I should say that we set up a co-operative as well, that we tried to get people representing the industry together to try and start making decisions in relation to marketing and that drifted along. ... there was a need for some new impetus to come into the thing”* (FR1). An initiative to

develop and promote the tourism and food sectors through an integrated regional branding strategy provided such an impetus. The many interdependencies between these sectors and their mutual dependency on the regional environment provided a basis for exploring such an initiative: *“Food is a very important sector and then there’s the environment, you know. And I felt that if we were able to really do something strong for the region and to get money into promoting tourism and promoting the region we had to bring some other sector along with us, ... there had to be integration, that any one sector on its own wasn’t going to provide the kind of level of economic activity and the profile for the region that was going to sustain it, they weren’t going to do it individually”* (FR1). There is a general consensus that the complementarities and the common dependence on the natural environment across both sectors was fundamental to the development of the common branding strategy; for example: *“the food and tourism sectors were complementary and they had a number of characteristics that ... could be seen as being common to both.... Environmental quality and purity were important”* (FR2). Similarly WCLC reports and strategic documents highlighted and proposed the common branding concept. However, there was little joint activity between the two sectors during this period; rather, effort was focused on building organisations at sector level. Generally speaking, much more progress was achieved within the tourism sector. This appears to have been due to the prior existence of the West Cork Tourism Co-operative for which the LEADER programme provided the resources necessary to revitalise the organisation and stimulate activity.

The WCLC, as indicated above, played a central role in the development of the West Cork Tourism sector during the 1990s, particularly with regard to the development of a common identity and brand. A number of specific principles can be identified from an analysis of activity during the LEADER I programme:

- Use of the Partnership Approach (WCLC, progress report 2)
- Strategic Development Plan (WCLC, progress report 2)
- Implementation initiated by a Task Force (WCLC, progress report 4)
- The formation of a West Cork Tourism Group/Council (WCLC, progress report 5)
- Training to ensure the provision of quality services (WCLC, progress report 5)

The Tourism Council, with the support of WCLC, implemented the strategic plan; this included the selection of the fuchsia flower to symbolise West Cork. The fuchsia flower is a vibrant colourful flower that grows wild profusely throughout the West Cork countryside. This symbol was used on all promotional material and on road signs in West Cork. Other significant developments included the establishment of a Tourism Training Partnership and tourism fora. The former was instrumental in reinforcing ‘a quality ethos in the tourism sector’ (for example the delivery of customer care training programmes) and the latter strengthened industry participation and facilitated dissemination of information and reports – three such sector fora were held during the LEADER I Programme.

Progress in the food sector appears to have been somewhat slower than that achieved in the tourism sector, largely due to the diversity within the sector and lack of any overall representative organisation. While individual projects were supported and the stated objective was to “*promote the concept of West Cork as a reliable source of quality food*” (WCLC, progress report 2:3), no concerted actions were reported until the establishment of The West Cork Food and Alternative Farm Enterprise Partnership (in WCLC progress report 3). This Partnership was established by WCLC to encourage entrepreneurial activity in the area of food and alternative farm enterprises. The partnership represented both public and private sector interests including local agricultural co-operatives, local representatives of the Irish Agriculture and Food Authority (Teagasc), University College Cork and WCLC. The group members made available resources within their organisations to people who wished to research projects and ideas that had potential for job creation and contributed to the further enhancement of the region’s image as a producer of fine and quality foods.

This Partnership played an active role in stimulating collective/sector based development programmes. This was achieved by a combination of projects such as an annual trade fair organised in nearby Cork city, which provided food enterprises with a meeting point for discussion with not only buyers/prospective buyers, but also with each other. The provision of a food centre containing four small food production

facilities constructed to EU food processing standards is another example of the partnership's supporting role (AEIDL, 1997).

Thus these partnerships were not seen as an end in themselves, but rather a means to the development of a regional identity and the commercial use of this image. In this respect the activities of these partnerships proved to be a learning experience under the LEADER I Programme. On this basis the WCLC focused on specific development strategies under the LEADER II Programme - particularly through the development of 'A Regional Branding strategy' that built on the activities of both the food and tourism partnerships established under LEADER I and sought to integrate various aspects of their development strategies.

2.4 Fuchsia Brands: Development - Phase 2; 1995 to (February) 1998

While the pre-development phase established structures for sector development, it did not yield a clear vision of what the 'regional brand' should encompass or the organisational linkages required. Rather, it pointed to a general strategy that found expression in the strategy pursued under the LEADER II programme: *"We looked at the structures, they were of fundamental importance. ... [But] it was a bit woolly. It was a combination of representatives in the food sub-committee, West Cork tourism and LEADER"* (FR1). With regard to a unified vision respondent 2 stated: *"I know that if you go right back to the application that was made for LEADER I there was some talk about a West Cork brand, but I don't think there was any kind of sense as to what that actually meant or what it comprised of"* (FR2).

The development phase largely consisted of discussions both within and between sectors. These discussions aimed to further define the 'concept' and devise operational structures and procedures. However, much initial work seems to have primarily involved concept dissemination and garnering interest and support. Respondent one emphasised the level of discussion with various commercial interests during this phase: *"This was a new concept. ... And people were saying to us 'Where can we see it? Where has it been done before? And we're saying we didn't know. It was never done before'"* (FR1). Similarly respondent two stressed the role that a series of meetings played: *"A lot of loose talking, and everybody agreed it was a good idea ...you know there was no sense as to what the mechanics of this thing were going to be [and lots of enterprises expressed the view that] 'This is all well and good but*

where is the model where this has been done before’... but one of the things that they did, in terms of those meetings, was set a development agenda and in parallel with the food people I had been having meetings with tourism people” (FR2). Many of the ‘founding members’ (such as FM3, FM4, FM26, FM33, FM34) referred to these meetings during interview⁷ and one clearly outlined the ‘conceptual’ nature of discussions: “I suppose the Fuchsia Brand strategy was a concept thrown out ... after talking and talking and listening, the concept was born. And certainly it has been a good concept, linking it with tourism, I believe it is a good idea” (FM33).

Therefore the ‘Development Phase’ included a gestation period where the regional branding concept was more clearly defined, as were operational measures. A number of key activities are evident;

- research, dissemination and promotion of the ‘concept’,
- the emergence of a ‘development agenda’,
- and the establishment of structures, membership criteria and financing.

The Concept

The active dissemination and discussion of the concept reported above was reinforced by market research and a ‘concept launch’. Taylor Nelson Sofres AGB were commissioned, in 1996, to carry out primary research on consumer perception of the ‘Fuchsia Brand’ concept. In particular the study sought to determine if it enjoyed a regional identity and investigate visitor attitudes and their images/associations with the West Cork Region. This study provided specific recommendations as to consumer awareness, logo design and future development and promotional strategies. This report was finalised in November 1996 and coincided with the launch of the West Cork Regional Branding Concept at the EU European Conference on Rural Development, November 1996⁸. This launch marked a watershed in the dissemination programme: *“We needed to prove that we could do this - that we had the where-with-all and we had a vision for how these things should develop. And effectively we spent a lot of money doing up backdrops and images and selling the wonderful pictures of local food and interesting posters of the landscape of West Cork and so on, and to try and synthesise the brand and show people exactly what we*

⁷ The next section (2) presents an analysis of the member survey results.

⁸ This international conference, attended by 500 delegates from European, North American and Asian countries, provided a high profile forum for this launch.

meant, and what we did was - you know we didn't have a brand at that time - we got all the local products we could that had a product locally. We did a display and we brought out an introductory brochure... it was the first effort to say well, what is this, what do we hope to achieve, where this thing is coming from" (FR2). This brochure set out tentative objectives of the Fuchsia Branding Initiative:

- "Develop a branded identity for local goods and services, both as an indicator of origin and as a symbol of inherent quality.
- Promote West Cork as a place apart, with particular emphasis on the environment, cultural and heritage resources of the region.
- Develop high quality goods and services, utilising the key resources of the region to satisfy specific market needs.
- Highlight quality local food produce from the region.
- Integrate the development and marketing of the Tourism, Craft and Food sectors to mutual benefit.
- Encourage the location and development of clean technologies and natural resource type economic initiatives in the region.
- Assist in attracting inward investment into the region".

Therefore, the Fuchsia Branding initiative encompassed a strong regional development focus; while tourism and food were key sectors within the region, the long term objectives sought to also develop new sectors such as IT⁹ and support other indigenous sectors such as craft.

Development Agenda

The evolution of a 'development agenda' is of fundamental importance during this phase and clearly marks the role of the brand in terms of development at enterprise and regional level: *"The idea was that whatever we would do on the brand it would follow a development agenda, while we could deliver all these [projects] individually and each project could stand alone, the brand was a particular way of making it*

⁹ While beyond the scope of this study it is interesting to note that a technology park has also been developed under the broader 'Regional Brand' banner. This park represents a third 'spoke' to the Fuchsia Brand wheel – 'a place to live' – this promotes 'good quality of life' within the region: "So the next phase of this thing was the technology park, you see, ... We want to promote the region on environmental issues – for tourism and food and the quality of life" (FR1) and "And the application of new technologies... the technology park.. it came from the Branding initiative ... the marketing of the brand, the West Cork identity and so on, the profile that was used is in terms of the quality of life factors" (FR2).

happen” (FR2). Therefore, while the strategy employed during the LEADER I programme sought to explore development possibilities and establish structures and procedures, the LEADER II strategy aimed to build on these and deliver an overall programme -Regional Branding - via the implementation of various sub-programmes or projects.

The relationship between the sub-programmes and overall programme is of particular interest, since it provided the development agency (WLCL) with a coherent rationale for funding specific activities/sub-programmes and individual enterprises applied to participate in specific sub-programmes that addressed their needs. Of particular interest to this study is the synergy that such a programme can offer and how this was realised – i.e. the rationale for the networking process and mechanisms. The experience of a Fuchsia Brands marketing manager supported this notion: *“If you just went out and said, ‘Look, let’s set up a producer group,’ and you know, I mean, people are always trying to do that, and they were falling apart and they had no focus...Whereas the brand was a focus for the them in terms of the ultimate objective, it was sort of the icing on the cake, to have a brand out there in the marketplace and the training that was going to go behind that and the practical commercial benefits that would come to your company as a result of that”* (FR3).

Structures and Finance

The West Cork Food Producers Association was established in October 1996 (AEIDL, 1999). This provided a forum for more focused discussion. The Tourism Council provided a similar forum for that sector. Both of these organisations provided a basis for moving forward and together with a quality committee, since the very essence of the brand was based on quality, they formed the basic organisational structure as presented in figure 1 above. These sector groups and the quality committee agreed overall objectives and membership criteria. A board of management representing both groups and WCLC was established to oversee the further development and implementation of the strategy. In tandem with these group meetings a marketing manager (FR3) was employed and, among other duties, he visited numerous enterprise managers who had already attended a number of meetings and discussed the initiative with them. As a result by early 1998 a cohort of food and

tourism enterprises had formally adopted the membership criteria and in association with WCLC established Fuchsia Brands Ltd; this was officially launched in February.

Given the establishment of clear objectives and an emerging strategy and organisational structure, various well-established commercial organisations were approached for sponsorship. A patronage deal was agreed with a select number of companies. These companies wished to be associated with the future development of the West Cork Region. This patronage was an important source of private matching funding to the LEADER funding invested in the Regional Branding programme, since 'public' LEADER funding could only support a proportion¹⁰ of the overall costs of any programme or project. The official launch of Fuchsia Brands Ltd together with a funded development programme began phase 3 – establishment.

2.5 Fuchsia Brands: Establishment - Phase 3; (February) 1998-2000

Phase 3 was a period of great activity. Numerous enterprise support projects that responded to specific enterprise needs were offered and each of these contributed to the overall development of the brand; for example, a HACCP training programme enhanced food enterprise quality control systems and thus assisted them in fulfilling the quality control programme membership criterion. The popularity of these programmes and other support measures increased dramatically as the initiative gathered momentum; for example, while only 11 food companies took part in the first HACCP training course, the second course was oversubscribed and, in all, four HACCP training courses were offered during the LEADER II programme. Enterprise managers after successfully completing this course then considered fulfilling other membership criteria and aimed to join the network. Furthermore, many food enterprises met each other for the first time during such courses or became better acquainted, thus forming the basis for future relationships within the network. A marketing officer identified two important outcomes of Fuchsia Brand activity: *“The logo represented two things. It represented the quality measures that we were putting behind it in terms of all the training and how the products were developed - handmade and all that and the ingredients used in them, etc. and the second one was the practical benefits of working together in a group. ... The amount of activity that*

¹⁰ 50% of the cost of generic marketing activities was funded by WCLC; the remaining 50% was supported by the patronage fund. Furthermore, WCLC supported all staff and administration costs.

