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Title:

**How could Greenfield diner transportable and Hørkram Foodservice A/S use their incentive systems to motivate reduction of their collective food waste?**

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## Abstract

This paper handles the issue of food waste from different perspective, instead of trying to utilize the currently generated high amounts of wastes, here the recommendation is to work with the partners in the supply chain for reduction of this waste. Two companies are chosen which are in the food distribution and production business. They are chosen, because they are currently related as supplier and customer. They are in the middle of the supply chain as collecting point between multiple suppliers and consumers. The analyses, which this paper is doing are on their incentive systems' motivation effect to reduce the generated collective waste of the two firms working individually and together to achieve it. The paper looks for the internal effects of the incentive system and the motivating effect for cooperation between these two partners for less waste.

Recommendations for Hørkram are several. First to be careful with the control and centralization of their decision taking, because it can have negative effect on the intrinsic motivation of the employee. Instead of focus on control, they can focus on change of the hiring policy, training, significant information exchange, transparency and feedback, budget control and most importantly culture for less waste, organizational spirit and self-control. Regarding the current reward, which is given, it is fixed salary, promotion can be used for risk compensation, when it comes to higher responsibilities. More non-financial reward can be added as well. When it comes to the work with Greenfield, focus should be put on receiving more information from Greenfield in advance and more personal connection with the them.

Recommendations for Greenfield is less control from the principal and more decentralization. This is because the current centralization creates low result in two of the three psychological needs of the people: low autonomy and limited possibility for self-efficacy. This lowers the intrinsic motivation. Greenfield should improve information exchange and feedback. Keep focus on the background for less waste and select people with appropriate attitude. Hørkram should approached for benefits in case of more information disclosure.

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## 0 Introductory chapter

### 0.1 Motivation

Living in the world with growing population and social inequalities, we as humanity need to find solution of common problems in front of us. One such problem is the food deficit. In 21<sup>st</sup> century the food which is produced is more than enough to feed the entire humanity. The reason why it is not doing it can be many. One of them is the perishability of the food. It is expensive and time consuming to deal with the food. That's why, the free market can't be as efficient as we expect in this sector. The free market can deal with it as long as it is not too expensive to make it. This is the base argument for the business and individuals to throw food. As example in Denmark the wasted food is 700.000 tons per year<sup>12</sup>.

EU Landfill Directive (1999/31/EC)<sup>3</sup> is increasingly reducing the level of landfilled biological waste since 2009. Currently the level is 35% of the 1995 level and in the future the tendency is to be forbidden to put food in the garbage. That's why the alternatives must be implemented.

One solution is the donation of the food. This being positive for many people it is not so popular today. The donated food products are small part of all wasted food<sup>4</sup>. Looking at the biggest Danish organization Fødevarerbanken only 426 tons of food have been distributed for the ones in need using their service. This company is saving less than 0,06% of all thrown food. This is meant to be the solution, but it is not doing a lot.

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<sup>1</sup> Madspild I tal, <http://www.stopspildafmad.dk/madspildital.html>;

<sup>2</sup> [https://www.google.dk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjdsJeS9qnOAhWBhywKHazBCMQQFghHMAI&url=http%3A%2F%2Fwww.lf.dk%2Ftal-og-analyser%2Fanalyser%2Fforbrug-og-detail%2Fmadspild-i-danmark&usg=AFQjCNHIJ7L5H4fkXqvg\\_SPm6VKJtR7OnA&sig2=6khpAr77VGGcHQ1tivA0g&bvm=bv.128617741,d.bGg](https://www.google.dk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjdsJeS9qnOAhWBhywKHazBCMQQFghHMAI&url=http%3A%2F%2Fwww.lf.dk%2Ftal-og-analyser%2Fanalyser%2Fforbrug-og-detail%2Fmadspild-i-danmark&usg=AFQjCNHIJ7L5H4fkXqvg_SPm6VKJtR7OnA&sig2=6khpAr77VGGcHQ1tivA0g&bvm=bv.128617741,d.bGg)

<sup>3</sup> Less food waste more profit, ISBN 978-1-906953-03-4, page 10

<sup>4</sup> <http://frugt.dk/Resources/Files/PDF/faktaark.pdf>

Other solution is use of this food for energy production<sup>5</sup>. This is solution in progress, which can solve the major part of the problem. As we can see in the article, 50.000 tons of food from the major supermarkets will be used for gas production. This is solution for the industries, which can't find way to donate it. Specific for them is that they mostly don't produce the food but resell to the end-consumers. This solution leads to big part of value waste for this food, because the costs of the goods is higher than the possible return generated from this gas.

So looking at the possibility for donation or energy production, they can contribute and deliver results, but the real solution of the issues always is up to the ones dealing with the issues. These are the ones who plan, process and deliver the food. These are the suppliers, kitchen staff, management and delivery partners.

For the purpose of this paper were taken two companies dealing directly with the food. They are related in the supply chain as supplier and customer. The reason to take them is to have specific business cases. Having this, it is interesting to look at their incentive system as main tool for motivating specific behaviour of the employees and partners. The first company is called Hørkram Foodservice A/S, it is one of the biggest Danish wholesaler of food and kitchen products for all different kinds of professional kitchens. The second company is Greenfield diner transportable, which is catering company in Zealand with office and kitchen in Selchausdal, Ruds Vedby. The food is something, they deal with every work day and possible waste may happen. The food moves between these companies as part of their business. Looking it from this perspective, the food is the same, but it changes ownership. The interesting here is the problems which may arise from poor interest alignment between the parties inside the organizations for reduction of possible wastes and also between the partners to coordinate better for less waste.

## 0.2 Research question

How could Greenfield diner transportable and Hørkram Foodservice A/S use their incentive systems to motivate reduction of their collective food waste?

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<sup>5</sup> <http://nyheder.tv2.dk/2015-02-09-ny-opfindelse-goer-madaffald-til-biogas>

### 0.3 Sub-questions:

1. How does the current incentive system look in Hørkram Foodservice A/S?
2. How does the current incentive system look in Greenfield diner transportable?
3. How do Greenfield diner transportable and Hørkram Foodservice A/S current incentive systems support shared effort for waste reduction?

