Valuing our Values: Family Values Driving Business Success

In March 2020, Michael Hoey, Managing Director of Country Crest, was in the middle of his weekly accounts review when he heard the news reporter on the radio confirming that all non-essential businesses were to close in Ireland. These measures were in response to the spiralling Covid-19 case numbers across the region. Restaurants, cafes and all retail stores were to cease trading indefinitely. His first thought was the far-reaching impact this could have on his family-owned business and the 350 employees who depend upon the business in the local community.

The Hoey family's roots can be traced back to 1910, where the family have farmed their 3,000-acre site in North County Dublin and continued doing so until 1993. It was at this time when brothers Michael and Gabriel Hoey established Country Crest in order to diversify their business offering. Country Crest, a multi-division company, provided potato and vegetable supplies to retailers across Ireland and the United Kingdom. The brothers continued to innovate, when in 2008 they established Ballymaguire Foods, an agri-food business that prepared fresh and healthy chilled meals using sustainable and traceable farm produce. The creation of Ballymaguire Foods enabled the brothers to move toward a *farm-to-fork* business model, a model which promotes sustainable food practises, while reducing the number of steps between the land, and the consumer's plate.

Investment in their businesses continued on a yearly basis, developing industry-leading sustainability farming methods and earning accolades in the process. Their innovative nature was rewarded as in 2019, when sales were at a record high with a turnover of €62million, a 10% increase from the previous year. However, with the recent news of government mandated business closures, and with restrictions becoming increasingly prevalent across Europe, Michael Hoey was worried about the future. Difficulties with sourcing supplies, and logistics were about to be confounded for the brothers. Furthermore, as consumers began panic buying, supermarket giant Tesco's orders were increasing rapidly, while on-site health and safety protocols had to be adjusted once again due to the pandemic.

After hearing the news, Michael took a moment to reflect on their family values on the wall, and reached out to phone his lifelong business partner and brother, Gabriel Hoey to discuss the update.

"Gabriel, have you heard the news? This could ruin everything we've worked for. Can you come in to talk?"

Country Crest- A Timeline

1910	The Hoey family purchase a farm in North County Dublin, Ireland.
1910-1993	Three-generations of the Hoey family farm the 3,000 acre site.
1993	Fourth generation sibling partnership, Michael and Gabriel Hoey, establish Country Crest. The company is set up to grow and pre-pack fresh potatoes for retail customers.
1999	Country Crest opens a new washing, grading and packing facility for potatoes.
2001	Ireland experiences an outbreak of foot and mouth disease (FMD), affecting supply chains and the national economy.
2005	Country Crest invests €4million in a state-of-the-art onion washing, grading and packing facility.
2007	Michael Hoey is nominated as a finalist in the Ernst & Young 'Entrepreneur of the Year' competition. Country Crest is involved with in a charity promoting educational projects in Haiti, 'Soul of Haiti Foundation'.
2008	The Hoey brothers expand the family business by establishing a prepared foods division, Ballymaguire Foods.
2009	An 80-metre onsite wind turbine is introduced, supplying over 60% of the company's energy needs.
2011	Country Crest wins the Bord Bia Food & Drink Sustainability Award for their commitment to sustainable business practice.
2013	The Horse Meat Scandal results in a significant decline of sales in beef and beef related products across Ireland.
2014	Country Crest invests in an onsite cattle-feeding unit to ensure full traceability of beef.
2015	Country Crest's farm shop opens on their Dublin site, specialising in fully traceable beef, craft meats, locally grown vegetables, prepared meals and artisan foods.
2016	Sweet potatoes are added to the Country Crest catalogue of products.
2017	Country Crest completes its five-year sustainability development project with Origin Green (with the Irish Food Board) and is the first business in Ireland to sign up for a second five-year plan.
2017	Country Crest celebrates 25 years of business with over 350 employees working across all divisions.
2019	Farmers protest and strike against current policies in the Beef Sector, citing new trade agreements with South America.
2020	First case of Covid-19 is confirmed in Ireland, sparking a nationwide standstill.