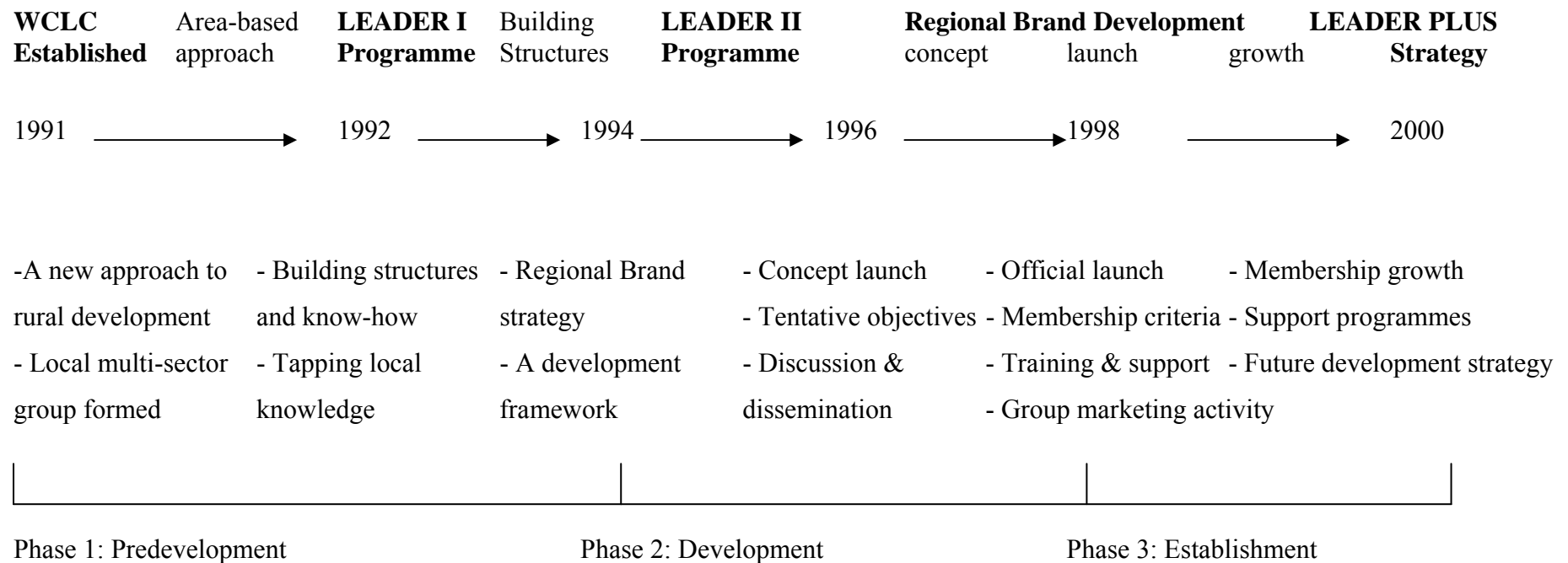
we were co-ordinating in a group of forty food producers and fifty odd tourism people for a few years was phenomenal” (FR3). WCLC supported numerous ‘sub-programmes’ that contributed to the establishment of a brand and network of enterprises during this phase; for example, 67% and 55% of total investment in the agri-food and tourism sectors, respectively, related to Fuchsia Brand activity. Similarly areas such as technical support and training provided strong support for the regional branding initiative with investment levels of 29% and 55% respectively¹¹.

2.6 Concluding points

This analysis of documentation and depth interviews provides some support for all three propositions and a number of underlying themes emerge such as regional identity, collective action and partnership, quality, resources, knowledge, synergy, and commercial and development strategies. However, due to the short operational period support for propositions 2 and 3 is rather tenuous, if not premature. On the other hand, given its recent establishment, this case offers an interesting insight into network establishment. In this case the main driver was a local development group and therefore their focus on enterprise development from a regional resource perspective has been a central theme. Therefore, the development of a collective resource that enhances enterprise competitiveness is a strong rationale for development agency activity. This strategy was based on indigenous resources and has emerged from a process of partnership and dialogue. In this sense the network is very much embedded in its local environment (proposition P2.3). The views of food producer member enterprises, including their reasons for joining and experiences to date, should offer a useful perspective on such regional networking initiatives. Section 3 below investigates network objectives and activity from the perspective of the food producers membership and further tests each of the three propositions forwarded. Figure 2 summarises network evolution and highlights key influences and events.

¹¹ Only projects that are directly related to the Fuchsia Branding activities or where beneficiaries were or became network members were included in these calculations.

Figure: 2: Fuchsia Network Evolution – Influences and Events.



3 Fuchsia Brands Member Survey

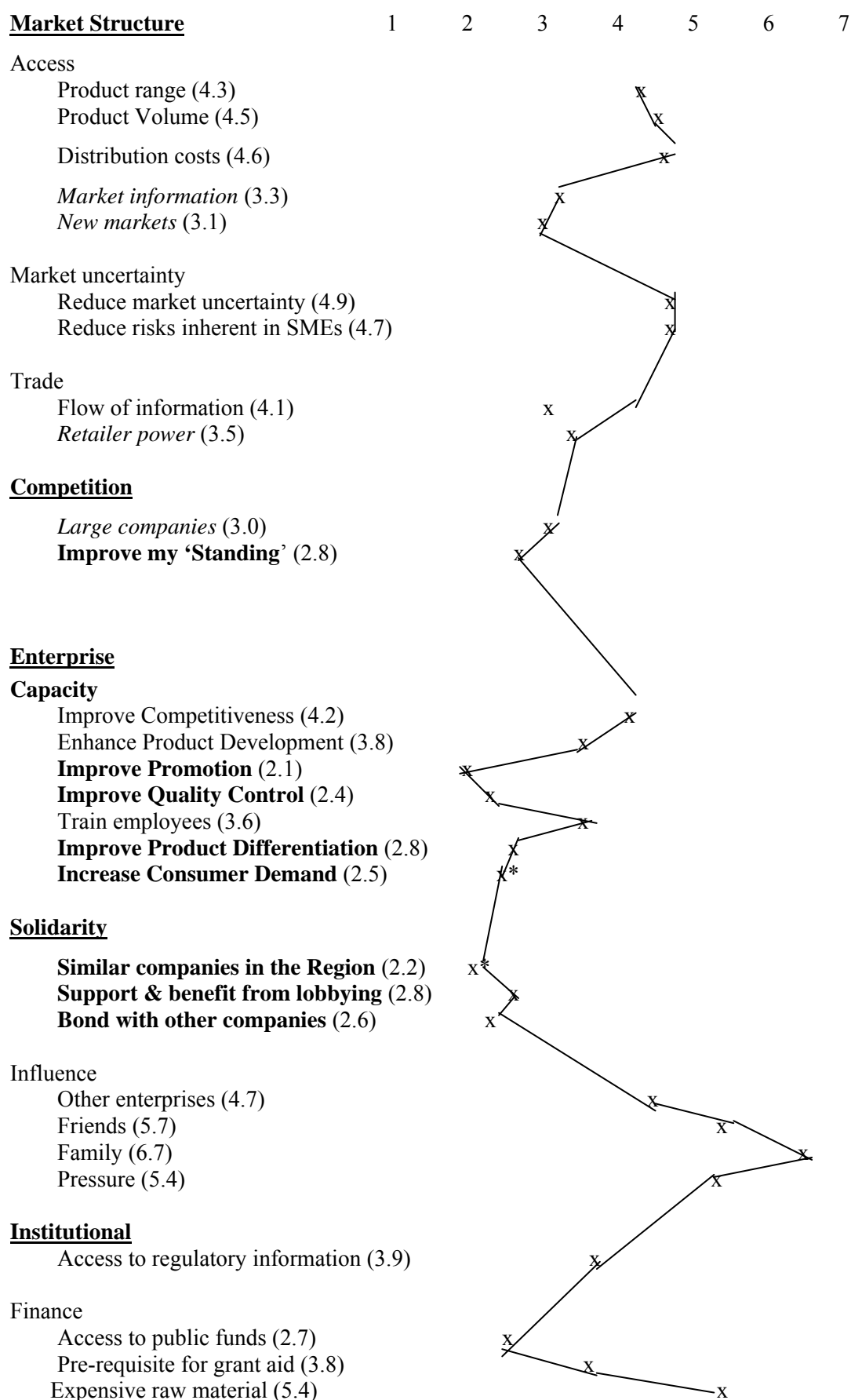
3.1 Network Antecedents

This sub-section explores the influence that resource issues have on an enterprise's decision to join a network. The underlying concepts explored were economies of scale and scope and market uncertainty. These issues are linked to resources and enterprise structure; however, the business environment may also influence resource availability and use. Finally the entrepreneurial characteristics, style and culture may also impact on access to and use of resources.

At the time of fieldwork there were 40 food enterprise members of Fuchsia Brands and all but 2 were interviewed – one of these enterprises declined due to an extremely busy schedule and the other was not very involved in the network. The latter, during a telephone conversation, stated that he had little or no involvement or interest in the network and intended to leave it since he preferred to work alone. This behaviour was also confirmed during interviews with the network manager and other members. Indeed, none of the members interviewed had any direct contact with this member. Annex 4 presents a profile of the member interview.

Network members were first asked an open-ended question as to why they joined Fuchsia Brands and how they learned about the network. The vast majority of enterprises learned about the network from WCLC. The key themes that emerged were – SME clustering, quality (systems and brand/logo), marketing (promotion and competitiveness), region and public funding. Following this discussion the respondent was presented with a list of twenty factors and asked to indicate (on a scale of 1 to 7, where 1 = very important and 7 = very unimportant) the importance of each to their decision to join the network. This section presents the findings according to statement category, as presented in Figure 3 below. The unprompted responses are of particular interest; these are also reported under the appropriate categories.

Figure 3: Antecedents to Fuchsia network membership



3.1.1 Market Access and Uncertainty

Access to new markets and market information were the main factors deemed important, whereas the membership were almost equally divided regarding the importance of product range, product volume and distribution problems/costs with about 40% finding these important, 40% finding them unimportant, and 20% indifferent. Most members did not join the network to reduce market uncertainty; however, retail power was an important factor for a number (55%) of members.

The majority of members (74%) joined the network to increase access to new markets. They typically referred to access to markets outside the region and/or access to multiple retail outlets, for example: *“As an expectation yes, because overall one thought that one would be able to access markets outside our immediate area” (FM23) and “Even then I saw problems with the supermarkets,.. it would have been central distribution and central billing actually” (FM22).*

The impact of large supermarkets on market access emerged as a recurring theme throughout the survey. This is particularly interesting since the UK based multiple Tesco had entered the Irish market in 1997 and a large symbol group (Musgraves¹²) was the first food retailer to introduce central distribution in Ireland (circa 1998). Two multiples (Tesco and Dunnes Stores) and two symbol groups (Musgraves and Spar) held a share of 90% of Irish grocery retail market (Collins, 2000¹³). This competitive environment featured strongly during discussions with virtually all members; for example, one member responded unprompted: *“When you see what's happening, we'd say, world wide, you know, and look at all the small shops being put out of business and eh... the old framework that is gradually disintegrating, if you take a supplier, it weakens it to crossroads shops, you know, because of the role of central distribution. So it makes it very difficult to maintain competitiveness, but then there are other ways around that and of course one should always look at the opportunities and maybe here with Fuchsia Brands, we'd have an opportunity and we have a role to play” (FM33).*

In total almost half of all respondents (unprompted) mentioned marketing as a reason for joining the network; however, many of these referred to promotional and other activities

¹² Supply Supervalu and Centra symbol groups stores

¹³ Collins, A. (2000) “Developments in Food Retailing” in Agrifood 2010, Annexes, Department of Agriculture, Food and Rural Development, Dublin.

related to enterprise capacity. Of those who mentioned marketing, one third specifically referred to distribution problems and in particular problems associated with large retail groups, for example: *“to increase our bargaining power when trying to deal with larger multiples and basically to operate with a bit more help when dealing with the retailers at any level”* (FM3) and *“if you're approaching some multiple ... you mightn't have much power, but if they see you as part of a group that they think is growing and developing they might take you more seriously”* (FM14).

Most of the members who did not identify retailer power as an important reason were either well established in certain retail outlets or only supplied speciality outlets/direct sale to final customers and therefore had a strong relationship with them, for example: *“[We supply] the smaller retailers that you can go into them, it's more personal... I mean we haven't really gone into the bigger ones we were talking to them you know but we're not interested at the moment under central distribution. Because they cut you completely in the sense of price”* (FM16), similarly another member stated: *“We didn't want too big a market outlet because we couldn't cope”* (FM18). However, some members supplying local markets hoped that membership of the Fuchsia network would provide access opportunities into new outlets such as supermarket chains, and thus considered retail power important: *“I suppose when we joined it wasn't a major thing, because we were kind of covering our customers, but we were hoping it would be a big help [in the future]”* (FM8).

The majority (66%) of respondents identified access to market information as an important factor, with 53% indicating that ‘limited flow of information from the trade’ was an important factor. However, only 39% and 37% identified uncertainty and ‘reducing risks inherent in SMEs’ as important factors influencing their decision to join the network. While a number of members hoped that the network would provide a market research and information service, many also hoped that information would be available from other members through networking and that the network staff themselves would provide a ‘sign-posting’ service to a range of information resources, for example *“Well I suppose I did go in thinking about it, that, you know, the more people I could speak to about small businesses the more information I could get”* (FM28).

Those respondents who did not consider access to information important referred to other sources of information and especially their contacts in the marketplace, for example *“Very limited in the line of Fuchsia Brand but we do have lots of people who write to us and tell us about our product and how they enjoyed it”* (FM13). Therefore, those enterprises who engaged in direct delivery to retail outlets and/or sale to final customers did not find this an important factor. However, some of these were also wary of maintaining such contacts in the marketplace, for example: *“Well, see we have direct contact ourselves with all our customers, so I mean, I think if we lose that you need someone to like Fuchsia to keep us informed”* (FM16). Most members did not think it possible to ‘reduce market uncertainty’; however, many acknowledged the possible role of the network, for example: *“Well, I wouldn't say to reduce market uncertainty, but maybe to make it a little more certain that I'd retain the market I had”* (FM24). Uncertainty with regard to decisions at retail level often came to the fore, for example: *“So the big thing there would be supermarkets now, because a lot of our shops would be Musgraves - I mean Centra, Super Valu - so with the central billing coming in, we don't know what will happen”* (FM8). Networking between members emerged as an important aspiration for a number of members: *“It probably could help you understand the market more and the problems by listening to what the other companies have had to face”* (FM14). Furthermore, some members had traditionally relied on an informal network of speciality food producers, for example: *“That's a difficult one, because a lot of my market has come through my working with the small farmhouse cheese makers. We're coming from the same space. A lot of the market is a consequence of them saying to their buyers, why don't you try [FM26's] product, we like it. It's my peer group that have created a lot of market for me”* (FM26).

Of those members who identified the factors ‘wider product range and greater volume’ as a reason for joining the network, most thought that it would improve access to the larger supermarkets and improve promotional activity, for example *“if you could have a stand in Selfridges in London or somewhere like that, a group could do that better than an individual enterprise”* (FM38). Joint marketing campaigns were typically linked to regional imagery and quality issues, for example: *“I've always been interested in regional produce; I think promoting a region as such is a really good idea. If you've ever been to Sial [major international food fair] in Paris and you've seen the regional stands there, where you have these wonderful displays of eggs and pates and cheeses and the whole image is bright, really delicious”* (FM25). Similarly some members hoped to get

involved with joint promotions with others through the network: *“I mean if we were associated we could do a promotion with a cheese company, that kind of thing. That would improve our profile”* (FM38).