### 0.4 Interpretation

The research question focus on the topic of incentives as tool for reduction of food waste. More specifically, it looks at the waste as collective issue, since it is preventable when motivation and effort is present in all the parties dealing with the food in the supply chain. The research question is referring to Greenfield and Hørkram as two companies between original producer of the food and consumer of these foods. That's why they have the position to connect wide variety of suppliers and distribute to wide variety of consumers. This also mean that effort for waste reduction in these two parties will significantly reduce the collective waste.

The first sub-question goes more deeply in the incentive system in Hørkram. The point here is to describe the incentive system in the way it is now. The effects from it will be interpreted with the models present and positive and negative effects will be presented specifically in relation with food waste reduction.

The second sub-question is doing the same analysis of the incentive system, but this time on Greenfield. Again current incentive system will be described in the way it is now. Positive and negative effects will be presented with focus specifically on incentives for waste reduction.

The third sub-question is looking how the current incentive system of these two companies support the shared effort for waste reduction. This means that it will try to see how these systems could possibly stimulate initiatives for coordination and planning with objective for higher efficiency and less waste. It includes incentive for the staff and incentive for shared efforts with the other partner.

## 0.5 Structure

The paper starts with introduction of the theories relevant for the paper, in the following parts are presented the answers of the three sub-questions. This is finished with presenting of recommendations and overall conclusion, which is also short answer of the main question. Each part of paper is numbered in the following way. The first number is the part of the paper, every following number and dot after is presenting sub part of the part before the dot.

## 0.6 Scope

The paper is looking at the Hørkram's incentive system and Greenfield's incentive system. Taking under consideration, the high relatedness between the theories and practices in the area, the theory also includes part of the decision rights theories when discussing the incentive system structure and effects.

The paper does not pretend to cover the full incentive and control mechanism of the two companies. As a begging, the paper is mainly concern from the elements of their system which are related with the reduction of food waste.

Clearly understanding the fact that the collective food waste of these two companies will depend from the collection of all Hørkram's customers and all Greenfield's suppliers and customers. This paper focuses specifically on the possibilities between these two companies for reduction of their collective food waste.

In the case of Hørkram, Greenfield is seen as just one of many, that's why, the paper will look at the evaluation of Hørkram's incentive system as the incentive system motivating specific behaviour toward their customers in general. In the case of Greenfield, Hørkram is the major and primary supplier, so they can be more specific when addressing Hørkram.

Regarding Hørkram, this paper is interested from the Danish department of the company based in Sorø, Denmark.



## 0.7 Methodology<sup>6</sup>

As discussed above this paper have the purpose to use specific firms for data source. The data from the cases will be analysed in the context of theoretical models used in incentive system theories.

As a starting point is the research philosophy. The theory of pragmatism is view, which explains the topic from its complexity and multidimensional reality. The topic here, which relates with the food waste can have multiple realities not only in general but also in the incentive systems. The paper is looking pragmatically<sup>7</sup> to the discussion and does not pretend to answer the general issues or to create universal solutions. The main objective is to advance the knowledge using the current experience of the companies and recommend changes in the incentive system, which can benefit reduction of their collective waste.

The paper adopts more subjective view<sup>8</sup> of the reality. It does not assume that the organizational culture, which is created as result of incentive system is something defined without possibility to be changed. More importantly the paper assumes that this reality created by the incentives system cannot be seen as linear equation to the given incentives system. Opposite to this view, the paper assumes that the organizational culture toward food waste is mix between the incentives' system and individuals' own view on the matter (intrinsic motivation). That's why the paper does not want to assume single universal solution, but tends to advance the knowledge in the area and recommend multiple initiatives.

Having defined this comes the next methodological position, which the paper takes. This is the view of the resources based researcher<sup>9</sup> vs feelings based researcher. Taking the subjectivity view earlier and pragmatic view for reality, it becomes clear that the topic here is not defined by numbers or statistical proves, which is the resource based research view. The reality is much more defined by individual business's view and more specifically the individual person's view of the reality.

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<sup>6</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4 and Chapter 5

<sup>7</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 130

<sup>8</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 131

<sup>9</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 134-135

Personally is motivated by objective data as financial profitability, but it is also motivated by their own perception for topic (attitude), objectives and motivation. That's why in reality, the research view is mixed. It definitely needs to incorporate the objective figures behind their motivation and it can explain part of the topic with individuality of the persons involved.

The theory of realism<sup>10</sup> will be used here when the paper tries to determine the real from idealistic or theoretical expectation. The idea is to see the data without being distracted from external factors (motivation, principal-agency relations). The relevant type of realism is critical realism, where we think that we see and understand the situation, but in reality our senses are blurred from the external factors mentioned above. The point here will be to clear the picture for the viewer how the external factors affect our own view on the topic of food wasted due to current incentives system. This again relates with the personality which is complication, making it highly unlikely to have universal theory on the topic. The use of multiple sources will be used as tool to support this view. The paper looks to the businesses as different actors with different people being part of them. This nature of the businesses is determined not only by the different nature of the employees, but also due to the different nature of the partners they work with. This includes the customers and their own specific interests. This makes it even more obvious that the starting idea that only incentive system can determine the business's motivation and actions is not true. This makes it very important to implement philosophical approach related with interpretation of this behaviour in the context of the specific business. In symbolic interactionism<sup>11</sup>, the individuals make one continuous evaluation of the environment around them and make sense out of it. It also adjusts own actions from the actions of the actors. This is true for one flexible industry as catering and this has to be implemented also in this paper, so the interpretation can lead to reasonable pragmatic understanding of the business situation.

The research approach, which is going to be relevant in our case is inductive<sup>12</sup>, on the base of the data, which is going to be collected and theoretical models, which are present will be developed

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<sup>10</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 136

<sup>11</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 137

<sup>12</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 146

theoretical explanation for at least part of the employee's behaviour. In this way can be understood better how could future incentives system design can be made so it solves the issues of product waste.

The methodological choice of the collected type of data is qualitative<sup>13</sup>. This will help to form in depth knowledge for the topic under discussion. It also relates with the interpretivist view. The research design starts with exploratory approach by asking open questions and knowing more about the topic and moves to explanatory by explaining the outcomes with theoretical arguments.