Grounded on Family Values

The business operations of the Hoey family are underpinned by their family values of respect for the land, environmental reciprocity, sustainable practice and community embeddedness. The values of Country Crest and Ballymaguire Foods are a manifestation of this, and have been formally identified as:

1. *Sustainability*
2. *Teamwork*
3. *Integrity & Trust*
4. *Quality*
5. *Community*
6. *Innovation*
7. *Giving Back*

These deeply held values have played an integral role in fulfilling their mission of deploying a farm-to-fork business model and have been instilled at all levels of the business. A long-standing non-family executive described their demeanour, commenting:

> *"There's always been that ethos [farm-to-fork] promoted by Michael and Gabriel that they are farmers to the core, it's in their blood, it's in their DNA, and they care about the land and they care about the natural resources…. and also the 350 people that work here."*
>
> *Senior Manager at Country Crest*

These values closely align with the company's vision statement of ''leading the way in sustainable healthy food innovation". Their commitment to staying "true to nature for the generations to come", also demonstrates their desire to build a sustainable family business built on values. These modus operandi are validated throughout the day-to-day operations of the firm, with another senior member of staff noting:

"….We don't get everything right but every decision that we make outside the pure financial implications of the decision, we look at the environmental implications of that decision".

Senior Manager at Country Crest

Michael and Gabriel Hoey

Valuing Our Values in a Time of Crisis

Since the formation of the sibling partnership in 1993, the Hoey Brothers enjoyed the highs and at times the lows of family business ownership. Despite facing national and international crises, the brothers have consistently shown a devout commitment to their family values which guided their strategic decision making throughout. During periods of great stress and difficulty, Gabriel and Michael Hoey did not stray from these core values.

1. *Global Financial Crisis – 2007 onwards*

At the end of the 2000s, Ireland was facing the repercussions of the Global Financial Crisis. The state of the nation was in ruins, leaving the prosperous times of the Celtic Tiger[1] behind, as Ireland had quickly become one of the European Union's most indebted states. Unemployment had soared to record heights, GDP had plummeted, and consumer spending had been slashed. However, this did not stop the Hoey brothers from investing in their business.

A key development from a commercial perspective followed when they established Ballymaguire Foods in 2008, the same year of the infamous Lehman Brothers collapse. In the midst of this economic uncertainty, they managed to earn a gross profit of over €1.6m in their first year. Their model of "100% traceable ingredients from their farm and carefully selected suppliers" proved to the Hoey Brothers that embedding innovation, alongside a dedication to quality and sustainability, can bring success.

Investing in their own business was not the only priority for the Hoey Brothers throughout the global financial crisis. The development of a clear and actionable corporate social responsibility (CSR) strategy, led by co-founder Michael, was a passion for the Dublin natives. This was triggered when in 2007, Michael Hoey was nominated for the prestigious 'Ernst and Young Entrepreneur of the Year' award. A cornerstone of Country Crest's CSR initiatives was the Christine Valley Model Farm in Haiti as the project was set up by Michael and his fellow nominees of the award.

The aim of the 10-year project was to make considerable investment in farming equipment, training, and skills to ensure Christine is a viable and sustainable agricultural community once again. The Hoey brother's investment in the project warranted the appointment of a company representative to facilitate and oversee operations. The project proved to be a resounding success, enabling locals in Haiti to farm sustainably and providing alternative sources of employment.
Commenting on their commitment to CSR, their founder said:

> *"I think we've been fortunate and some days you question that and thank God for what we have. It has to be about giving back."*
>
> *Michael Hoey, co-founder*

Respect for the land and future generations was embedded in the way the Hoey Brothers operated, however demonstrating it, was an ongoing pursuit for them. Throughout Global Financial Crisis, Gabriel and Michael Hoey not only invested in new business development, but also in sustainable farm infrastructure. This investment included a €1.5 million financing of an 80 metre state-of-the-art wind turbine system. As a result of their efforts and sustainable business model, they accepted an invitation from Ireland's food board into their industry leading food and drink sustainability programme. As a pilot company on the 5-year 'Origin Green Sustainability Development Project', they further improved

[1] Celtic Tiger is a term referring to the economy of the Republic of Ireland from the mid-1990s to the late-2000s, a period of rapid real economic growth fuelled by foreign direct investment. The gross domestic product (GDP) averaged 9.4% annually through 2000 and about 6% a year for the remainder of the period.

their footprint, transforming their food packaging into fully recyclable material. During this period of economic uncertainty, they were rewarded for their commitment to sustainable business practises as they were named as the winner of the 'Bord Bia Food & Drink Sustainability Award' in 2011.

2. Horsemeat Scandal 2013

As the impact of the global financial crisis was still lingering for many Irish businesses, a crisis of a different kind swept through the nation and neighbouring European countries. Supermarket giants Lidl, Aldi, and Tesco, were found to have sold beef products while claiming 'full traceability', with horse and pig meat used in parts of their offering.

Although they were not culpable in the use of non-beef products, the Hoey's portfolio would not escape unscathed. Particularly affected was Ballymaguire Foods who's prepared meals relied on products from external meat suppliers. Sales of their meat-based products dropped by 60% overnight, as consumer confidence plummeted in the industry.

