

Institution: Durham University
Unit of Assessment: 19
Title of case study: The Growth and Development of Eden Farm Ltd
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>Eden Farm Ltd (a medium-sized company that produces frozen foods in the north east of England) approached Durham University Business School (DUBS) to work together from 2005. The impact of this collaboration was that DUBS research provided the company with (i) a changed approach to the management of resources, resulting in improved service delivery; (ii) the development of new and improved work processes; (iii) improved effectiveness in workplace practices; and (iv) better access to financial opportunities. Indeed, turnover and profitability increased well ahead of the sector average between 2008 and 2012 – growth that the company attribute to improvements from the application of DUBS research.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>DUBS has a longstanding research strength in methods for developing strategic management accounting as a tool to gain strategic advantage. Reference 1 was one of the first research papers to outline thinking on this issue, defining strategic management accounting as follows: “[t]he provision and analysis of information relating to a firm’s internal activities, those of its competitors and current and future market trends, in order to assist in the strategy evaluation process” (p.605). It went on to elaborate the argument that the adoption of strategic management accounting would involve management accountants undertaking the following new tasks: “strategic business unit identification; strategic cost analysis; strategic market analysis; [and] strategy evaluation” (p.607). The fusion of the management accounting and strategist roles was particularly innovative at the time. This is because the prevailing wisdom held that it was the strategist who needed to be outward-looking – with the management accountant, in contrast, needing to take a relatively introspective view of the business.</p> <p>Reference 1 made its arguments conceptually. However, Reference 2 built on these claims to show from empirical evidence the benefits (and the limitations) of the proposition that “management accounting and strategy are inextricably linked” (p.273). Reference 2 detailed four contributions that strategic management accounting could make to companies in gaining competitive advantage: (i) achieving “balance [amongst] functional, area and product perspectives” (p.274); (ii) coordinating “interaction across business units using formal systems” (p.274); (iii) “competitor analysis ... [including in particular] a need for greater attention to be given to emerging threats in proximate markets” (p.274); and (iv) “a more integrated approach to resource allocation” (p.274). This research then illustrated and examined “the practicality of strategic management accounting in a dynamic setting” (p.274) via a case study of one particular company (a small-to-medium sized company located in the north west of England) “that displayed characteristics of using the concepts associated with strategic management accounting” (p.274). The case study showed, in particular, the key role played by linking management information and accounting systems with strategy formulation and an awareness of the external environment. However, it also demonstrated the limitations of strategic management accounting, in that, at the time of writing, the costs of “the information demands placed upon an organisation by strategic management accounting may outweigh the benefits” (p.279) in some cases. Nevertheless, the research concluded by reflecting that: “[t]he concept of strategic management accounting has to be developed by both practitioners and academics. With greater interaction between the two groups, strategic management accounting can be developed beyond its current state, and the concept may achieve more widespread application and help organisations to enhance their competitive advantages in intensely competitive markets” (p.279).</p> <p>It is in the light of this last comment that the work detailed in the case study should be understood. The research which had an impact upon the strategic financial systems of Eden Farm Ltd meant that the lead researcher interacted with practitioners so that they benefited from the strategic management accounting approach set out in DUBS research.</p> <p>Dixon joined DUBS in 1992 and is still a member of faculty; Smith was a graduate student at DUBS who went on to be appointed as an academic member of staff in 1995.</p>
<p>3. References to the research (indicative maximum of six references)</p> <p>1. Dixon, R. and Smith D.R. (1993) “Strategic Management Accounting” <i>Omega</i> 21:6: 605-618.</p>

(ABS 3). [http://dx.doi.org/10.1016/0305-0483\(93\)90003-4](http://dx.doi.org/10.1016/0305-0483(93)90003-4)

2. Dixon, R. (1998) "Accounting for Strategic Management: A Practical Application", *Long Range Planning*, 31:2, 272-279 (ABS 3). [http://dx.doi.org/10.1016/S0024-6301\(98\)00011-9](http://dx.doi.org/10.1016/S0024-6301(98)00011-9)