This study has the nature of action research. It is not meant to solve the issue in general but to enhance the knowledge and allow next cycle of diagnostics – planning – taking action – evaluation to happen in the future. In this way further work can be done for less food waste to happen.

Being action research, this study is supposed to be continuous process. For the purpose of this paper, it is cross-section in the current time period, which only analyses the current processes and situation.

#### Methodology of interview from catering firm manager

The reason to take these interviews is because it has need for practical sources, which can give base for possible connections between incentive system and motivation for reduction of food waste. Speaking about incentives system, can be made distinction between several theories. The first theory which is relevant here is the principal-agent theory, which shapes the interaction between the principal and agent and their interests. The second group of theories is the motivation theories. This includes intrinsic and extrinsic motivation. These three main theories need to source data for analysis. The interviews will source this data by asking the management and employee in the catering firm relevant questions. The following questions are relevant mainly for the management of the company. The first part of the interview will focus on learning more about the business. Important here is to ask about the supply chain of the company with typical partners in it. The reason why it is relevant is because it can show the parties involved. Other questions ask about the infrastructure, which the business have: kitchen, transportation facilities. The questions will be:

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<sup>13</sup> Research methods for business students 6th edition, Saunders, Lewis and Thornhill, Pearson, 2012, Chapter 4, page 163

1. To whom am I speaking now?
2. What kind of company you are working in?
3. What is your primary market?
4. Do you have your own kitchen? Who is responsible in the kitchen?
5. What kind of food storing facilities you have?
6. What kind of transportation facilities you have? Who is responsible for them?
7. Can you tell more about the partners you have? (specific about suppliers and customers)
8. What about the employees you have? Can you tell me what are their responsibilities?

After knowing about the business, next is to learn more about the internal organization they have. This includes hierarchy, responsibilities and employment type. This is relevant in term of principal and agent's power and role in the organization. The level of engagement of the employee is relevant here, because it can show difference when it comes to behaviour.

9. Can you tell more about the internal organization you have in the company? More specifically about the chain of command?
10. What about the control system you have for better performance? Also in the context of less food waste.
11. Can you tell more about employees' possibility for autonomous behaviour from the manager of the company?
12. Who is responsible for each of the steps in the supply chain?  
 List the responsible party in the ingredient supply  
 List the responsible party in the food production  
 List the responsible party in the food delivery  
 List the responsible party for the food leftovers
13. Is there party from the above listed, who is independent from your company's incentives?
14. Speaking about your employees, can you tell more about their long term engagement in the business? Is it full time or part time job for them?
15. Are all parties in the kitchen employees of the same firm?

The next group of questions is about the reward system they use. Important here is to learn more about the system and its effect above performance of the employees. The objectives of the system

are in the centre. The compensation system can play key role in the motivation type, which is present in the organization.

16. When it comes to employees of the catering firm, what kind of compensation is present?

Start with the management of the business.

Continue with the rest of the employees.

17. What about the compensation of the partners? Do you know something about it? More specifically, can you tell how the partners engaged with the food processing are rewarded?

18. What is the objective of your current incentive system?

Start with the effect you are aiming for the management reward (manager can be owner) and after for the employee's reward.

Moving further, the discussion have come to the point where the motivation for food saving need to be investigated in more details in the context of their current reward system and the objectives of this system.

19. Does the manager's (owner) take action for food waste reduction due to the current incentives system?

20. Is his/her financial income directly depending on the level of wasted food?

21. What about the employees, do their current incentives system alter the amount of wasted food?

22. Who is taking property of the food while it is processed by the employees?

23. Does employee's financial income is altered depending on this waste?

24. What about the partners? Does their financial income depend on the amount of wasted food?

25. Does somebody in the supply network get specifically rewarded with bonus for reduction of wasted food?

26. How do you determine the prices between you and your partners? What is the objective? Can you influence it?

In the last part, interesting is their personnel sense of value of the food.

27. Do you see value in the food outside of your interest to work with it?

28. Do you think that it needs to be used with caution, because it is important for you personally not to waste it?

29. Assume that you have sold food to your customers. A lot is leftover and you can't use it legally for resell in your company. If you have neither financial income or loss, do you feel motivated to save part of it and make something better with it (donation, animals feeding, gas production).
30. Do you use the leftovers for donation, animals feeding or gas production?

Interview from the partners (Hørkram, BIG EVENT COMPANY)

Dealing with the partners, which in our case are suppliers and key customers, is part from understanding the whole network. These partners are either taking or giving property of the food at one point of time. It becomes important to understand, what is their interest when dealing with the food and how they deal with their own excess food. The major interest is how their motivation for food waste reduction can be stimulated in the interaction with the catering firm under discussion.

The first group of question tries to understand what kind of firm is this:

1. To whom am I speaking with?
2. Can you tell me about your company?
3. What is your experience with "Greenfield Diner Transportable"?

The second group of questions tries to understand more about the partners' practices when having extra food, which is not consumed.

4. Does it happen to have excess food, which can't be sold to end consumers?
5. What are your practices in this case?
6. Have you considered alternatives?

The next group of questions asks about the incentives/reward practices this business have and how these practices look like in relation with excess food.

7. What is the structure of your organization? More horizontal with independent decision taking units or centralized decision taking? Tell me more about the decision taking in the organization.
8. Can you tell more about the reward system, which you have in your company? (f.ex. based on hours work or fixed monthly salaries or bonuses per event or combination of these)
9. Do you have special incentives system for reduction of food waste in your organisation?

How this incentives system looks like?

10. Do you try to specifically motivate reduction of food waste with material reward (bonus)?
11. Can you tell more about the prices between you and “Greenfield Diner Transportable” for the ordered goods? What is the objective when you agree with them? Objective can be long term-partnership, cost coverage + percentage profit, minimum cost generated. How this changes with different types of events?

The next group of questions is related with the work with “Greenfield Diner Transportable” when it comes to food.

12. What are your practices with “Greenfield Diner Transportable” when it comes to the excess food in your end or their side?
13. How are you mitigating these food loses?
14. Do you consider financial costs when having these loses?

The last group of questions tries to look at the personal view point about the topic of food waste.