Eager to reassure the Irish consumer of their dedication to sustainable, ethical farming and reiterate their quality standards, the companies went under a series of self-declared audits, spending over €3,000 a month on animal DNA testing. Refusing to succumb to the errors of others, the Hoey Brothers doubled down on their farm-to-fork model through backward integration. They invested significant capital in an onsite cattle-feeding unit to ensure full traceability of their beef products. Gabriel Hoey commented after the project was completed:

> *"Rather than being totally reliant on somebody else's heap of paperwork, we decided to take control of the situation by putting up our own beef unit". –*
>
> *Gabriel Hoey, co-founder*

In the wake of the horse-meat scandal, albeit after absorbing a significant initial shock, the firm witnessed significant monetary growth as the popularity of their brands soared. Gross profit for Ballymaguire Foods jumped from €0.7m to €1.9m in 2014, and they added a further 100 employees to their operations in 2015.

Their diversification did not stop there. In a move to complement their backward integration, the brothers opened up an onsite farm shop to showcase their products and those of local enterprises. This, alongside an upgrade in their product portfolio with the addition of sweet potatoes, provided further sources of income and employment opportunities for the company.

3. Brexit – 2017 onwards

Shortly after their horse-meat scandal developments, the country they traded with the most outside of their own, the United Kingdom voted to leave the EU in 2017. The triggering of Article 50[2] coincided with a significant milestone for the brothers, 25 years since the establishment of Country Crest.

Approximately 15% of their business was undertaken with the United Kingdom, along with key supply chains operating through the island. Many Irish agri-food firms quickly concluded that Brexit would have a detrimental effect on their balance sheet due to the strong links between the two countries. In the Irish market, up to 50% of Irish cattle were sold to the UK alongside 25% of Irish dairy produce.

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[2] Article 50 refers to a piece of European Union law whereby an EU member state ceases to be a member of the Union. It reads "Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements".

Fears of increased tariffs, duties, and political tensions were understandably high in the agriculture sector. For Gabriel and Michael, reservations over Brexit did not permeate the brother's psyche, rather, they saw this as an opportunity, with Michael remarking:

> *"We feel more comfortable with it and the feeling is that it may even enhance our business in Ireland…" –*
>
> *Michael Hoey, Co-founder*

Although facing Brexit and further challenges in the form of severe weather conditions, a factor which can make or break an agri-food business, the Hoey's positive outlook was rewarded. In a short period in 2017, they were the first company in Ireland permitted to sign up for a second five-year sustainability programme with Ireland's food board. Ballymaguire secured 5 accolades at the 'Great Taste Awards', the leading the food and drink awards in the UK and Ireland. They also secured a multi-million-euro contract extension with supermarket giant, Tesco, to the value of €60m. This marked a near 20-year relationship with the retailer. At the time, Sheila Gallagher of Tesco commended the Hoeys on their ability to instil confidence in growers to invest in the future:

> *"We're very proud to continue our relationship with the Hoey family into the future". –*
>
> *Sheila Gallagher, Tesco*

Drawing parallels to the global financial crisis, their non-commercial initiatives advanced in the midst of Brexit on a local and national level. Locally, they partnered with schools and charities to develop a ten-acre field that was maintained by the school and its pupils to grow potatoes. On an informal basis, the Hoey brothers organised family community events for families living near to their family farm, further cementing their place in the locality.

Nationally, they identified a key role for education in the agri-food industry, and forged a strategic partnership with a Dublin University. The aim of this venture was to foster a culture of culinary innovation for students in the food and drink industry. To support this new scheme, Country Crest and Ballymaguire Foods agreed to supply state-of-the-art training facilities for next-generation students in Dublin city.

These CSR initiatives were symbolic of Michael and Gabriel's desire to inspire the next generation of food enthusiasts, which undoubtedly played a key role in Ballymaguire Foods becoming Ireland's largest producer of chilled ready meals.

Another Hurdle to Overcome: Hoey Brothers look to the future

From its inception in the mid-1990s, the Hoey Brothers endured despite a litany of hurdles facing them, from disease, geopolitical tensions, and economic crashes. Michael Hoey recently remarked on their approach to crisis management:

> *"In business, you will have crises. You must face your crisis. Address it. Then, drive through it to fix it." –*
>
> *Michael Hoey, co-founder*

Facing a global pandemic provided a new and entirely unique crisis for the Hoey brothers to navigate. By March 2020, many neighbouring countries were already in lockdown, with businesses from various sectors succumbing due to the pressures of Covid-19. Consumer behaviour patterns in Ireland evolved as a result, causing huge shifts in demands in supermarkets, with an extreme effect on the food and beverage industry.