Competition

The ‘SME cluster’ theme continually emerged during interviews, particularly in relation to promotion (this is discussed further below), but also in the context of market structure and competition. Sixty two per cent of respondents identified ‘to allow small companies to compete with larger companies’ as an important factor influencing their decision to join the network and 79% hoped that the network would improve the ‘standing’ of their enterprise when dealing with other organisations (such as suppliers, buyers, government departments, banks). Most of those who did not think that the network could improve their competitiveness against larger companies stated that they did not compete with larger companies. This normally meant that they did not compete directly on price. Furthermore, most of these members did hope that the network would play an important role in promoting and differentiating their product in the marketplace, for example: *“I’d say, yeah, because they’re promoting it all the time. So I suppose keeping our product in the view of the consumer and emphasising quality. ...[But] I mean price wise, you can forget about competing a lot of the time, but I suppose the rest, I mean, you gain in other things”* (FM16). Similarly most of those who agreed with the statement also expected the network to promote and differentiate their product from that produced by large companies, for example: *“That would’ve been an important one... in the sense that I felt I had something extra with that Fuchsia Brand label... While I still have been that bit more expensive, but that I had something extra to offer as a small company that the larger company hadn’t”* (FM24).

Members generally hoped that membership of the network would improve their standing in the business community due to group strength and brand profile, for example: *“You know, I mean small businesses they’re so fragile that you need some sort of, I won’t say a quality mark, but some sort of standing that people can recognise, I know that Fuchsia wasn’t recognised that much by the general public, say when I first started, but it had so much potential”* (FM28). Some members referred specifically to HACCP as improving their standing with buyers: *“I mean as soon as I got past the HACCP training and got my*

recognition and I told my customers immediately that I was a member of the Fuchsia Branding and I just felt proud of the fact that I met the criteria, you know” (FM6).

Therefore, most members linked group activity and quality/profile to market structure factors, for example: *“I thought it would be a big force in the marketplace if there was a group there” (FM26)* and *“Fuchsia took the initiative in promoting the area, West Cork, as a source of high quality foods, by use of the Fuchsia logo, so that suited us and we jumped at it” (FM37).*

3.1.2 Enterprise Capacity

Factors improving enterprise capacity were among the most important reasons why enterprises joined the network, in particular promotional activity and quality control systems. Many members linked joint activity, the region and quality produce: *“I think the concept of getting high-quality food processors together under one umbrella is good, and the original idea was obviously to promote that umbrella and the Fuchsia brand to everyone concerned not only within the county but nationally and even internationally. And of course we felt that this would be a substantial help to us because if the brand could be recognised as a quality brand then people would come to recognise anything with a Fuchsia Label as a quality product, which we are” (FM23).*

Promotion

As reported above, 45% of all respondents, unprompted, mentioned marketing as a reason for joining the network; one third of these specifically mentioned promotion, for example: *“The main thing that attracted me to it was the possibility of being able to provide marketing that I wouldn't have been able to afford myself” (FM9).* It is interesting to note that a number of the more recent members (joined within the last 12 months) were attracted by the level of publicity and promotion that the network was engaged in, for example: *“I suppose the recognition. You know the publicity, you'd often see things on the paper, the Fuchsia Brand, the marketing. And any assistance at all they could give us in relation to marketing and product promotion and that kind of thing” (FM7).* While other members clearly linked the concept of regional image with their promotional strategy, for example, *“And so it just fitted into the image we were after ... Well, I suppose the main thing that I thought it would deliver to me would be the identity of a West Cork rural*

company which really fitted our product profile” (FM4). Indeed the ‘regional theme’ linked to joint activity, image and promotion was mentioned, unprompted, by 21% of all respondents, for example: *“Yes, I hoped it would highlight the importance of environmentally good food, pollution-free food”* (FM27) and *“What really is an aspiration for the brand would be that obviously it would give us an identity with the region of West Cork. People would see West Cork as an area that is purely farming and food and a very, very clean environment, no heavy industry whatsoever. You have, you know it being on the coastline, the Gulf Stream. People would be drawn towards the conditions here to grow food in a very natural way. Obviously the product from that would enjoy an image, and obviously [we need] to build that image up and the perception of the consumer..”* (FM34). Thus for some members clear links with the regional environment were of significant importance.

When presented with the 20 possible factors, those linked with promotion were identified as important reasons for joining the network by the vast majority of members – promotion (90%), ‘increasing consumer demand’ (74%) and product differentiation (74%).

Quality

The above analysis emphasises the importance of product quality and differentiation; thus it is not surprising that 39% of all respondents, unprompted, referred to quality factors as a reason for joining the network. This in turn was also linked to promotion and regional profile, for example: *“Well I suppose it’s a quality market. It’s recognition of a locally produced quality product.... The Fuchsia puts the quality stamp on it, you know, it stands for something and on our promotional leaflet there [respondent indicates] we outline why it’s a different product”* (FM29). The availability of a HACCP training course was one of the key drivers prompting enterprises to consider joining the network; this in turn often introduced enterprises to the regional branding concept and to other members/prospective members, for example: *“There were also [respondent also mentioned promotion] aspects like that we talked about at the time, you know, the idea of co-operation in the areas of quality development and introducing HACCP and getting funding to put a HACCP system in place and, you know, elevating the whole quality status of the product we were producing”* (FM3). Indeed a number of respondents linked funding support to undertaking HACCP and other training programmes, for example: *“Financial support was a key one and you know, all types of supports really on the quality side of things and*

technology side of things.” (FM36) and “*Well, it was to bring us up to speed with HACCP, IT skills, marketing*” (FM20). Indeed 84% of respondents identified quality control systems as an important factor influencing their decision to join the network and 61% identified training. Furthermore, training and standards were deemed to be a prerequisite for networking by many, for example: “*To have some support from them and the whole thing made sense to me so that - especially the small producers - should have a certain standard and should join, you know, kind of the group thinking*” (FM10).

Joint Activity among SMEs

It is evident from the above analysis that most members were interested in joint activity; some 45% of all respondents, unprompted, referred to such activity as a reason for joining the network, for example: “*Well, I suppose it was having the West Cork logo and having all the companies together and coming together. Finding out things, meeting of the small businesses with the Fuchsia Brand. You'd learn a lot from that*” (FM16) and “*I thought that the idea of clustering together knowledge, resources, and capitalising on the advantages we had in West Cork above other areas and just to highlight the advantages that we do have as a region, made a very good idea*” (FM15).

This interest in networking with other food SMEs from the region is borne out by responses to the importance of factors such as ‘solidarity with similar companies in the region’ (90%), ‘to support and benefit from lobby efforts’ (76%) and ‘a strong bond with other food enterprises from this region’ (78%). A certain comradeship was evident among many enterprises, for example “*Yeah, you'd stick together. I mean that's what Fuchsia is about, sticking together*” (FM16); “*We want to stand together as far as food problems are concerned*” (FM28) and “*You might be in competition, but you can say, 'What can we do together to help the overall case' and you go back out the next day and you're still competing with that person, you know?*” (FM2). Sharing of common experiences was important for many enterprises – for example “*We started off in our own kitchen, you know so its good to join up with others who have gone through the same process, or similar maybe*” (FM8) – while others considered the diversity of firms in the region a barrier to such interaction in certain areas; for example, when asked if they had an expectation of ‘group purchasing’ one respondent replied “*I never thought that was possible really. Everyone has such diverse requirements*” (FM25). The diversity of

companies in the region and within the network emerged as an underlying issue for a number of enterprises – this issue is dealt with further below.

The main reasons for interaction were information, learning and problem solving, for example *“Yeah, there is something you can learn from other companies”* (FM21). A number of members hoped that some joint activities would be organised for sub-groups such as: *“Well, that they might have sort of a forum or something on specific areas, you know, where they would get all the same people doing the same [product] lines in together and say, well look, ‘can we do something’?”* (FM19).

While the vast majority of respondents first heard about the network from the WCLC’s strategy development and dissemination programme, many also discussed it with other entrepreneurs in the region. The more recent members benefited from the experience of those enterprises that had already joined, for example: *“I was speaking to a few people.. I suppose the main thing is the marketing side of it and the information”* (FM12). As noted above a number of ‘recent members’ were also attracted by the network’s promotional activity, for example: *“Some suppliers were carrying this logo, and there were articles written in the newspapers, etc... and then I got interested”* (FM10).

The early members also discussed it with each other and particularly within the context of meetings organised by WCLC – as discussed in section 2 above. These meetings and more informal discussions were important, in that a number of enterprises came together and decided to establish the network in association with WCLC and other institutional bodies. This is reflected in the comments of WCLC staff, such as *“Looking back on it, we put a huge amount of time into it. ... There was a momentum there. There was a real conviction”* (R2). The member survey also supported this interaction, but most respondents also emphasised that it was very much an ‘independent’ decision, for example: *“Yeah, the initial interaction. It wasn’t the main factor. I made my own mind up, but certainly, you know, it’s easier if you’re sitting around a room and most people are nodding as well”* (FM15).

The degree of informal networking among the food enterprises appears to have played an important role. Two general ‘informal networks’ can be identified: one revolved around the linkages between the agri co-operatives and generally included the larger and longest established enterprises. The other revolved around the smaller enterprises that were

established during the 1980s and early 1990s. It appears that these informal networks influenced enterprise propensity to network; in particular the smaller enterprises had over the years developed close personal and business ties. While a number of respondents referred to this, especially meeting at fairs and other informal activities, only one member spoke (unprompted) in any great detail about the evolution of ‘networking’ between these firms. A very brief extract illustrates key developments: *“You see even previous to any official organisation, in the early days - now I’m talking way back now from 1989 and up to say ’96 - we were being kind of melded together as a group anyway. We used each other for information etc. And we used to meet at speciality food fairs... there was always an informal group, but the informal group tended -say in the early years- to be really fairly small producers”* (FM9). Further evidence of ‘informal networking’ was uncovered when discussing levels of interaction with other members – this is dealt with further in section 3.2 below.

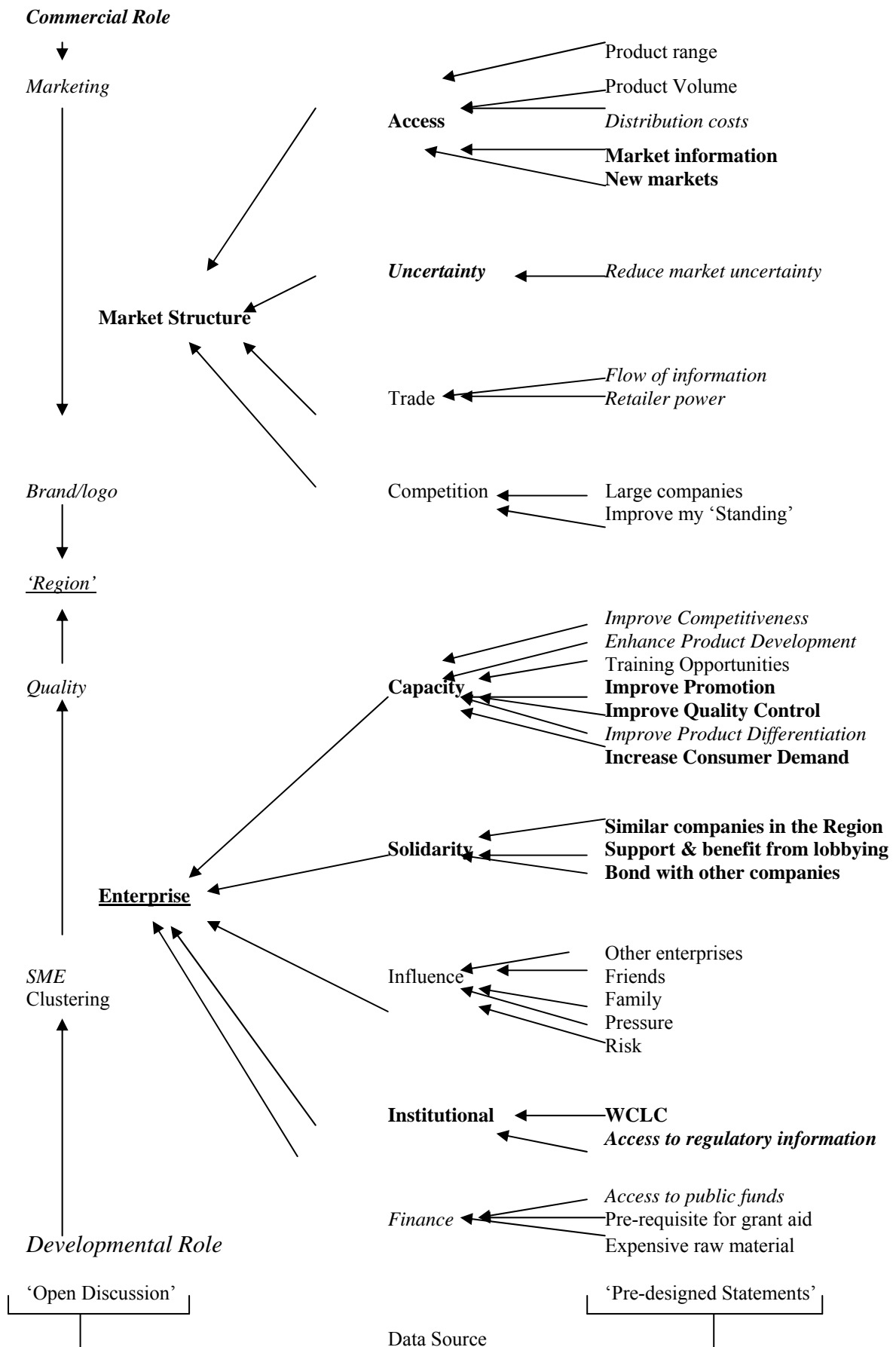
Therefore, while a certain level of interaction existed between enterprises, more formalised co-ordination was required, as was the need to ‘merge’ both informal networks. On this point it should be noted that interaction (mainly at food fairs) between the co-operatives and the small food enterprises was also referred to by a number of members. There were mixed views as to the future of such a diverse group – these are further discussed in sections 3.2 ‘interaction’ and 3.3 ‘performance’ below. However, there was some consensus as to the need to support ‘regional produce’, for example *“I love the fact that the big companies are in there as well as the little ones, I like that, that’s very refreshing”* (FM1) and *“I find it very difficult looking at it sometimes the way it [regional branding] is done here now and Fuchsia, I wasn’t going to join because I found it is too diverse, even though I really do see that you’ve got to go with what you’re dealing with, and what you’ve got with these type of products in that are made here West Cork, but then they are very diverse”* (FM25) – although there were also some dissenting voices.