4. Details of the impact (indicative maximum 750 words)

In 2005, Eden Farm Ltd approached DUBS (along with the Durham Engineering Department who recommended various measures for business reengineering in parallel research) as an Associate in the Knowledge Transfer Partnerships (KTP) Scheme run by Durham University. In its KTP Grant Application and Proposal Form (Evidence 1), the company stated: "Eden Farm lacks an understanding of current thinking, best practice and methodologies which lead to difficulties in applying modern tools and techniques within the operations and finance aspects of the business. The opportunity in finance [i.e. directly relevant to this DUBS case study] is to undertake detailed analyses including cost base analysis, product analysis, customer analysis and distribution route analysis to create an advanced financial model to underpin the strategic finance plan for the future of the organisation" (p.2/3). DUBS stated in the same document that it undertook to "work on introducing [for Eden Farm] new systems for multi-layered financial modelling and strategic financial planning through:

- Understanding the cost base
- Creating a coherent data set for Eden Farm to allow analysis and tracking of the cost base relating to
 - supplier, product and stock keeping unit
 - customer performance
 - distribution
- Developing a methodology for creating, and introducing, a multi-layered Financial Modelling and Scenario Planning to meet the need of this complex business.
- Introducing Strategic Financial Planning techniques and developing a Strategic Financial Plan to underpin long term investment decisions in the company, documenting processes and training finance staff and management to use the modelling and strategic financial planning processes" (p.3).

DUBS also undertook to provide Eden Farm with "[r]obust financial analysis systems and coherent data set creation along with regular tracking and monitoring of the cost base [that] will provide

- Improved management information and a basis for negotiation with suppliers and customers.
- The ability to price goods more accurately and thereby raise margins
- Maximise bonus and discount payments from suppliers by optimising minimum order levels and sales volumes
- Development and implementation of the multi-layered financial model will support Scenario Planning to underpin risk assessment in a highly competitive market
- Strategic financial planning will underpin major financial decision making such as investments in new premises and staff development in the medium to long term.
- Key staff trained on use of the financial analysis, modelling and strategic planning techniques (p.3)

This research-based consultancy was conducted between March 2006 and March 2008, and used the principles set out in Reference 1 and 2. For example, Eden Farm implemented a system of strategic cost analysis, which, following reference 2 is: "important as it allow[s] a greater level of understanding of the behaviour of direct and indirect costs" (p.277) The final KTP report (Evidence 2) produced in March 2008, allowed Eden Farm Ltd to implement fully the recommendations. Indeed, in evidence 2, the company stated (on a scale of high to nil) that the significance of the results of the KTP to the company's present and future performance were both "high" (Evidence 2, p.6). And in terms of the impact of the specifically accountancy research (as opposed to the reengineering research) on the operation of the company, Eden Farm stated that they had changed their approach to the management of resources: "[t]he procedures and controls implemented within the areas of stock pricing, promotions and claims have successfully been transferred to two new members of staff. Advanced use of Excel has been introduced into the company which has enhanced reporting and use of data to support decision making. Deeper

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understanding of pricing structures has enabled the company to win and retain larger accounts through offering promotions to key accounts, as well as getting the price right first time. ... the enhanced IT systems have improved accounting processes which are now in use on a daily basis” (Evidence 2, p.3). Hence, from early 2008, DUBS research had an impact by also developing and improving Eden Farm Ltd’s work process and workplace practices.

In terms of better access to financial opportunities, in the final KTP report, Eden Farm also stated that additional pre-tax profits (i.e. those which have been affected by the improvements resulting from the KTP) were expected to total £500K by the end of 2008. The company also predicted increased profits over the next 3 years of £1,500K as a direct result of the KTP project. Indeed, the company also stated that the “long term strategy for Eden Farm is to increase turnover to £30m by 2010. This is equivalent to a 20% growth year on year. *The improvements and recommendations resulting from the KTP will allow this target to be achieved*” (p.5; our italics). Such predictions are broadly in line with actual results. In information available from Companies House (see evidence 3) the following changes are recorded:

Table 1: Eden Farm Turnover and Profits

Date of Accounts	2011	2010	2009	2008
Turnover ('000 GBP)	38,344	32,567	26,618	22,295
Gross profit ('000 GBP)	6,540	5,287	4,922	4,131

As Figure 1 shows, a significantly steeper, upwards turnover-gradient started for Eden Farm from 2008 (i.e. at the end of the DUBS research project). It also shows that this rise was *not* mirrored in trends within the sector (where turnover flat-lined during the same period). A similar trend can be seen in Figure 2 in respect of gross profit. Eden Farm’s results were all the more impressive given that the North East of England was the region hardest hit by the economic downturn that started in 2008.