15. If you personally do not have financial interest to save this excess food, do you think that this food has to be used properly without wastes? If you can do something from your personnel time to prevent this waste would you?
16. What recommendation you can give for minimizing this possible food waste? Specifically, do you think that your customers are open to discuss this topic?
17. At the end, can you tell me what is your business interest in relation with the food? How this is valued in the context of the events.

#### Interview from the co-workers

Here are included parties who are working in the kitchen or have direct contact in the kitchen, where the food is produced. The point here is to see their view point when dealing with the excess food.

The first part of questions asks for more information for the interviewee.

1. Can you tell me your name and position when working with “Greenfield diner transportable”?
2. How long time you have been working with “Greenfield diner transportable”?

The next part asks about the food treatment and the excess food.

3. Do you consider less waste when dealing with the food?

4. What is the reason for this consideration? (managers' surveillance, resource availability, personnel financial cost)
5. If any of these was present and you simply have food to cook, do you have own motivation to make it as efficient as possible?

The next part asks about the incentives system.

6. What is the structure of your organization? More horizontal with independent decision taking units or centralized decision taking? Tell me more about the decision taking in the organization.
7. How the control system looks like? More specifically when it comes to dealing with the food and reduction of wastes.
8. Can you tell more about the reward system, which you have in your company? (f.ex. based on hours work or fixed monthly salaries or bonuses per event)

The next part looks at the practices when it comes to excess food.

9. What are your practices when it comes to the excess food?
10. How are you mitigating these food loses?
11. Do you consider financial costs when having these loses?
12. Does this cost affect you?

The last group of questions tries to look at the personal view point about the topic of food waste.

13. If you personally do not have financial interest to save this excess food, do you think that this food has to be used properly without wastes?
14. If you can do something from your personnel time to prevent this waste would you do it?

## 0.8 Theories used

Key theories here are principal-agent theories for understanding the behaviour of the employees. As it was mentioned also above the paper is focusing on the incentives theories, which are mainly related with performance evaluation and performance reward. For more holistic understanding of the incentives system, are included theories of the decision rights allocation in the companies, which can have significant effect on the incentives' effectiveness.



The decision rights theories include the theories for specific vs general knowledge, which is used is seen as major tool for decision rights allocation. On the other side is presented the nature of control, how it is influenced from the types of error's theories and what are the effects above choice between centralization vs decentralization.

The second group of theories is the performance evaluation theories, it starts with introduction of the criteria for successful implementation of evaluation, the distortions (multi-tasking, externalities), risk (controllable vs not controllable) and continues with considerations in the design of the measures and targets.

The last group of theories is the performance reward theories, which introduces the possibility for reward (incentive intensity theories, promotion as reward) on first place and after moves in the primary topic of motivational theories like extrinsic and intrinsic reward, including the crowding out effect

## 0.9 Criticism

The paper can be criticized for not including the data specifically from for the sales history between Hørkram and Greenfield. This is not possible since this kind of information wasn't provided by Hørkram. In general, this information is not primary interest for this paper, which is more interested from the elements in the incentives systems of the parties.

Other criticism for the paper is the possibility for more broad data sourcing from all interested parties. This can be very extensive type of work, which may only partially influence the final outcome of the paper. Currently, the paper incorporates the opinion of the Hørkram's CFO, which is also HR. As opposition of this opinion is taken also the opinion of the other side, which is Greenfield's principal and owner. This works backward, the opinion of the principal of Greenfield can be validated from Hørkram or not. In the same time, the opinion of the Greenfield's principal is validated by the opinion of his partners, one of the chefs, one of the waitresses and one of the key customers.

It is relevant to consider that it can have other aspects of the current control system of the two companies and specifically Hørkram, which have not been considered and which are not directly

connected with food waste, but which can have partial influence above employee's motivation to deal with the food in proper way.

## 1 Theories interpretation in the context of food waste

### 1.1 Incentives and control in general

Starting from the beginning, the topic of motivating people in one organization is major element in the creation of economic organization. This is object built from people and it is successful or not, because of these people's decisions. Together with motivating people, the organization coordinate the activities of these people. The problem with motivation comes from the fact that they may not act in the firm's best interest due to their own self-interest, which may not be the same as the firm's interest. The employees do not bear the full cost and benefits from what they do, consequently their choices from personnel point of view may not maximize the total value of the organization.<sup>14</sup> When here we try to relate the topic with food waste, the context is the motivation of all different partners engaged with the food element of the business. Food waste reduction is one more element which is good to be evaluated and motivated properly.

In can be observed several major incentives problems. These problem may be core problem when later the paper tries to further solve the issue with food waste. Here they will be presented one by one. The first group are incentives problems<sup>15</sup>:

1. Self-interested individual in the organization – As mentioned above, the personnel point of view may not maximize the organizational interest. That's why the challenge here is to make

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<sup>14</sup> Roberts, J. 2004.\* (chapter 4) The modern firm -°©- organizational design for performance and growth, Oxford, Oxford University Press. Page 118

<sup>15</sup> Performance measurement and incentives course, CBS, Lecture 1 slides

the organizational interest also the employee's interest. This is truly integrated organization, when the agents are actually considering the common interest first, because this is their own interest as well. Achievement of this can be approached with either monetary or non-monetary solution. The choice will highly depend on the nature of the business.

2. Conflict of interest – self-interest may diverge from the organizational interest. As mentioned above, individual do not bear the full cost and benefits. The failure the transfer the common interest on individual level creates conflict of interest. This conflict may harm the organization in many ways (less effort, fraud, low internal communication, and others including loss of labour force), the common between them is that it will not deliver full benefits for the organization.
3. Asymmetric information- the principal cannot freely observe all actions of the employees. This allows possibility for advantage of one side above the other. Negative effects from this can be adverse selection or moral hazard. Adverse selection is when the presence of superior knowledge in one party can make this party use this information for better decision in his interest. Example can be employees picking up the easier jobs knowing that this is easier. Moral hazard is the action coming from failure of interest alignment and use of superior knowledge for self-interest, which has high probability to hurt the organization (higher risk taking). Example can be doing one job with less effort creating possibility for bigger expense knowing that it won't affect you or it will affect other party's work load. This issues means that the principal needs to protect himself by making much more detailed screening when selecting the agents.

The second group are motivational problems. They are correlated with the incentives problem.