3.1.3 Concluding points

The above analysis suggests that WCLC was the main driving force behind the establishment of the Fuchsia Brand network, particularly with regard to its role as a catalyst and co-ordinator. There was also a latent propensity to network among many SMEs, this seems to have been nurtured by informal networking (particularly among the

smaller enterprises), a general but vague identity with a West Cork region and a belief in the important role of its clean environment in the production of food. This is evident from the unprompted remarks of the membership, with 45% of them referring to the advantages of SME interaction and 21% of them specifically referring to regional strengths and profile. These unprompted reasons for joining the network support the proposition that SMEs seek economies of scale and scope through networking, particularly with regard to lack of resources for marketing and enterprise development. These themes (SME clustering, quality, marketing and region) are supported by the (prompted) factors identified as most important in influencing enterprises to join the network (figure 8.3 above), the most important being promotion, solidarity, quality control, increasing consumer demand and a bond with similar enterprises in the region. In addition public funding played an important leveraging role and provides a tangible example of ‘institutional’ support. Figure 4 below provides a summary of the influence of the key antecedents and the themes identified; the contributory sub-factors that were investigated are also included - the bold typeface sub-factors are those supported by strong evidence, with other less important factors (weaker evidence) presented in italic typeface.

Figure 4: Antecedents to Fuchsia network membership – main themes



3.2 Network Structure and Process

This sub-section explores the influence of internal and external factors on network structure and process. WCLC has influenced the evolution of the network, its structure and decision-making processes. However, as indicated above, many of the enterprises were embedded within more informal networks that have in turn been influenced by their institutional and socio-cultural environment. This in turn may influence their behaviour and the network structure. The influence of three specific characteristics is explored below: firstly, the degree of differentiation and interaction between members; secondly, the intensity and complexity of interaction; and thirdly, environmental embeddedness. The impact of network activities and member interaction on network performance and on network governance/coordination are dealt with in the next section (3.3).

3.2.1 Degree of differentiation and interaction between actors

The above analysis of network antecedents highlights some diversity among the membership. However, when asked if they thought that they had similar goals compared to the other members 85% of respondents agreed; only 2 respondents were unsure and a further 2 disagreed. In general members felt that they shared similar experiences with most other members, for example: *“Well, we have... We're all on the same road like, so yeah, I would agree with that”* (FM28). The same respondent acknowledged the membership of a few larger enterprises, but viewed this as an advantage. *“There were a few big ones alright. But then that was ideal because it gave you an ideal insight into the way they did business. ...And I wouldn't have any problem with it, but I could see a few were sort of [uneasy], but I mean the vast majority of them are only small ones like ourselves, and I mean, you get on fantastic”* (FM35). While such comments were generally representative of the membership view, a number of those who agreed that they had common goals with other members qualified their response stating that they had with some but not all and one respondent replied *“One or two, not all of them”* (FM25).

While such general commonality was reported, the diversity among the membership continually featured throughout the interviews with members. In the main WCLC appeared to provide a central co-ordination role and forum for discussion and

interaction among members. Therefore the level of interaction within the network is of particular interest – the impact of ‘member diversity’ on operations and in particular on network governance is further investigated under section 3.3 below.

Interaction between network office staff and members (irrespective of who initiated the contact) and bilateral contact between members are useful indicators of network activity. Level of interaction was classified as follows;

- interaction with the network co-ordinating office
 - very significant (***) weekly or more often
 - significant (**)
 - less than weekly and up to twice per month
 - not significant (ns)
 - less than twice per month,
- and bilateral interaction with other members¹⁴;
 - very significant (***) > 8 members (>20% of membership)
 - significant (**)
 - 4 to 8 members (10 to 20% of membership)
 - not significant (ns)
 - <4 members (<10% of membership)

Over the preceding 12 months 66% of members reported at least fortnightly contact with the office, and of these half were in weekly contact. Of the remaining 34% only 2 respondents reported no contact with the network office. Phone and meetings were the most important means of contact and all members discussed business/marketing issues, while 27% reported discussing technical issues. There was also quite a lot of interaction between members¹⁵, given that the network was only formally established for 3 years, with 61% of respondents¹⁶ involved in ‘significant levels of bilateral interaction’ –16% percent were classified as involved in ‘very significant’ levels of interaction and 42% were involved in ‘significant’ levels of interaction. Only one respondent reported no interaction with other members.

¹⁴ Only confirmed (by both members) bilateral contacts were analysed.

¹⁵ Respondents were asked to indicate direct contact with other members, other than that organised by the network office staff, e.g. at network committee meetings, etc.

¹⁶ n=36 since 2 very recent members (joined less than 6 months when field-work was conducted) did not answer this question.

The extent of bilateral contact distinguished founding/early members¹⁷ from more recent members. A significant relationship ($\chi^2=10.207$, $df=1$, $p=0.04$) was found between when the member joined the network and direct contact with other members, with 82% of all founding/early members classified as engaged in a significant level of interaction compared to only 29% of more recent members. Indeed all those engaged in very significant levels of interaction were founding/early members. Contact with other members prior to joining the network and the level of bilateral interaction with other members since joining were further investigated.

Contacts prior to joining the network

In all 72% of members knew other members before joining the network; however, 48% (or 12 members) of these were classified as not involved in bilateral contact to any significant level. In comparison 60% of those members who reported that they did not know any other members before joining were classified as involved in significant levels of bilateral interaction. Thus it appears that the network has introduced a number of enterprises to each other and these in turn have developed bilateral network contacts. However, membership has not encouraged a number of members who already knew each other to get involved in bilateral network contacts.

These findings are particularly interesting given evidence of informal networking between enterprises within the region – as discussed above. The fact that 72% of all members knew other members before joining provides some support for the notion that some informal networking existed before joining. Further investigation revealed that 83% of these knew each other through business and just over half (57%) knew other members socially before joining. A certain level of interaction in the ‘business world’ is to be expected, but this level of social contact supports the notion of informal networking. Furthermore, a significant relationship ($\chi^2=9.000$, $df=1$, $p<0.01$) was found between knowing other members beforehand for reasons other than social contact and non-significant level of interaction within the network subsequently. Nine of the 12 members who knew each other before joining the network but were not involved in significant levels of bilateral did not know the others socially. This further links bilateral interaction within the network and an

¹⁷ Founding/early members are those that joined within one year of network establishment and were listed in the first network newsletter.

interest in developing social/informal contacts. Of the remaining 3 respondents one had ‘very recently’ (<6 months) joined the network (FM8), another had already established markets and had very little interaction within the network (FM21) and another indicated ‘social’ contact only in the context of neighbouring enterprises (FM6).

Bilateral interaction since joining the network

Respondents were asked if they knew the members with whom they had made direct contact beforehand and if so did they think that the network had strengthened those relationships. Seventy three percent of respondents claimed to have either developed new contacts or strengthened existing ones. Table 1 presents these findings.

Table 1: Bilateral contacts resulting from Fuchsia network membership

Bilateral Contacts	Number	Percentage
All resulting from network membership	7	20.5
Some resulting from network membership	11	32.0
Strengthen due to network membership	7	21.5
None resulting from network membership	9	27.0
Total	34 ¹⁸	100

Of the 27% of respondents who did not develop any new contacts/strengthen contacts, 66% (6 respondents) were classified as engaged in non-significant levels of contact. This small group is rather diverse: two are involved in primary production¹⁹ (FM6 & FM29) and have few links with other members and another (FM31) is in a low margin business, while another had already established markets and had very little interest in furthering interaction within the network (FM21). The final two (FM10 & FM13) expressed keen interest in networking and may well become more involved in the future. The remaining 3 members (FM22; FM25; FM26) in this group had strong social contacts with the other members prior to joining the network and continued this contact after joining, for example FM25 referred to these members: *“You see a lot of these people, well a few of them, I would know them extremely well as friends before*

¹⁸ Very recent members (< 6 months) were excluded from this analysis.

¹⁹ It should be noted that another ‘primary producer’ is also a member and has developed contacts within the network but not to a ‘significant level’ – he did not know any of the other members before joining.

we even [joined]. ...It would be mostly, sort of, some foodie, social thing really. And [through] food fairs, 'cause I mean over the years food fairs in West Cork have been very popular - So you got to know a lot of people. We would know several of them several years now. The Fuchsia Brand hasn't had a very significant impact on that network. See that network was already established before Fuchsia Brand came along". Therefore these members had already established socio-economic 'informal' networks on which they relied to some extent, for example "Friends – we would discuss markets and problems we're having as small food enterprises" (FM26) and "You'd have met them at shows [or fairs]. There is a kind of general camaraderie that develops" (FM22).

These findings support the notion of informal networking put forward in section 3.1.2 above. Enterprises commonly mentioned by each other in the context of informal networking are – FM1, FM9, FM18²⁰, FM22, FM25 and FM26. While three of these have continued to rely on previous contacts, the other 3 have also developed new contacts. All of the other members who developed additional contacts were well established in their own sector; they usually had good contacts with similar enterprises in their sector before joining and most were also members of sector associations²¹. These members were by and large very keen to benefit from enhanced relations with other members, for example "*I suppose before Fuchsia Brands were there, you wouldn't have known any of these people, and you weren't in their territory because you produced a different food product anyway, so it was easy to phone when you are a Fuchsia Branded member and just say, 'Look, I'm experiencing a problem. Did you ever experience anything like that, you know, and if you did what way did you handle it?'"* (FM24). Most of the members in this group mentioned exchange of information and problem solving, for example "*picking up ideas*" (FM35) and "*solving common problems*" (FM34).

Those members who did not develop any additional contacts through the network but thought that the network had strengthened their existing contacts were also well established in their own sector and all of them were members of other associations.

²⁰ It should be noted that FM18 did not confirm three of the other members, but all five mentioned FM18.

²¹ 67% of all network members were also members of another association(s).

These members were also keen to benefit from enhanced interaction within the network, for example *“We’d be communicating anyway, but Fuchsia has probably created a better bond between people”* (FM5) and *“They would, because sometimes people get together, you know after meetings, and you know you might see somebody and you’d say yeah I want to pick his brains about X in general. ... We would exchange views”* (FM37).

The introduction of 7 members (21%) into the network who had no previous contacts and (with the exception of one) subsequently developed ‘significant’ levels of interaction²² suggests good networking structures and opportunities. Furthermore, only one of these was a member of another association prior to joining the network. All of these members viewed the network as an introduction to other similar enterprises and were eager to learn from others and develop strong working relationships: *“I wouldn’t have known any of them really. They’ve all had similar experiences, so it’s very good. You don’t particularly want to be meeting every week or every month or even every six months, but you know it’s valuable knowing people you can just ring when you really need them and say “Look, I’m trying to do a deal with somebody [for example a supplier or distributor]. What do you think I can get?””* (FM4) and *“I mean, you haven’t the same products, but I if you’re dealing with multiples you would have the same kind of problems that would be associated with multiples from the point of view of distribution and that kind of stuff”* (FM14).

These findings offer an interesting insight into network establishment and operation, since the most usual venues for meeting other members were formal meetings (including seminars, etc), training courses (especially HACCP) and food fairs. These activities afforded members the opportunity to get to know each other and feel comfortable when discussing business and exchanging ideas. Thus the most important type of interaction was exchange of ideas or experience (74% of all bilateral contacts) with the remainder involving trade. However, one member accounted for 37% of all ‘trade contacts’ since they were involved in distribution for a number of other members.

²² 2 of these were involved in very significant levels of interaction.

Most members demonstrated a strong propensity to network as evident from interaction to date and membership of other associations. In addition, the small group that was not part of any other association and did not have any previous contacts with other members, but subsequently made contacts, suggests good working structures and network opportunities. This evidence supports the strong solidarity among small food enterprises in the region reported in section 3.1.2 above. However, the membership is quite diverse and while most members have been very active during the initial years after establishment, it is too early to measure the extent to which strong internal network structures have developed.

Interaction with other members emerged as an important aspect of networking for most members. Members benefited from both exchange of information and trading relationships and these were an important output of the networking process – this is further discussed in section 3.3 ‘performance’ below. These findings suggest that bilateral contacts have emerged as an important aspect of the networking process and that while previous social and informal networking appears to have influenced the level of interaction of one group, another group has taken the opportunity to develop new contacts and engage in a ‘significant’ level of bilateral interaction.

3.2.2 Intensity and complexity of the network activity and member dependency
Network contribution to enterprise competitiveness was used as an indicator of network importance – role and member dependence. In an ‘open discussion’ format members were asked to identify the most important aspect(s) of their business in terms of competitiveness. Following this discussion members were asked to identify the most important aspect(s) of the activities of Fuchsia Brands in terms of competitiveness. Following this ‘open discussion’ members were then asked to indicate the importance of various ‘possible success factors’, the role played by the network and the difficulty in performing these activities independent of the network. These ‘success factors’ focused discussion and unearthed more detailed information on network role. This discussion provided useful data on the intensity and complexity of network activity and dependence of members on the network.