Figure 1: Turnover ('000 GBP) – Eden Farm and median of comparison group, 2006-11

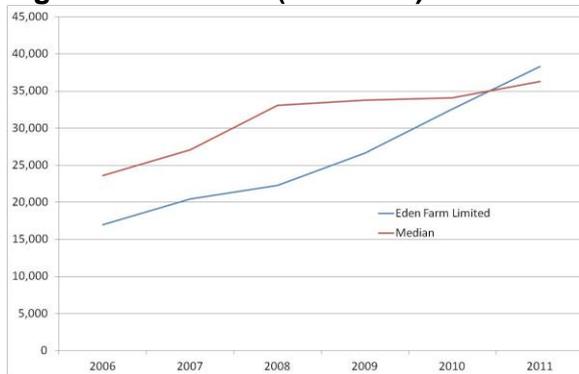
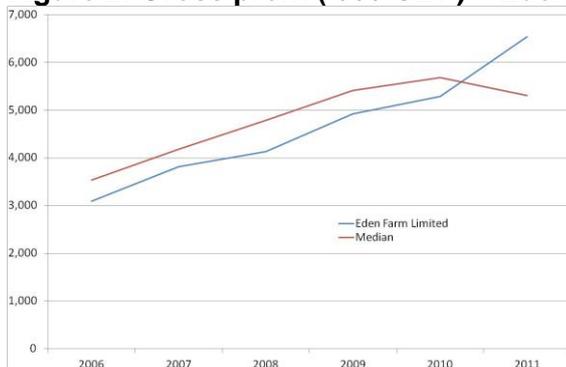


Figure 2: Gross profit ('000 GBP) – Eden Farm and median of comparison group, 2006-11



Furthermore, Eden Farm’s CEO states in a testimonial written for this case study:

“The Knowledge Transfer Programme run with Durham University from 2006-2008 had a major positive impact on the performance of Eden Farm Ltd. This was not only in terms of growth – Eden Farm has been in the Ward Hadaway Journal Fastest 50 Growth Companies* for three consecutive years following the KTP ... but also through a turn around in company profitability. ... New processes and procedures were introduced ... as a consequence to improve our performance. These met with considerable success

- Improved management information;
- Better understanding of current thinking and best practice methodologies ...

We are very grateful to Durham University for this platform building work and the ongoing dialogue and support [Dixon has met the CEO annually since 2008 to provide advice on the company’s finances, accounting systems and strategy] since then.”

*A league table of companies in the North East of England produced by law firm Ward Hadaway; see evidence 4 for the announcement of the 2010 award in *The Journal*, Wednesday October 13th 2010 – the third year that Eden Farm featured.

Taken together, the data in Figures 1 and 2, along with Eden Farm’s specific predictions (in the KTP final report) and its current analysis (in the testimonial), suggest that the DUBS research which introduced strategic cost analysis and improved accounting and other practices was also highly likely to have had a secondary impact from 2008 – i.e. it also increased Eden Farm’s turnover and profits. In both basic measures – turnover and gross profit – not only has Eden Farm experienced an increase in absolute terms, but also in its rank among the comparison group. In each case, during the REF period, Eden Farm has improved from below to above the median – i.e. from the bottom 50% to the top 50%. (The detailed data, the sources from which it was obtained and the methods used in constructing the comparison groups are detailed in Evidence 3). Furthermore, the student who worked with Dixon on the KTP featured in the KTP awards for 2008 because he “has had an instrumental role in establishing profitable avenues, and adapting to new challenges for the company” (Evidence 5).

In summary, the impact of DUBS research has been very significant for Eden Farm Ltd. It led directly to the company developing and improving the effectiveness of many of its working practices. These improved practices are very likely also to have had a secondary impact – a sector-beating increase in turnover and gross profit. Furthermore, the case study also demonstrates the potential relevance of DUBS research for the future development of management accounting and other financial systems in other contexts. Companies similar to Eden Farm – of which there are many hundreds in the UK alone – may well be able to benefit in the same sorts of ways, suggesting the potential reach of future projects based on similar underpinning research is substantial.

5. Sources to corroborate the impact (indicative maximum of 10 references)

Evidence

1. Knowledge Transfer Partnerships Grant Application and Proposal Form (Eden Farm)
2. Knowledge Transfer Partnerships Final Report (Eden Farm)
3. Report on Eden Farm from Paul Braidford, Senior Research Fellow (Policy Research Group) of St. Chad’s College.
4. The Journal, Wednesday 13th October 2010 “The fastest 50 growing companies in the region 2010”
5. KTP Awards 2008.

Testimonial

1. Eden Farm CEO.