However, we have seen that as a family business, the Hoey Brothers intertwined tradition and innovation for over 25 years. In striving to cultivate their agri-food businesses, they embodied their values of staying true to the land, developing environmentally friendly practises, and providing a sustainable business for society to reap the rewards from. Living their values not only once, but repeatedly throughout history in facing crises, may act as some solace for the brothers as they tackle the Covid-19 pandemic.

While uncertainty around Covid-19 remained for the Hoeys, their sense of clarity around the purpose and vision of the family farm would not be clouded. Acting as stewards and guardians of the land is a legacy this generation will hope to pass onto the next generation, and future leaders of Country Crest.

More worryingly for Gabriel and Michael, the onset of an uncertain, unprecedented, and unpredictable virus, provided a sense of jeopardy for their legacy like they have never felt before.

With their on-site turbine providing the soundtrack for their conversation, the Hoey Brothers knew the road ahead would provide a challenge like never seen before:

"Okay Michael, you're right. This really is different. Let's get on with it"

TEACHING NOTE

Valuing our Values: Family Values Driving Firm Success

Case Synopsis

Agri-Food business, Country Crest, was founded by brothers Michael and Gabriel Hoey in 1993. The Hoey business has evolved significantly since its inception, elevating themselves from humble farmers to owners of several multi-million euro agricultural businesses including Ballymaguire Foods, the largest chilled meals producer in Ireland. With a farm-to-fork model for their businesses, their core values have transcended into key reasons for their overwhelming success. In tandem with their growth is their significant CSR work, led by Michael Hoey. This ranges from initiatives in local Dublin schools to entire projects spanning over years in Haiti. In Country Crest, their respect for the land and their foresight for the future of agriculture and business distinguishes them from many competitors. However, with the onset of a global pandemic, this has caused the Hoeys to review their history in light of the numerous business challenges and crises they've faced.

Learning Objectives

This case follows the sustainably-focussed Hoey brothers, as they expand their business and practises into market leaders, setting an example for Agri-food companies in Ireland. Gabriel and Michael have shown tremendous resilience to bring the company to this point, keeping their family values at the core of the business, but the Hoeys face a challenge on an entirely different scale with Covid-19. This case looks at their history and the role values have played, teeing up students to make an educated guess as to how they might face another crisis.

The case discussants should be able to establish:

- The qualities that may assist a family business during a period of crisis
- The role values play in an organization and how they can be implemented
- Understanding of the long term outlook pursued by a family business
- The business model of a family business, and the idiosyncratic influence of the family on the model
- The business case for Corporate Social Responsibility

We would invite students to view the following videos about the Hoey Family Business which would supplement their understanding:

Video 1: Entrepreneur of the Year Nominee Video, Michael Hoey – Nominated in the 2007 Ernst and Young 'Entrepreneur of the Year' award, this clip profiles Country Crest and how they operate. It gives the students a snapshot of the business in the mid 2000s.

Video 2: Origin Green & Country Crest – An initiative with Bord Bia, Ireland's food board, which unites the government, private sector, and full supply chain in order to set and achieve measurable sustainability targets. This clip highlights the company's dedication to sustainability in the mid 2010s.

Order of teaching:

- Watch Video 1 before class
- Read the case
- Watch video 2
- Discussion Questions
- Epilogue
- Conclude

Discussion Questions

1. What role did Michael and Gabriel's family values have on their businesses?
2. Describe Country Crest's business model of *farm-to-fork*. How did they implement this?
3. How have the Hoey brothers displayed *resilience* to this point?
4. In your view, what is their most important metric for success? Consider their decisions through the lens of finance, community, CSR, and the environment.
5. Do you believe their sustainably-focused mindset will prove to be a roadblock with Covid-19, and why?

Epilogue

Covid-19 has proven to be merely another obstacle for Country Crest to overcome, as they have stepped up to the mark in the fight against Covid-19. Keen pragmatists, their consistent communication and adaptability with supermarkets in preparation for Brexit had stood them in good stead for this pandemic. Protocols meant supermarkets were rarely ever out of supply, with Country Crest dealing with an *increase* in demand of up to 30%. Their resilience and dedication to excellence ensured they were rewarded *another* contract extension with Tesco, to the value of €60m. They are continuing forward with a back to basics approach, often amending Ballymaguire food recipes to provide adequate supplies to supermarkets. These are learnings Country Crest will no doubt in future be thankful for. They've been in a position to continue employing hundreds of workers, safely and fairly, with Michael remarking:

"I was looking at our people coming in to work this morning and I would hate to ever find myself in a position where you are telling them their jobs are gone".

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