‘Open discussion’

The majority of respondents (75%) identified quality as the most important factor impacting on their competitiveness. Other factors mentioned were customer service and cost/price each mentioned by 3 respondents, while differentiation and market presence were each mentioned by one respondent. Therefore, the vast majority of members hold quality as the most important aspect of their business; for example, one of the respondents who referred to ‘customer service’ stated: *“Our service is good. Consistency of the product. No shortcuts. Somehow a bit unique”* (FM10), while the member who identified differentiation stressed *“Consumer awareness of our [products] health properties”* (FM36) and the respondent that identified market presence emphasised *“marketing and profile”* (FM38). Margins and servicing niche markets were often linked to quality for example: *“Quality, quality, quality.... We are not price sensitive, so we can carry the cost of it. We're one percent, our market is only one percent of the population”* (FM22); *“I suppose price wouldn't even feature [as an important factor] because we're slightly higher, you know. I mean, if they taste it at all, they'll come back, you know. What else has kept us in business? I suppose you could say a lot of it has been word of mouth from restaurant to restaurant”* (FM16); *“Quality, quality, quality. Yeah. Like even price, quality is ahead of price”* (FM2); *“In terms of competitiveness. It's definitely quality. Quality and traceability would be the most important aspects”* (FM24) and *“Oh, quality. When I say quality, I don't mean HACCP, I mean that your [products] are tasting and looking good, the quality I mean of taste. If your product is good it makes all the difference. I mean we sell [products] all the time, year after year, I know when they are really spectacular. Then we get feedback and they say, 'wow your [products] have been really great since September'. When they are like that we sell like hot cakes. I do believe in marketing of course, but I think you need to have the product before you go on”* (FM25).

These comments characterise the business philosophy and strategy of the vast majority of the Fuchsia brand members. This has had a direct influence on business strategy and development, for example marketing strategies, quality systems, training, etc. Indeed when asked²³ as to the most important Fuchsia Brands activity in terms of

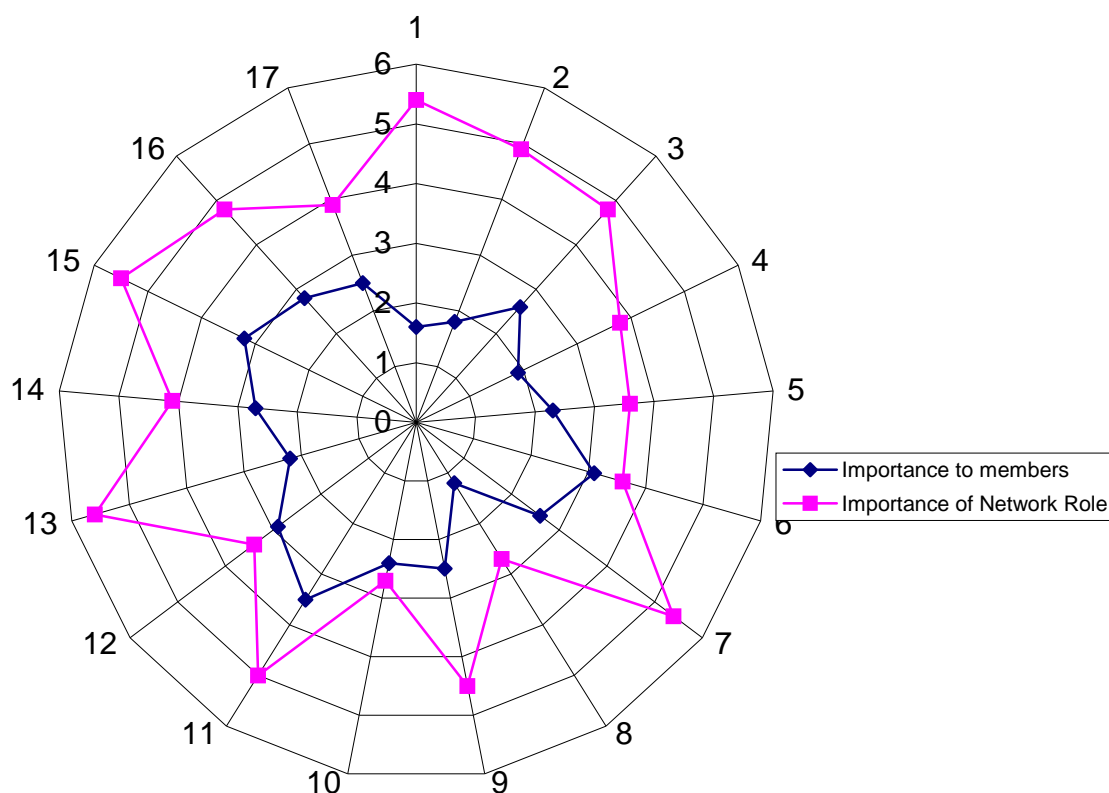
²³ N=34 since 4 very recent members (joined less than 6 months when field-work was conducted) were not asked this question since they did not have adequate experience of network activity. These members are not included in the analysis from this point forward.

their competitiveness, the vast majority mentioned marketing (79%), followed by quality (24%), with brand/logo and technical services each mentioned by three members. Finally, one member (FM21) thought that the network activities had not impacted on his business because he was already well established in the market. A typical response linked the logo, quality and marketing, for example *“Well yes in so far as I think their logo, especially if they keep working on it, it does, it's a guarantee of quality and of course a guarantee of origin, the 2 most important factors. Origin being the paramount one yes, for the consumer nowadays I think it matters”* (FM1). Therefore, the most important factors were linked to a sense of identity and achievement by a number of members, such as: *“Fuchsia puts pride in .. towards the producer because they have an identification* (FM10). This recognition was also important in the marketplace for some members: *“Shops recognise what Fuchsia do or what they stand for, if you go into a shop and say, ‘Well, I’m part of the Fuchsia Branding business,’ they would go, ‘Okay,’ that’s recognition of who the Fuchsia Brand group are. That does not automatically mean they’re going to take your product, but at least you’re going in there with a backup system without having them [Fuchsia Brand staff] standing next to you”* (FM28), while others just referred to consumer awareness: *“Prominent market promotions really to highlight the significance of the symbol”* (FM27). Involvement in promotional activities was identified most often; however, some members found that this was geared towards the ‘regional’ market and therefore was not of great benefit to their enterprise. Three members identified HACCP training as the most important activity.

Analysis of Success Factors

Respondents were presented with a list of 17 ‘possible success factors’ and were asked to indicate the importance of each to the competitiveness of their enterprise and the role of the network. This question further investigated specific network activities and provided a basis for analysing the relative importance of each to the members. Figure 5 presents the results.

Figure 5: Business Success Factors and Fuchsia Network Role



1. Distribution

3. Access to technical information and analysis

5. Training

7. Product development

9. Access to regulatory information and analysis

11. Wide product range

13. Business planning

15. Technical assistance

17. Re-evaluation and periodic review

2. Market Planning

4. Product differentiation

6. Linkages to landscape, cultural traditions, etc.

8. Quality control systems

10. Promotion

12. Financial assistance

14. Access to market information and analysis

16. Regulatory measures such as certificate of origin

The 5 most important 'enterprise success factors' were quality control systems, distribution, market plan, product differentiation and business plan. The network also played an important role in quality control systems (ranked first), promotion, financial

assistance, training and ‘linkages to landscape, cultural traditions etc.’ It should be noted that there was very little difference between the mean score for ‘quality control systems’ and that for ‘promotion’; the main difference lies in the level of importance that respondents found with each, since 42% of respondents found the former extremely important whereas 29% found the latter extremely important. Indeed, 7 respondents found quality control systems unimportant whereas 6 found promotion unimportant. In general network activities reflect ‘enterprise capacity’ factors – as set out in figure 4, section 3.1.2 above. Furthermore, the importance of the network role with respect to these closely reflects the importance of each to enterprise competitiveness.

Cluster analysis of the importance of network role revealed a three-cluster solution²⁴. Quality control was important across all three clusters and was the only network activity of significant importance to Cluster 3, while technical information, product development, technical assistance and ‘regulatory measures such as certificate of origin’ were unimportant across all clusters. Clusters 1 and 2 were differentiated across a number of factors.

Promotion, ‘linkages to landscape, cultural traditions etc.’, financial assistance²⁵ and ‘re-evaluation and periodic review’ were important across Clusters 1 and 2. Clusters 1 and 2 were differentiated across a number of activities. Cluster 2 differentiating factors were mainly market related – market planning, product differentiation and market information- whereas Cluster 1 differentiating factors were more training oriented – training and regulatory information – these were typically related to quality control. While three activities – distribution, product range and business plan - were significantly more important for Clusters 1 and 2 as compared to Cluster 3, they were still relatively unimportant²⁶.

²⁴ Hierarchical clustering technique (Ward’s method using squared Euclidian distances) was used. K-means cluster method led to a similar solution. Ward’s method is used for reporting purposes.

²⁵ Financial assistance was also of importance for 50% of the cluster 3 membership, hence there was no significant difference across clusters and this variable was dropped from cluster analysis – as were other variables where there was no difference across clusters i.e. technical information, product development, technical assistance and ‘regulatory measures such as certificate of origin’.

²⁶ Mean scores cluster one 6.63, 5.13, 5.7 and cluster two 4.14, 3.64, 4.57 respectively.

One member (FM23) did not load into any cluster. This member reported that they originally benefited from the network, but not of late and they were generally dissatisfied with network performance: “Initially, I think it was very good. Now, it has no effect whatsoever” (FM23).

Cluster 1 (training) consists of eight members, while fourteen members grouped together in Cluster 2 (marketing) with the remaining eleven in Cluster 3 (Q.C. only). Cluster profiles are summarised in table 2.

Table 2: Member involvement in the network

Cluster	Important network activities	Bilateral Interaction (number)	Interaction with the network staff (number)
Cluster 1 (training) n= 8	Promotion Linkages to landscape etc Financial assistance Re-evaluation & periodic review Quality Control systems Training Regulatory information	*** = 1 ** = 3 ns = 4 new contacts = 4 strengthened contacts = 3	Weekly or more = 1 Fortnightly to weekly = 5. Monthly or less = 2
Cluster 2 (marketing) n= 14	Promotion Linkages to landscape etc Financial assistance Re-evaluation & periodic review Quality Control systems Marketing plan Market information Product differentiation	*** = 4 ** = 7 ns = 3 new contacts = 9 strengthened contacts = 2	Weekly or more = 3 Fortnightly to weekly = 5. Monthly or less = 6
Cluster 3 (Q.C. only) n= 11	Quality Control systems	*** = 0 ** = 6 ns = 5 new contacts = 4 strengthened contacts = 1	Weekly or more = 2 Fortnightly to weekly = 4. Monthly or less = 5

A strong relationship²⁷ was found between cluster type and bilateral interaction within the network (new contacts/strengthened contacts). Most of Cluster 2 (marketing) members had both significant levels of bilateral interaction within the network and had developed new contacts. While only about half the membership of both Clusters

²⁷ Due to small numbers a statistical analysis could not be conducted.

1 and 3 had developed new contacts, all but one member of Cluster 1 (training) had either made new contacts or strengthened existing contacts.

A strong relationship²⁸ was also found between enterprise size and cluster, with larger enterprises grouped together in Cluster 2 (marketing). In all 7 out of the 9 larger enterprises (turnover > 1.5m euro) were found in this cluster, while one was found in each of Cluster 3 and Cluster 1. Generally the larger enterprises appeared to have the capacity to benefit from marketing activities; in this respect it is interesting to note that most of these large enterprises were long established organisations and already had quality systems in place, whereas the smaller companies – predominantly in clusters 1 and 3 - benefited from the introduction of HACCP. In addition Cluster 1 enterprises benefited from associated training and follow-up activities, in particular regulatory information.

These findings highlight preparatory work undertaken during the initial years of network development. This preparatory work has concentrated on specific training courses and joint promotional activities. Both of these activities have provided useful meeting points for members. Level of dependence on the network was mainly measured by ‘difficulty in performing the activity in the absence of the network’. Overall dependence was not high which is not surprising since the network had been in operation for just three years. Dependence on the network was generally confined to funding and ‘regional promotion’. The former applied particularly to all three clusters -this was mainly subsidised HACCP training- while the latter applied to both Clusters 1 and 2.

3.2.3 Concluding Points:

These findings provide an interesting insight into network establishment. The main network activities or services were related to enterprise capacity building and the intensity and complexity of interaction were very much related to enterprise involvement in these activities. The high level of direct contact between members and network staff also reinforces ‘network building type activity’. The activities and contacts pursued by network staff have provided the overall framework and ‘a sense

²⁸ Due to small numbers a statistical analysis could not be conducted.

of more formal networking'. This has provided the basic infrastructure on which bilateral contacts have been made or enhanced and along which future development may proceed. A number of factors have influenced the development of bilateral interaction:

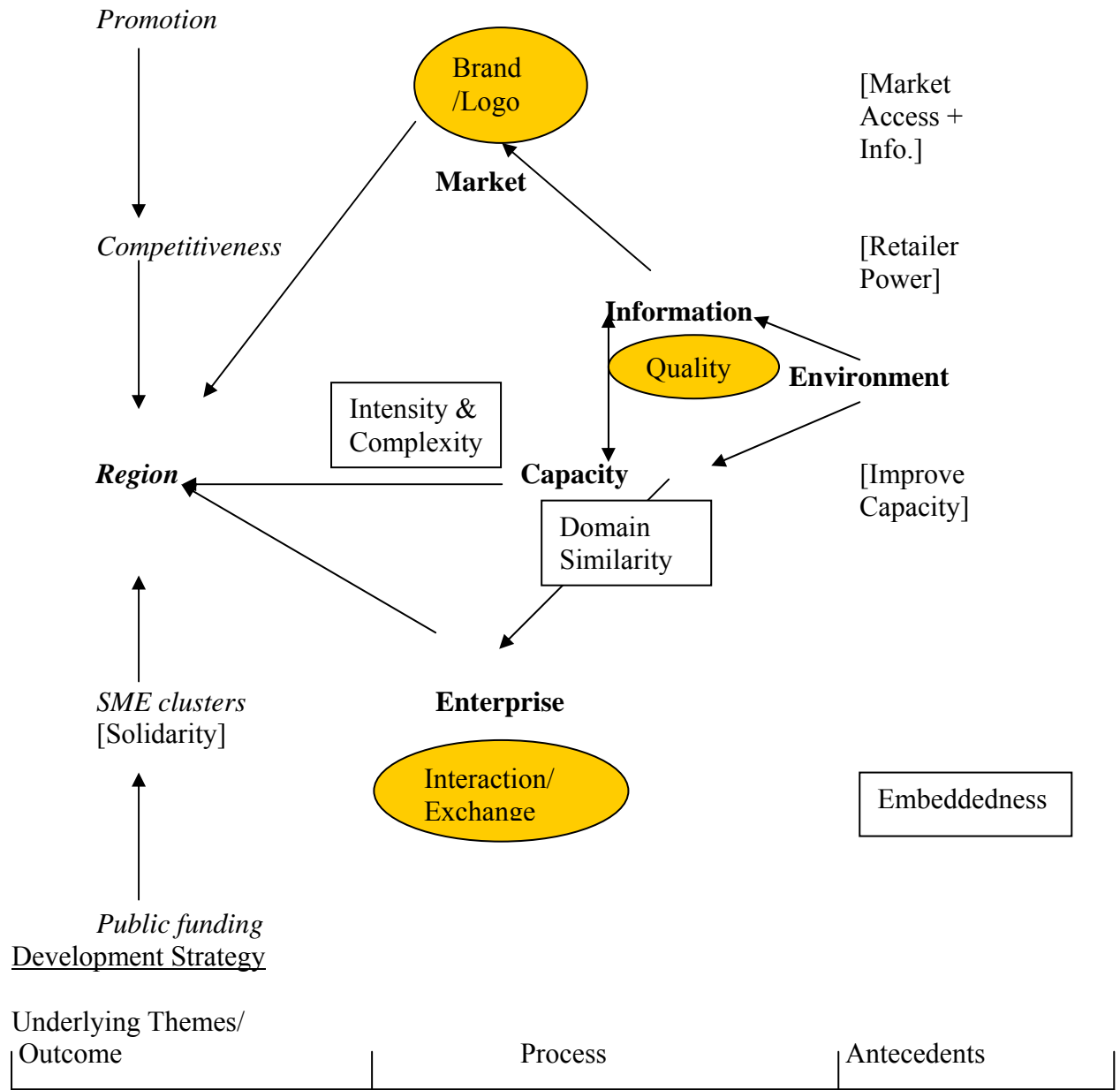
- The extent and type of interaction prior to establishing/joining the network (environmental embeddedness).
- The coordination and development activities of the network staff (in particular training and joint promotional activities).
- The member's original reasons for joining the network and experiences within the network (performance).

These findings support proposition (2.1) that the degree of differentiation between members is influenced by domain similarity, motivation and objectives. However, domain dissimilarity in the context of different sectors and enterprise size did not inhibit active networking given positive motivation and objectives. In this case it appears that similar enterprise strategies based on 'quality' have provided an important commonality, as did regional linkages in particular associations with quality, previous informal networking and solidarity. The evidence also supports proposition 2.2 since the type and intensity of interaction have shaped network development; this in turn has also been influenced by enterprise characteristics. Member embeddedness in the 'regional environment' together with institutional support also emerged as key influencing factors (supporting proposition 2.3). Previous experience and contacts, network organisation and post-entry experience have all influenced the evolving networking process and structure. This in turn is likely to influence the future performance of the network. Figure 6 summarises these findings.

Notwithstanding the short operational period under review, an analysis of network performance and governance can further illustrate the interplay between network development and member interaction. The next section (3.3) addresses these issues.

Figure 6: The Fuchsia Networking Process

Commercial Strategy



- Legend:
- denotes sub-propositions (P2)
 - [] Key Antecedent identified in sub-section 8.2.1 above
 - Core Theme regarding network process

3.3 Network Performance

The above analysis suggests that the reasons for joining the network and the level of interaction within the network are related to objectives and motivation at an individual enterprise level, but these in turn have been, to some extent, influenced by the broader institutional and socio-cultural environment. In order to assess how the network has performed, members were presented with a set of 19 possible outcomes and asked to rate their relevance. These outcomes were presented as statements, which included 7 transactions and 12 transformations; these were based on the findings of Human and Provan (1997). Once respondents had indicated the relevance of each a short discussion on their reasons revealed more detailed information on these outcomes. Figure 7 reports the mean scores for each outcome where (a) denotes transaction and (f) denotes transformation.

3.3.1 Transactions

Factor analysis was used to assist in the identification of key thematic factors. Three overall transaction factors– HACCP, new markets and supply - were identified²⁹. Figure 8 illustrates the transactions contributing to each of these - italic typeface represents those of ‘some importance’³⁰. Increased sales in new markets, existing markets, and increased access to market information were the main network transactions identified by most members (62%, 62% and 59% respectively); in addition, some members identified information on regulations and installation of new equipment or production process as important network outcomes (44% and 50% respectively). The latter did not load onto any specific ‘overall factor’; rather it seemed to contribute to all three, in that new equipment or processes were important to maintain supply to existing markets and/or supply new markets and also in some cases were a requirement for the implementation of HACCP.

²⁹ Both Bartlett test of sphericity (significant at the 0.000 level) and the Kaiser-Meyer-Olkin criterion (0.55) indicate that the data are suitable for factor analysis. Principal component analysis was used for factor extraction and factors have been varimax rotated to facilitate factor interpretation. Since the number of respondents was less than 50 (n=33) these solutions should be interpreted with caution (Hair, et al, 1995). In this study they are only used as a guide and assisted in the management and analysis of qualitative data.

³⁰ Mean score 3.1 to 4.0. No network transactions were identified in the ‘important range’ i.e. ≤ 3

Figure 7: Fuchsia Network Performance (n=34)

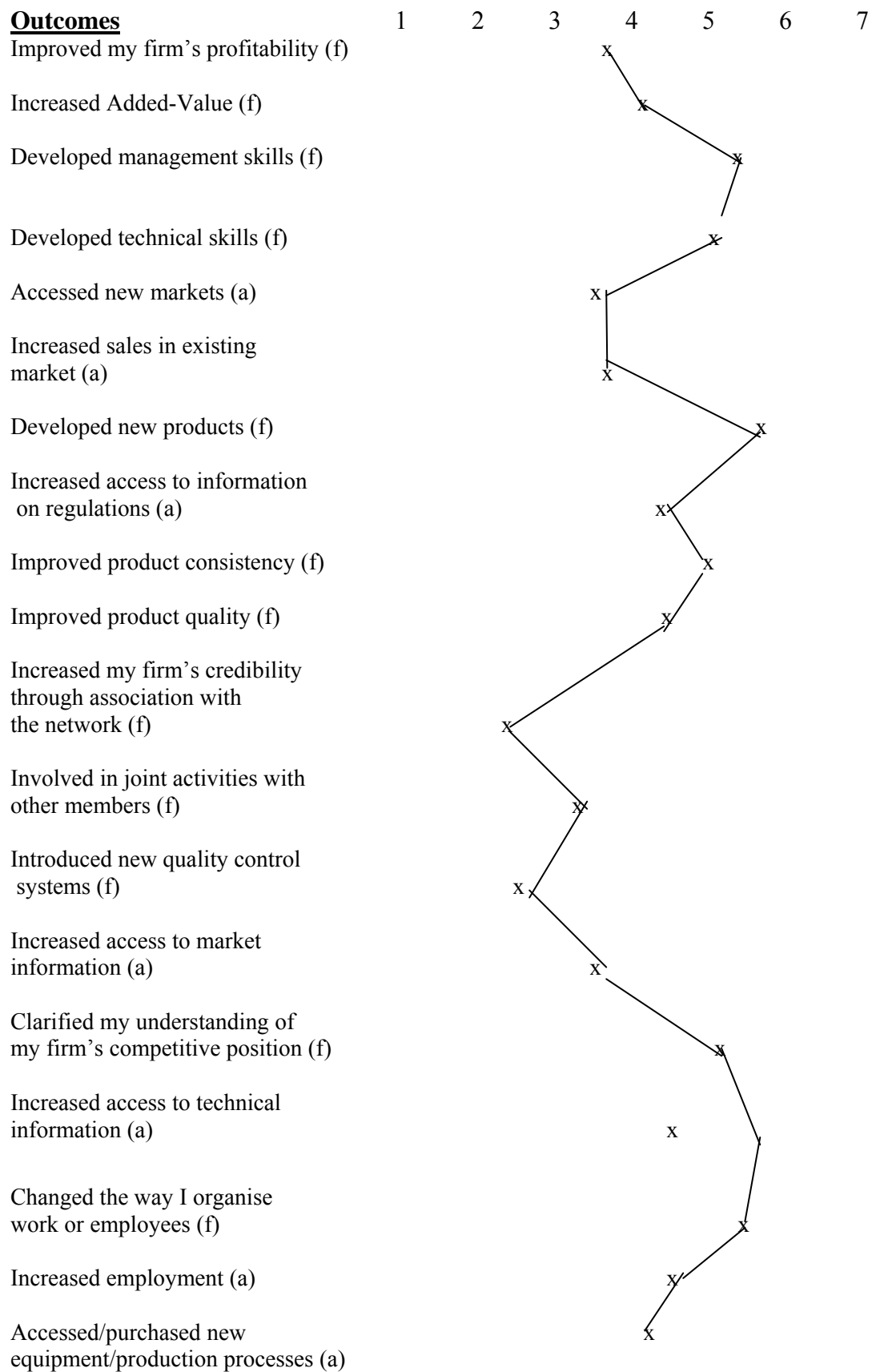
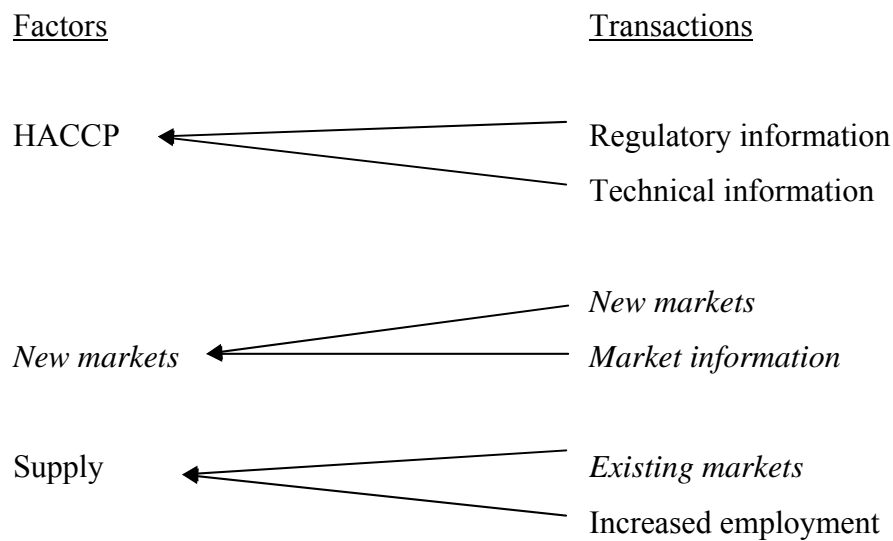


Figure 8: Fuchsia Network Transactions



HACCP

While HACCP emerged as an overall network transaction, it was not deemed to be a relevant network outcome by all members. Significant differences were found across the cluster types identified in section 2.2 above. Independent sample t-tests³¹ were used to compare clusters. Both training and marketing clusters were significantly different from the ‘Q.C. only’ cluster ($p=.033$, $p=.004$ respectively). Further investigation found that regulatory information was a significantly more important network transaction for both clusters compared to the “Q.C. only’ cluster ($p=.016$ and $p<.000$ respectively).

New Markets

As expected a significant difference was found between the ‘marketing cluster’ and the other two clusters - ‘Q.C. only cluster’ and ‘training cluster’ ($p=.011$, $p=.045$ respectively). Further analysis at the ‘contributory factor level’ revealed a significant difference between the ‘marketing cluster’ and ‘Q.C. only cluster’ where both improved access to new markets and market information were more relevant to the former ($p=0.019$ and $p<0.002$ respectively).

³¹ In all cases the non-parametric equivalent (Mann-Whitney U Test) to the independent sample t-test was initially conducted. Similar significances were identified. Significant difference at the 0.05 level was used.

Supply

No significant differences were found between clusters for the overall transaction ‘supply’. However, as indicated above ‘increased sales in existing markets’ was an important transaction across the entire membership; indeed this ranked as the third most relevant network outcome and the most relevant network transaction.

These findings reflect the importance of the network activities pursued by each cluster. Furthermore, there was a positive correlation between those members identifying the installation of new equipment or production process as a relevant network outcome and those who identified financial assistance as an important network activity ($p=.001$).

The level and type of transactions reflect the network building activities pursued by WCLC. These activities were primarily aimed towards enhancing member capacity to participate in the network, especially for the ‘training cluster’, but also yielded important sales outcomes for a number of members. It should be noted that most members found it difficult to quantify sales increase due to network activities; however, the number of measures used at both network activity (clusters) and network outcome (performance) levels indicate substantial evidence of some improved sales, particularly for the ‘marketing cluster’. These findings are further supported by ‘transformation factors’ presented below.