4. Work adversity – as mentioned above the people do not like to work as much as possible, because they do not get the full benefits of their work. So they are not as motivated as they could have been if they were getting the full fruits of their labour. In other words, the relationship more work - more income is not always present.
5. Risk adversity – The agent (manager) may avoid taking risks that are worthwhile from point of view of the principal (shareholder). This is so, because the benefits of the success, which

the agent will receive are part from the full benefits, but the cost, which the agent risk to pay is his job. In other words, the agent can lose his job in case of failure.

Coordination problems are major chapter in the failure of many organizations. It is so because of the principal can't effectively coordinate the human resource, it becomes costly and inefficient. The benefit of having organization is to make the people work together, which can save some transaction costs. In case of bad coordination, the transaction costs increase dramatically.

6. The principal needs to motivate overall provision of efforts and to shape its allocation among tasks. It is so, because the activities useful for the principal may be more than one. This is the topic of multitasking and multi-skills. It does not mean that the agent will have to work several tasks at the same time. It means that the agent will have the knowledge and flexible to work several different activities at the same time. Example can be when two employees can advise and support each other so no third employee is needed to help them. This is specifically useful in small organization here the similar level of knowledge is advantage when one employee needs help or other is missing.
7. On the other side, performance measurement is not only for measure and control the agents' decisions. It is much more for communicating the principal's interest and direct the agent's decisions and behaviour. So it is much more future oriented from this perspective.

## 1.2 Simple agency model <sup>1617</sup>

Having observed this group of problems, it is time to look at the agency problem, which occurs. As we can understand, the problem is making sure that the agent will still generate enough efforts and take extra risk for delivering benefits for the organization. This can happen with corresponding incentive system, which can motivate him/her. So the trade-off here is to make sure that the intensity of the corresponding incentive is enough to motivate specific level of outcome and not paying too much or too little.

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<sup>16</sup> Roberts, J. 2004.\* (chapter 4) The modern firm - © - organizational design for performance and growth, Oxford, Oxford University Press, page 126

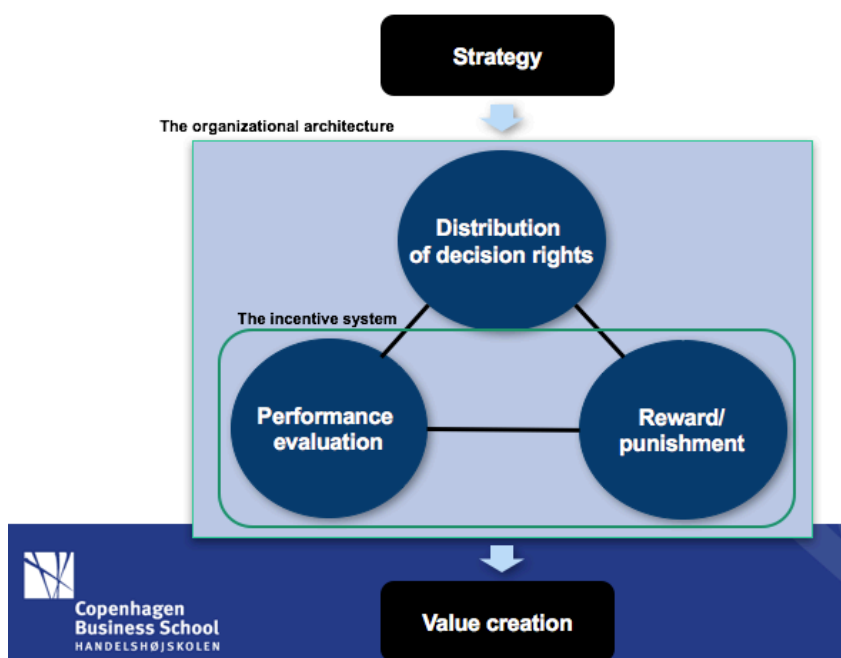
<sup>17</sup> Performance measurement and incentives course, CBS, Lecture 1 slides

In order this to happen, the principal needs to base this incentive system on freely available measures. Here comes the informativeness principal, which says that the measure should give possibility for knowing how much efforts are implemented by the agent. Only in this way can have reliable system, which can relate incentive – effort – outcome.

Going back in the text, the agents are work and risk averse, the implementation of incentive system, deals with the work averse of the agent. It can motivate higher efforts with higher incentive. The risk averse is not solved. That's why, the agent needs to be compensated for bearing extra risk with risk premium.

Having these two agency costs, the point of the principal is to optimize them in the best interest of the organization for delivering the maximum of effort. This paper puts one more perspective in this equation. It asks about the food which is part from the costs of the origination. It raises the question how the food can be related with the traditional incentive for more profit in general. This is one more perspective in the discussion for each of the above listed problems.

### 1.3 The organizational architecture



Graph 1 Organizational architecture<sup>18</sup>

<sup>18</sup> Performance measurement and incentives course, CBS, Lecture 1 slides, slide 21

Looking at the above graph 1, it can be seen the levels in the organizational architecture. After the strategy formulation, the organization needs to distribute the decision rights. This is topic, which is partially relevant in this paper, since these rights will determine the level of control which each employee/partner could have above the possible waste reduction. The distribution of the decision rights is something, which is assumed to stay constant in the case of Greenfield and their key customers. This paper may recommend changes here only in case of significant negative effect above the incentive effectiveness. Further down comes the Evaluation – Reward, which can be adjusted with implementation of new practices. Looking at these three elements, can be seen major opportunities for influence above the behaviour of the employees when it comes to adjustment of behaviour including treatment of food waste. The upper level distributes the rights, which can influence and pick the appropriate people for the rights job. The down level evaluates or control the performance and motivate with specific incentive.

Intro to next part: In the next part, distribution of decision rights will be discussed in short with key points, which are important to be considered when it comes to understanding how further possible control and reward system can go with each of these alternatives.