3.3.2 Transformations

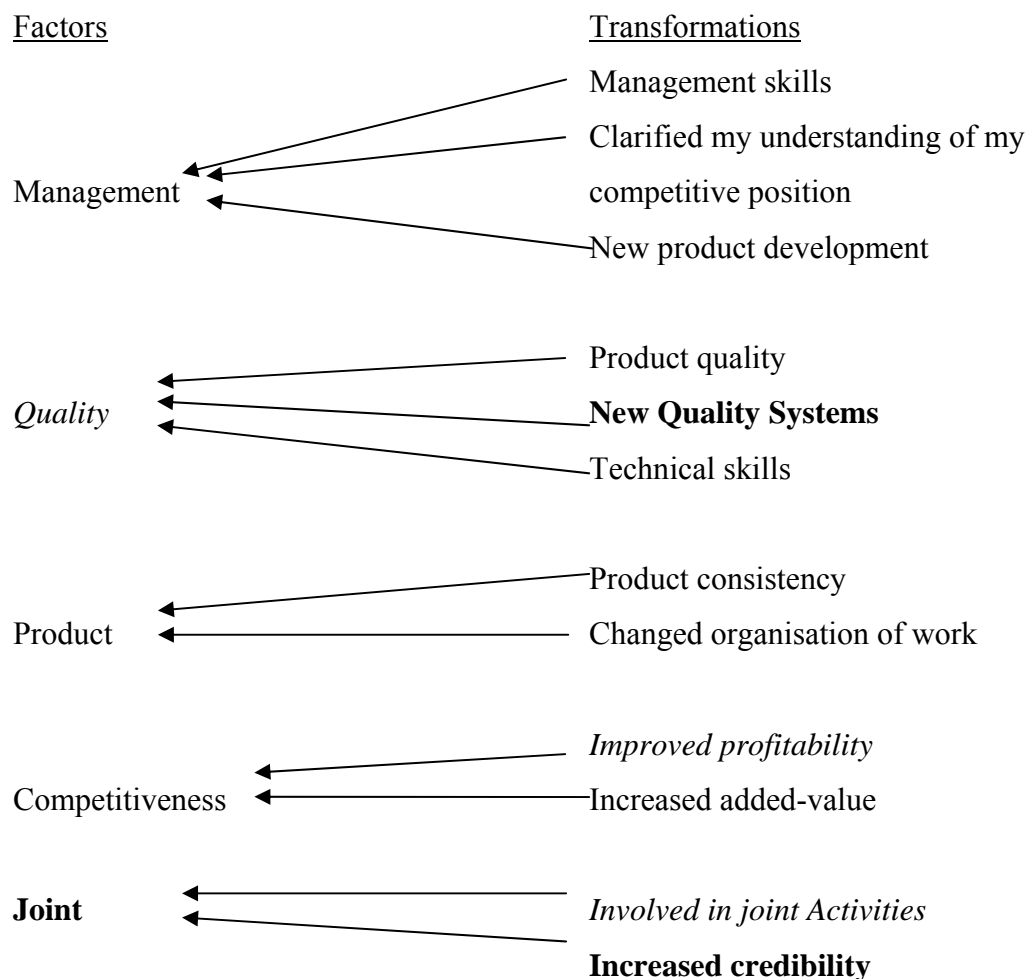
Five ‘transformation factors’ were identified – management, HACCP/quality, product, competitiveness/revenue and joint activity/credibility³². Figure 9 below illustrates these and the possible contributory transformation actions that were investigated – bold typeface indicates those transformation actions and factors found to have been most significant³³ and italic type indicates those of some but lesser

³² Both Bartlett test of sphericity (significant at the 0.000 level) and the Kaiser-Meyer-Olkin criterion (0.55) indicate that the data are suitable for factor analysis. Principal component analysis was used for factor extraction and factors have been varimax rotated to facilitate factor interpretation. Since the number of respondents was less than 50 ($n=33$) these solutions should be interpreted with caution (Hair, et al, 1995). In this study they are only used as a guide and assisted in the management and analysis of qualitative data.

³³ Mean score ≤ 3

importance³⁴. The majority of members identified new quality control systems (79%), credibility (66%), joint activities (59%), added value (53%) and improved profitability (53%) as relevant outcomes of network membership.

Figure 9: Fuchsia Network Transformations



Independent t-tests³⁵ were conducted to investigate if there were any significant differences between clusters for 'relevant' network transformations.

³⁴ Mean score 3.1 to 4.0

³⁵ In all cases the non-parametric equivalent (Mann-Whitney U test) to the independent sample t-test was initially conducted. Similar significances were identified. Only those found to be significantly different using the Mann-Whitney are reported.

Quality

While quality was identified as a relevant outcome for the membership across all clusters, there was a significant difference between the 'training cluster' and the 'marketing cluster' where the overall factor 'quality' was a more relevant network outcome for the former ($p=.006$). Further investigation of contributory transformations found a significant difference between these clusters where 'new quality control systems' was a more relevant outcome for the 'training cluster' ($p=.001$). This mainly reflects enterprise requirements, since the enterprises in the marketing cluster already had quality systems in place or were at least at a more advanced stage than those in the training cluster. However, while quality control was clearly of some importance to the 'Q.C. only cluster', there was no significant difference between it and the 'marketing cluster'.

Joint Activity/Credibility

A significant difference was found between the 'training' cluster and the 'Q.C. only' clusters since the network transformation 'joint activity/credibility' was more relevant to the former ($p=.016$). Indeed further investigation revealed a significant difference for both joint activity and credibility ($p<0.026$ and $p=.005$ respectively). A significant difference was also found between the 'marketing cluster' and the 'Q.C. only cluster', where the transformation 'joint activity/credibility' was a more relevant outcome for the former ($p<0.000$). Further investigation again revealed a significant difference for both joint activity and credibility ($p<0.002$ and $p=.001$ respectively).

These findings reflect the network activities that members of each cluster had pursued and support the argument that association with a network improves a firm's 'standing' or credibility and that networks foster joint activity and improve competitiveness. They also suggest that members of 'Q.C. only cluster' already had 'good standing' in the marketplace. Analysis by cluster highlights that while some transactions/transformations are deemed important outcomes for the network as a whole (on aggregate), this is not so for all members. Indeed member characteristics and behaviour within the network influenced network performance. While much network activity to date has been directed toward 'enterprise capacity' building and thus preparing enterprises for network membership, future networking may well focus on more market related issues and capitalise on capacity that has been put in place.

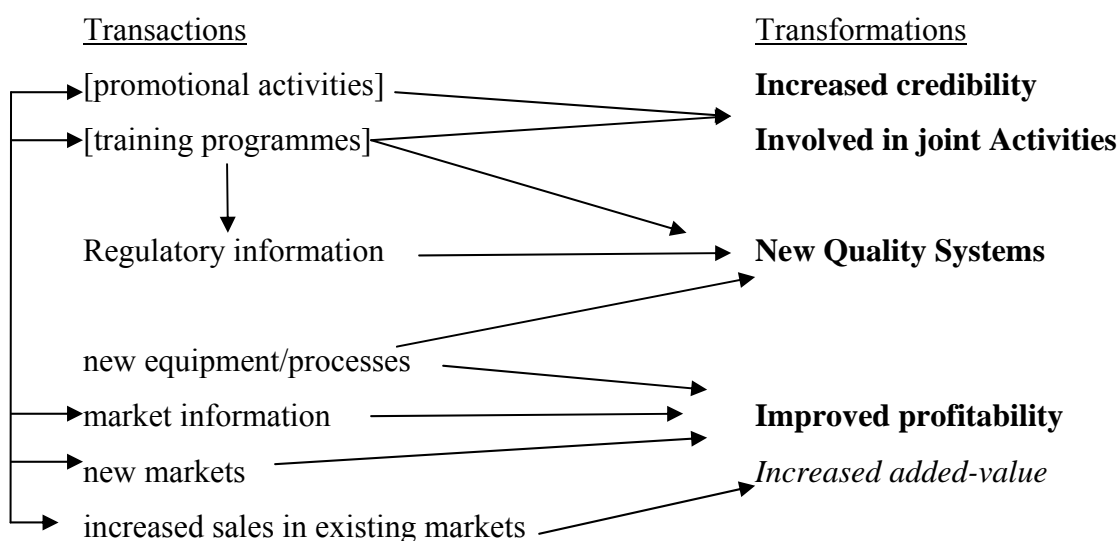
The transactions and transformations achieved to date suggest numerous short ‘transaction-transformation chains’ that have begun the networking process.

The importance of two network activities emerged during discussion with members:

- training programmes
- promotional activities.

Both of these activities dominated discussion in relation to both transactions and transformation. In terms of transactions, these represent the media through which the network operated. In this regard promotional activities are particularly interesting because they provided suitable meeting occasions for members at which they became acquainted with each other and improved their market knowledge and market position, for example: *“Those kind of events, that we would not have been in a position to attend ourselves or set up stands otherwise, or wouldn't be justified in doing so as a small business. To be able to do that on a joint basis was one of the major benefits (FM3)”*. Similarly training programmes offered meeting occasions where members not only benefited from information imparted by training instructors or network staff, but also exchanged experience and knowledge between members. These findings support those presented above, in section 2.2, in terms of network activities and impact on enterprise competitiveness. They also highlight the propensity of a number of members to network and gain from joint activity – as presented in section 2.1 above. Figure 10 presents an outline of these transaction-transformation chains.

Figure 10: Fuchsia Network Transactions-Transformations



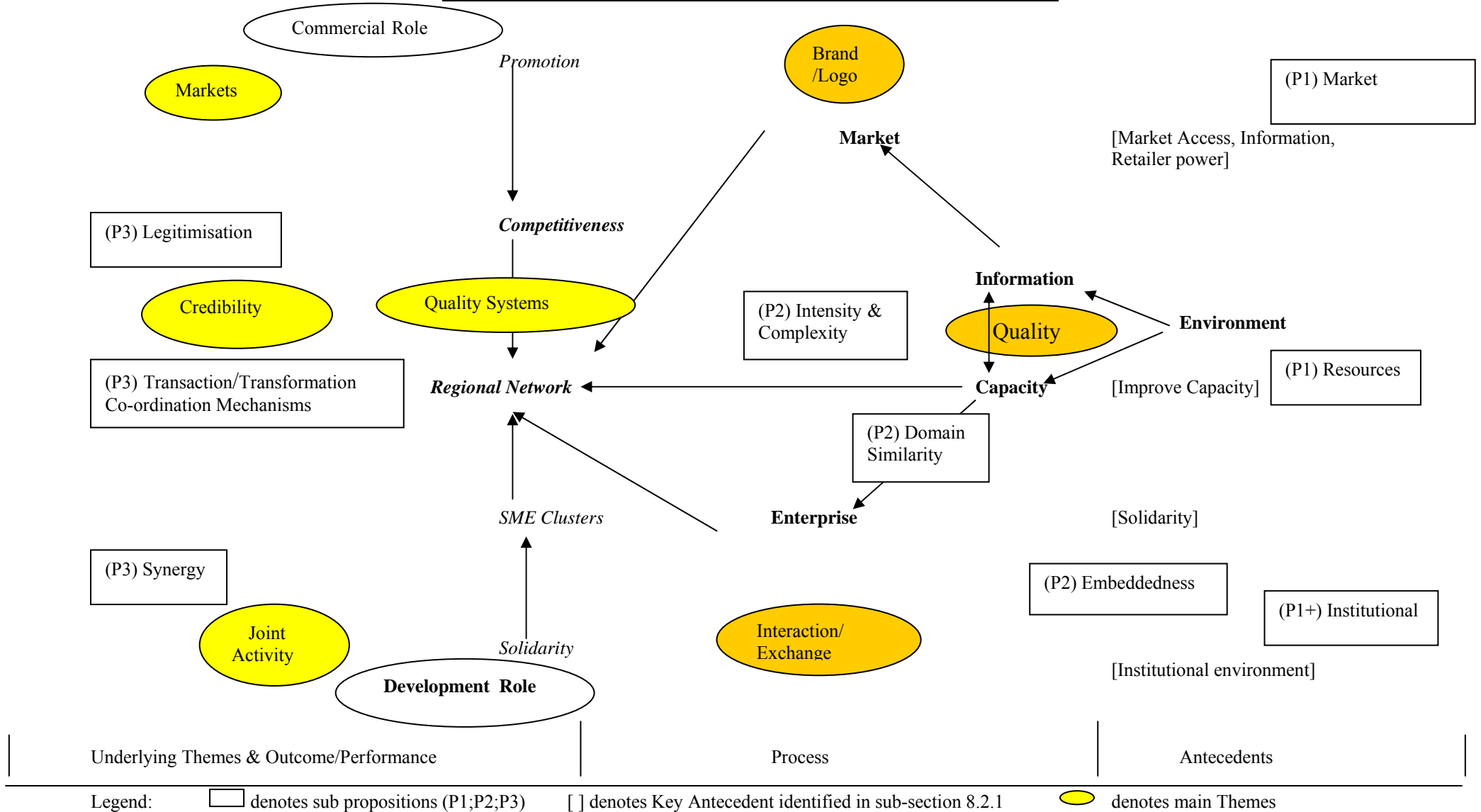
These findings offer tentative support for proposition 3 -that food SME networks create and co-ordinate transactions and transformation activity chains - and also support two (3.2 and 3.3) of the three sub-propositions forwarded:

- 3.1 Food SME networks develop specific transaction coordinative mechanisms (relations – reciprocity, trust, relational investment, contractual solidarity);
- 3.2 Food SME networks facilitate synergistic use of resources (transformation);
- 3.3 Food SME networks strengthen ‘legitimation’ (organisational credibility).

However, given the short networking period under review, these are merely tentative findings. The recent formation of this network is one of the most interesting aspects of this case, since this presented an insight into the establishment phase almost as it evolved. In this respect the importance of joint activities and credibility is of particular interest. The former supports the role of reciprocity and synergistic use of resources and the latter supports the notion of legitimisation.

Given its recent establishment there is little scope for investigation of proposition 3.1, since there has been little time afforded to building strong relational ties. It is not surprising that mainly ‘procedural’ coordinative mechanisms were found. However, the previously dynamic informal networks and the long pre-development and development phases appear to have influenced relations within the network; for example, when asked if the disbandment of the network would be a ‘great loss’ the typical response was ‘yes’ since there has been considerable effort and finance invested in its establishment and development to date. Figure 11 below summarizes these findings in relation to all three propositions, highlighting the key network antecedents identified and the main themes that have emerged, including underlying themes and factors. Given the primary role of WCLC, a third antecedent is forwarded (P1+) ‘the institutional environment’.

Figure 11: Fuchsia Network Antecedents, Process and Outcome



4 Fuchsia Brands Case Study Conclusion

4.1 Data triangulation

Table 3 presents each of the main themes (see figure 11 above) that have emerged from the analysis above with examples from each key data source: Member survey; Depth interviews -network manager/ development agency manager (FM2), former development agency manager (FM1), development officers (FM3; FM4); and Documentation -Network documents, WCLC documents. For ease of presentation, the themes interaction/exchange and joint activity have been merged. This triangulation of data provides quite strong support for each of the themes identified. Table 3 contains examples of the data generated.

Data triangulation (from all three sources) identified four underlying antecedents – market access/competitiveness, enterprise capacity (especially quality systems), solidarity, and institutional environment. The broader institutional, cultural and socio-economic environment was of fundamental importance to the emergence and identity of the network. This provided a basis for solidarity among enterprises and differentiation of product and, at a higher-level, regional differentiation. This embeddedness in the regional environment emerges as a hallmark of the network, since it provided a basis for intervention by a development agency, new and strengthened interaction among enterprises, and mechanisms for support programme delivery and network development. Notwithstanding the primary role of a development agency, this network represents a ‘bottom-up’ type development in that the agency itself represented a local area-based development group and followed a bottom-up type methodology. Indeed the development of a strong working relationship between a development agency and commercial enterprises represents one of the most interesting features of this case. The inter-play between development and commercial roles provided a dynamic approach to network establishment designed to respond to specific and immediate enterprise needs within a medium to long-term development framework. While a number of network activities have been pursued, the development of quality control systems at enterprise level represents the most obvious and tangible activity to date and it also provides a basis for further development, since quality is fundamental to network identity and development. Cross-case analysis in chapter 10 below further explores key findings.

Table 3: Fuchsia Brand Case Study Data - Triangulation

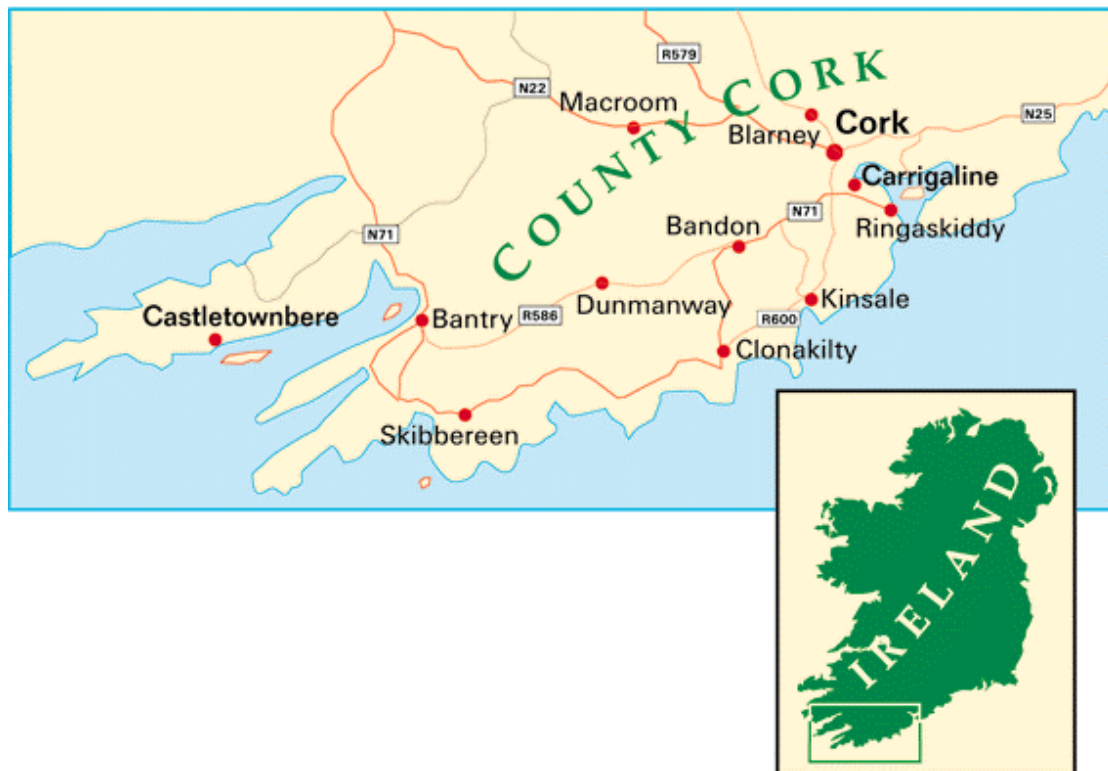
	Markets	Credibility	Quality	Joint activity	Competitiveness Brand/logo	Development Role	Commercial Role	Region
Member Survey	Access markets, information promotion	Training Exchange Standing	Systems Re-evaluation & review	Clustering Problem-solving	Promotion Funding Credibility.	Enterprise capacity. Transformations	Transactions	Quality Environment Solidarity Informal networks
WCLC Docs	Reliable source of high quality produce	Partnerships Training Task force	Environment	Partnerships	Regional identity	Local resources	Strategic plan	Food culture Tourism Tradition Natural environment
Network Docs	Specific market needs	Membership criteria & procedures. Budget	Develop product and enterprise	Collective promotional activities & training	Identity	Enterprise development	Market position	Environment, cultural & heritage resources
Devel. Agency mg Network Manager Interview (FR2)	Market research	Delivery of sub-programmes. Proactive approach	Brand's meaning in terms of quality. Membership criteria	Dissemination and debate	Building on unique regional characteristics and strengths	Enterprise development agenda Development tool	Address enterprise needs through branding activities	Environment, heritage and tourism & food culture - 'confluence of food and tourism'. Building on unique strengths Quality of life.
Devel. Agency mgr (FR1) Interview	Promoting the region.	Putting structures and budget in place	Environment	Collective approach Partnerships	Business know-how	Synergy between sectors	Sustainable level of economic activity	Environment and quality of life.
Devel. agents Interviews (FR3; FR4)	Market research	Patronage scheme Budget Training	Guarantee	Practical benefits of working together in a group	Synergy 61	Tool for change Infrastructure Snowball effect	Commercial benefits to members. Add value	

Annex 1

Case Study Context¹

This case study is based in West Cork, Ireland. The West Cork region is located in the south west of Ireland; it lies mainly to the west of Cork city and extends over a diverse area of 3,200 sq. kilometres. The region is bounded by rugged mountainous terrain to the west/north, the river Lee and Owenabue Valley to the north/east, and 450 kilometres of rugged Atlantic coastline to the south. The region's diversity is largely due to changing topography from east to west. Rich agricultural soils are prominent in the undulating landscape of the east while poorer agricultural land broken by rocky outcrops is found to the west. Population settlement patterns follow a similar pattern with more densely populated areas to the east and rather sparse population distribution to the west, in total 108,832 people live in the region. The average population density of 34 inhabitants/km² is well below the national average of 53/km². Figure 7.1.1 presents a map of the West Cork region.

Figure 7.1.1 Map of West Cork Region



¹ This section is based on numerous West Cork LEADER Co-operative documents including submissions for funding under each of the 3 EU LEADER initiatives (programmes 1, 2 and +), newsletters and progress reports – used with kind permission of the authors.

Annex 2:

LEADER II and LEADER+ Programme - Brief descriptions

EU LEADER II Programme

Development of disadvantaged rural areas of the European Union

Official title

"Community initiative for rural development (LEADER II: 'Links between actions for the development of the rural economy')".

Legal references

Communication to the Member States laying down guidelines for global grants or integrated operational programmes for which Member States are invited to submit applications for assistance within the framework of a Community initiative for rural development (OJ C 180 of 1/7/1994).

Objectives:

to ensure that support for exemplary local initiatives involving local development continues from LEADER I;

to support operations that are innovative, suitable as a model and transferable, and that illustrate the new directions that rural development may take;

to step up exchanges of experiences and the transfer of know-how through a European rural development network;

to back transnational cooperation projects developed by the local bodies in rural areas which reflect their solidarity.

Eligible areas

LEADER II applies in the rural areas of regions eligible under Objectives 1 (lagging behind in development), 5b (fragile rural areas) and 6 (areas with very low population density). However, a maximum of 10% of the appropriations allocated for this Initiative to areas 5b may be assigned to non-eligible neighbouring areas.

Beneficiaries Principally, the "local action groups" as defined by LEADER I, i.e. a combination of public and private partners jointly devising a strategy and innovative measures for the development of a rural area on the scale of a local community (less than 100 000 inhabitants); Other rural collective bodies, public or private (local authorities, consular chambers, cooperations, associations, etc.), provided that their more specific activities relate to a plan for the rural development of a local area.

Eligible measures

LEADER II has 4 measures:

acquiring skills (measure A) - step prior to the development rural innovation programmes in areas where the practice of local development is new. This measure concerns actions such as analysis of the local area, motivating and training local people to participate actively in the development process, drawing up a strategy, and finding finance;

rural innovation programmes (measure B) - these model and transferable programmes are promoted by local action groups or, in some cases, by other collective bodies. They are extremely innovative in terms of method and content and in relation to the policies conducted in the same area, particularly in the context of operational programmes. Rural innovation programmes are multiannual. They can be comprised of a set of very diversified measures in terms of:

technical support for rural development,
vocational training,
support for rural tourism,
support for small businesses,
local exploitation and marketing of agricultural, forestry and fisheries products,
preservation and improvement of the environment and living conditions

transnational cooperation (measure C): the objective is to facilitate the devising and development of joint projects by groups and other local bodies from at least two Member States;

European network for rural development (measure D): the different components of LEADER II make up a European network for rural development, constituting for all the public and private bodies concerned a permanent tool for the exchange of achievements, experience and know-how. This network is coordinated by the LEADER European Observatory through various tools and services (databases, publications, electronic network, seminars, symposiums,...) The Observatory's primary task is to analyse and make known the innovations arising out of LEADER II. The Observatory also has the task of providing technical assistance for transnational cooperation and may, in this capacity, pay for part of the cost related to the devising of projects (the subsequent phase of development may perhaps be financed through measure C of the Initiative).

Financial participation of the European Union

The Community's participation has been set at 1 500 million ECU of which 900 million ECU are for the regions of Objective 1. LEADER II applies for the duration of the new period of reform of the Structural Funds from 1994 to 1999.

Implementation

The national and/or regional authorities are responsible for the management of this programme. These institutions have submitted to the Commission a national or regional LEADER programme concerning measures A, B and C of the Initiative. Most of these programmes were approved in the course of 1995. The local groups and/or the other collective bodies submit their proposals to these institutions which

are responsible for the implementation of LEADER and the selection of local projects.

Source:

LEADER European Observatory, AEIDL, Chaussée St-Pierre, 260

T.: +32 2 736 49 60, F.: +32 2 736 04 34

E-Mail: leader@aeidl.be Web-site : <http://www.rural-europe.aeidl.be>

Rural-Europe - © European Commission - AEIDL 1997

EU LEADER+ Programme

The Community Initiative for rural development (2000-2006)

Official title

Community Initiative for rural development (LEADER+: “Links between Actions for the Development of the Rural Economy”).

Legal references

Commission notice to the Member States laying down guidelines for the Community Initiative for rural development (LEADER+), OJ C 139, 18.5.2000.

Article 20(1)(c) of Council Regulation (EC) No 1260/ 1999 of 21 June 1999 Laying Down General Provisions on the Structural Funds, OJ L 161, 26.6.1999, p.1.

Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF), OJ L 160, 6.6.1999, p. 80.

Objectives:

The LEADER+ programme promotes integrated schemes conceived and implemented by active partnerships operating at the local level. The objectives are to encourage and support rural actors in thinking about the longer-term potential of their area and encourage the implementation of integrated, high-quality, original strategies for sustainable development which experiment with new ways of:

- enhancing the natural and cultural heritage;
- reinforcing the economic environment in order to contribute to job creation;
- improving the organisational abilities of their community.

‘Cooperation’ in the broad sense is a fundamental component of the Programme. All rural areas are eligible under LEADER+. However, Community funding under Actions 1 and 2 will be granted to only a limited number of rural areas.

Beneficiaries:

The beneficiaries will be “Local Action Groups” (LAGs) that will draw up development strategies for their local area and be responsible for their implementation.

These “Local Action Groups” must consist of a balanced and representative selection of partners drawn from the different socio-economic sectors in the territory concerned. At the decision-making level, not more than 50% of a local partnership may be made up of government officials and elected office-holders.

The “Local Action Groups” will operate in rural territories of a small size which form a homogeneous unit in physical (geographical), economic and social terms. The population must as a general rule be not more than 100,000 in the most densely populated areas (around 120 inhabitants/km²) and in general not less than about 10,000. However, in areas with a high or low population density, such as, for example, certain areas of northern Europe, exceptions to these criteria may be accepted.

Eligible measures:

LEADER+ is structured around three actions:

Action 1: Support for integrated territorial rural development strategies of a pilot nature based on the bottom-up approach and horizontal partnerships.

Action 2: Support for inter-territorial and transnational cooperation.

Action 3: The networking of all rural areas in the European Union

Source:

LEADER European Observatory, AEIDL, Chaussée St-Pierre, 260

T.: +32 2 736 49 60, F.: +32 2 736 04 34

E-Mail: leader@aeidl.be

Web-site : <http://www.rural-europe.aeidl.be>

Rural-Europe - © European Commission - AEIDL 2000

Note: The European LEADER Observatory has published numerous publications including the LEADER Magazine (quarterly – spring 1992 to winter 2000), INFO LEADER (a monthly bulletin) and various dossiers/reports and guides (thematic). For example see ‘Mainstreaming LEADER in future rural policies’ *Observatory Dossier No 3*, 1999, for an insight into the approach and methodology and ‘Innovation and rural development’ *Observatory Dossier No 2*, 1997 for an introduction to the concept of innovation as applied in rural areas.

Annex 3

Figure 12: Fuchsia Brand – trade marks.



Annex 4

Frequency Tables – Member Interviews³⁶

Year of establishment

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid pre '60	4	10.5	10.5	10.5
60's	2	5.3	5.3	15.8
70's	1	2.6	2.6	18.4
80's	15	39.5	39.5	57.9
'90's	16	42.1	42.1	100.0
Total	38	100.0	100.0	

type of ownership

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid partner	13	34.2	34.2	34.2
Co-op	4	10.5	10.5	44.7
PL sh	21	55.3	55.3	100.0
Total	38	100.0	100.0	

Turnover

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <1.55m euro	29	76.3	76.3	76.3
1.55 to <5m euro	3	7.9	7.9	84.2
5 to <15m euro	3	7.9	7.9	92.1
15 to 35m euro	2	5.3	5.3	97.4
35+ euro	1	2.6	2.6	100.0
Total	38	100.0	100.0	

³⁶ As produced by SPSS computer package