## 1.4 Distribution of decision rights<sup>19</sup>

### 1.4.1 Specific and general knowledge

Not everyone in the organization has the same level of knowledge. The organizational functions, which are closer to the matter under interest are always having much more specific knowledge compared to the ones, which are occupied with different organizational position. The specific knowledge may be perishable (act now or never), complex, technical (specific skills) or subjective (hard to describe). On the other side, the opposite is general knowledge, which is easier to acquire and does not give a lot of advantage from having it. The specific knowledge is valuable, because the

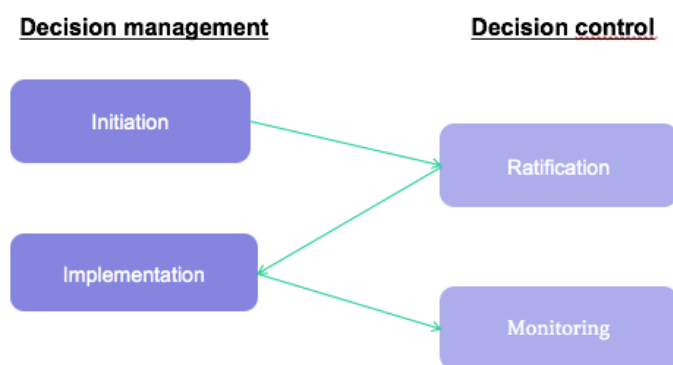
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<sup>19</sup> Jensen, M. C. & Meckling, W. H.: Specific and General Knowledge and Organizational Structure, Journal of Applied corporate Finance, Fall 1995

one who have it will always have advantage compared to the rest. This advantage opens variety of problem when it comes to information asymmetry as it was discussed earlier. The interesting thing here is the transfer of this knowledge. It is the type of knowledge, which is very expensive for transfer between different organizational actors. The reason why it needs to be transferred is the fact that it needs to be used for decision taking. So the distribution of decision rights is related with the decision, where this knowledge is present and who is the ones, who can work with it. When it comes to taking decisions, the decision is whether to move the relevant knowledge to the decision centre (centralization) or to move the decision centre to the knowledge (decentralization)<sup>20</sup>. In our case specific and general knowledge are relevant, because the proper knowledge transfer is key aspect which needs to be properly evaluated and rewarded including when it comes to food waste. Knowing these aspects of the knowledge and the precious discussion of the interest of the individual, the key points, which needs to be considered by the principal in the design of the organization are:

- The decision rights need to be distributed to the parties with best specific knowledge
- Create effective measurement and incentive system to motivate the agents to use their decision rights in the interest of the organization.

### 1.4.2 Decision right in stages



Graph 2 Decision right in stages<sup>21</sup>

<sup>20</sup> Performance measurement and incentives course, CBS, Lecture 1 slides, slide 24

<sup>21</sup> Performance measurement and incentives course, CBS, Lecture 1 slides, slide 34

The model above present that if we break specific decision in stages these stages can be occupied by different players with different specific knowledge. In this way it is not always necessary to transfer all knowledge to the decision taker or to move the decision taker to the knowledge. Using this the person having control function may not have specific knowledge about the project, but can have knowledge about overall business progress and other projects. He can combine his specific knowledge with the transferred knowledge from the other partners and take more informed decision. This model is design of system, which combines centralization of some functions (Ratification, Monitoring) and decentralization of others (Initiation, Implementation). When it comes to control this model is tool, which needs to be seen as the framework which is used. The point of presenting it here, gives the possibility to understand where the responsibility shifts and how the specific knowledge is utilized. This on the other side helps to know who is the one to be controlled and how much is his/her influence. This on the other side can determine the expected reward.

### 1.4.3 Types of errors<sup>22</sup>

|                               | Accept               | Reject               |
|-------------------------------|----------------------|----------------------|
| The project is profitable     | Good decision        | False negative error |
| The project is non-profitable | False positive error | Good decision        |

Graph 3: Types of errors<sup>23</sup>

The types of errors, which are possible to happen is key model when it comes to decision rights allocation and afterword policies for control and reward/punishment. The first group of error, which is present is when you having project, which is positive for the organization, but you reject it. This is called “False negative error”. These are errors, which are not acceptable by small companies,

<sup>22</sup> Lazear, E.P.& Gibbs, M. 2009 (or 2015). Personnel economics in practice, Danvers, John Wiley & Sons, 2<sup>nd</sup> (or 3<sup>rd</sup> edition). Page 111

<sup>23</sup> Performance measurement and incentives course, CBS, Lecture 1 slides, slide 41



because they would like to have more profitable decisions in order to grow, develop customer base and gain experience. That's why in these companies can be seen more decentralized, where more knowledge is available so less error false negative error can happen. This can also mean that these companies will do more of the other kind of errors, because they are decentralized and less knowledge is available to the department. The second group of errors are "False positive errors". These are errors, which can happen when the project is not good but it is accepted. In big organization, they will tend to centralize so less unprofitable decisions can happen. The top manager will evaluate the projects and reject the bad ones. Here again can happen the opposite error when rejecting too much can reject many profitable projects.

In the case of wasted of food, it is false negative error. Here can be seen two examples. The first is if the company is centralized, so the central decision taker is having less information for the specific of the situation with the food. The decision taker can take decision for the interest of the organization in general. So the decision can prevent false positive error of accepting unprofitable projects, but it will mean rejection of the project. The project in our example is related with food waste reduction. This rejection will mean that possible good use of this food is rejected and false negative error can happen. The second example is when the company is decentralized, in this case the department having decision rights can take decision for reduction of food waste by accepting the project, but this project may be against the company's interest, which leads to False positive error.

The outcome of this discussion is critical trade-off between more control (centralization, less creativity) against less control (decentralization and more creativity). Possible solution can be found in increase of accuracy so no need for control is present. The accuracy is less errors. This accuracy can be achieved by<sup>24</sup>:

- Hire differently (different skills, different personality)
- Training
- Better information/analytical tools
- Different incentives (punishment/reward)
- Constrains on budget
- Organizational culture

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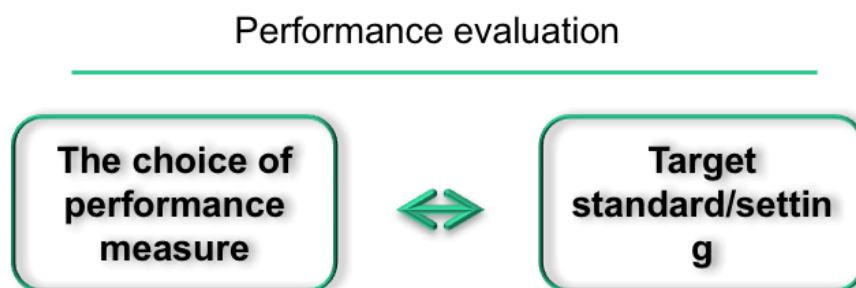
<sup>24</sup> Performance measurement and incentives course, CBS, Lecture 1 slides, slide 44

Some of these will be relevant in our discussion for less false negative errors of food waste.

Intro to next part: Moving further in the organizational architecture, comes the performance evaluation. The importance of the performance evaluation is crucial for this paper. It was presented on the decision rights that many of these rights are having effect above the future decisions taken for less waste. In this part here, the important is to know how to evaluate performance, because only having rights without having the system on place for connecting work with reward won't be enough. The performance evaluation will show the points under specific interest which needs to be taken under consideration and more specifically, it will show where the reward system will be directly responsible for successful work motivation. The evaluation and reward are forming powerful incentive structure in the organization. The reward needs to fit in evaluation design.

## 1.5 Performance evaluation<sup>25</sup>

The performance evaluation system can be divided in two units. These are The choice of performance measure and Target/standard setting.



Graph 4 Performance evaluation<sup>26</sup>

<sup>25</sup> Lazear, E.P. & Gibbs, M. 2009 (or 2015). Personnel economics in practice, Danvers, John Wiley & Sons, 2<sup>nd</sup> (or 3<sup>rd</sup> edition), chapter 9

<sup>26</sup> Performance measurement and incentives course, CBS, Lecture 3 slides, slide 4

### 1.5.1 Criteria

The success of the performance evaluation system is determined by several criteria. They are called design criteria. The objective is to design with minimum agency costs.

- Distortion: This is the first major consideration when designing incentives system. Distortion is how complete the performance measure reflects value creation. Having incomplete performance measure distorts the value created. Distortion can be in several situations:
  - Partial value creation: individual task measured in isolation may not contribute to value creation. So it is important not to measure something, which being measured may focus too much efforts of employees.
  - Multi-tasking: It is when the agents job consists more than one task. The problem here is that the principal may measure only one of the tasks and not the other, which is not fully reflecting the agents' efforts in the compensation system. So the agents start to put less effort on the task, which is not measured. This distort the overall value of the company since the two tasks are related for the success. Solution of the problem may be Fixed salary paid to the employee, which can stimulate his to spread his efforts above his tasks. It is still weak and indirect control, but agents experience, specific knowledge and company norms will determine individual agents resource allocation. Other solution is re-design of the job. It is division of the single multi task for one employee in two individual tasks for two employees. So everybody gets specialized in each of them. The example is simple task to be pay for performance due to possibility for effective measurement implementation. The second task, which is more complicated and hard for performance measurement to be more complicated reward based on own sense of significance of the employee due to significant job. This is motivating factor. The major weakness in this model is need for coordination. So this integration problem is putting the question whether the benefits of specialisation are higher than the costs for it.
  - Moving further externalities are significant issue. This is when the performance of one unit affects others in positive or negative way. To deal with the externalities can be implemented two alternatives, the first one is internalization of externalities. It means inclusion of these effects in the measurement system and in this way control them. So positive externality can be rewarded and negative ones can expect somebody to pay price. The measures can be

aggregated, non-financial and subjective. The second alternative is central planning system, which takes under consideration these effects.

- Adaptation: Other reason for distortion is when the specification of the evaluation system can't be done before the events have happened.

- Risk: After seeing distortion as criteria in the design of evaluation system, the risk needs to be taken under consideration. The risk is when factors beyond agents' control affect the agents' performance evaluation. In this way, the agent can't be evaluated properly. It is noise, which reduce accuracy. Important principle is controllability principal, which means measure what can be controlled by the employees. In the simple agency theory approach this problem with extra risk premium. The difference between controllable and uncontrollable risk needs to be taken under consideration. The difference can be fins in the specific knowledge present.
- Manipulation: Other major criteria is manipulateness of evaluation system. Here as discussed also earlier, the possession of specific knowledge is critical. It can create the issues of Adverse selection and Moral hazard. The level of manipulatives will be determined by the design of the system and targets. The incentive to manipulate is related with incentive to serve own interest. The costs for preventing manipulation can be more than the benefits of the system.
- Measurement costs: Last criteria, which is critical when it comes to available resource. Being too costs may mean compromise with some system control benefits or redesign of the system itself.

### 1.5.2 The choice of performance measures<sup>27</sup>

In the selection of performance measures needs to be taken several decisions. These decisions are:

- Diversity: Here the decision is how many aspects of the agent's performance to be included in the evaluation system. They can be one dimensional or multi-dimensional. The increased number of measures for one task performance increases the costs, but also increases the

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<sup>27</sup> Performance measurement and incentives course, CBS, Lecture 3 slides, slide 26

possibility for more effective pay for performance system. Example can be new understanding for the externalities and internalizing them inside the organization.

- **Aggregation:** The decision stands between measurement of performance for one or multiple agents together. This can be measurement of individuals, teams, departments or divisions. The increased number of persons solves some of the problems, which may arise but opens others. More aggregation (more units measured together) may be good for cooperation stimuli, less risk for individual agents, might reduce manipulation. On the other side, may provide negative effects as free-riding, adverse selection from strong culture, reduced incentive intensity might lead to less motivation or higher distortion in multi-task setting.
- **Subjectivity:** The options here are more objective (quantitative) performance measures, which can be verified by third party or subjective ones which are much more up to the person's individual judgement. If we look at the objective criteria. It can be created broader performance measures or more narrow ones. Under in the Figure, can be seen the positive and negative sides of each alternative.

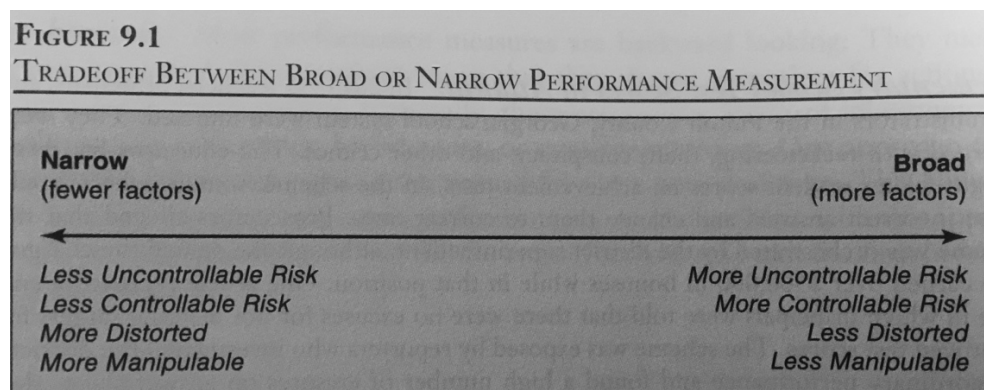


Figure 1 Trade-off between broad or narrow performance measurement<sup>28</sup>

The narrower choice will give less risks, both controllable and uncontrollable. In the case of food waste, it is advantage, because always the food quality and healthy benefits are primary importance. Being too narrow in the criteria can be beneficial for the food and out of company's interest. Being so specific and narrow in the criteria may give distorted outcomes.

<sup>28</sup> Lazear, E.P.& Gibbs, M. 2009 (or 2015). Personnel economics in practice, Danvers, John Wiley & Sons, 2<sup>nd</sup> (or 3<sup>rd</sup> edition), page 218

It will be easily manipulative by change of small underlying factor as size of individual portion. On the other side is the broader criteria, which catches much more different activities of the employees. Here the outcome is more risks which are incorporated in the outcome. This gives less precision for individual activity, but much more understanding of the picture from the company's interest. It can't be easily distorted or manipulated.

The opposite criteria are subjective, here several benefits can be added. Subjectivity can be considering the risks, which are present, since not everything is as simple as it looks like. For example, the food waste can be due to bad information given from the buyers, but if we don't consider this and measure just the leftovers, it can create punishment for the kitchen staff. Subjectivity can reduce distortion in incentives, this happens especially when some dimensions of the job are hard to quantify. Other is that it can improve incentives for risk taking. Example can be when incontrollable risks are filtered from controllable ones. Improved decision taking is achieved when the employee is rewarded for punished for occurrence of random events. This sharpens (urges for effective preparation, real-time response and ex post reaction) the employee's attention and stimulates development of specific knowledge. More flexibility of the incentives system is achieved when subjective criteria is seen as changeable and the employees do not need to be worried that different incentive is unfair. Other is expanded communication, which is achieved in day to day discussion and subjective recommendation by the principal. This creates environment where the agents will trust much more the judgement, because they are much more informed. Last one is improved training. The day to day communication and advices gives possibility for training.

<sup>29</sup>Having subjective evaluation includes several problems. The first one is reneging. It includes two elements, the first one is the possible negative unfair behaviour from the principal. This can happen, because the criteria is subjective and the contract can't be specified. So the agreement between principal and agent is not actually secured. Having this, the principal can misuse his position and do not reward as agreed. The other side is when the agent do not trust the principal as much as it is expected to generate outcome. This can destroy the effect from the incentive system above the motivation of the agent and create

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<sup>29</sup> Performance measurement and incentives course, CBS, Lecture 5 slides, slide 14

further problems with manipulations. Other problem is personnel bias, here the personnel employee preferences of the manager leads to less believe in the rest of the organization that the judgement can be fair, which again leads to motivational issues. Leniency bias is when the manager does not express true evaluation of own or agent performance. This leads to bad alignment between evaluation and reward. Hindsight bias is when the employer may know more after the events have happened and tries to judge the employee for something, which they could not have known at this point of time. This leads to type of sense of unfairness in the agents. Common understanding problem is information issues, which expect explanation so informed decisions are taken. Common understanding can create condition for similar effort.

- **Relativity:** The decision here is between having absolute or relative performance evaluation. The absolute is defined before the events (ex ante), the relative is taken from the performance of the others after the events (ex post). Accepting relative performance imitate market inside the firm, which brings its own weaknesses. The purpose of existence of organization is that tends to achieve different way of communicating, exchanging between the agents than the market. In this case relativity brings ranking or talent identification, which can destroy cooperation. It can be also positive when it comes to competitiveness and development of better solutions.

### 1.5.3 Target standard/setting<sup>30</sup>

Several alternative can be evaluated when selecting performance target:

- **Subjectivity:** The subjective performance target needs understanding. This is related with more efforts to communicate it, which means more involvement by the principal. Positive side is that can be used for correcting for uncontrollable risks.
- **Relativity:** Being more relative in target create competition, which may distort the incentive for cooperation. Be more relative in the target creates less general uncertainty, but increases uncertainty when working with it, since own performance needs to be compared with others performance without clear upper border. Since no target is present, the possibility for

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<sup>30</sup> Performance measurement and incentives course, CBS, Lecture 5 slides, slide 35

underestimation of target (adverse selection) are less. Being in this competitive environment can increase manipulations on its own.

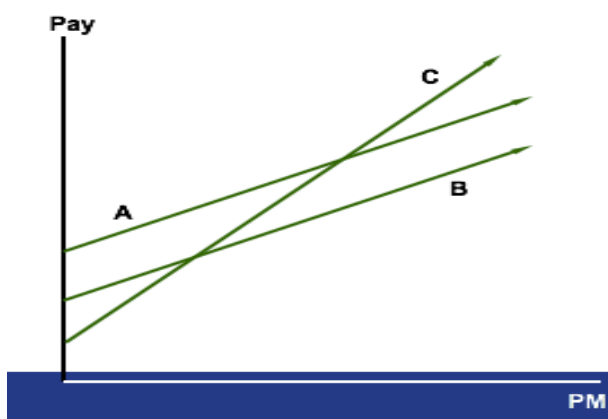
- **Actuality:** Having not obligated to follow targeted performance but looking at actual performance will reduce distortion when adaptation is important. It can also be good when the performance level decision is needed to be adjusted to firm business interest by the agent, who has the knowledge required. Other element is correction for uncontrollable risk since not target is attached. The negative side is that the lack of standards to compare with can increase manipulations, but having no incentives for adverse selection less manipulation will occur.
- **Difficulty:** Having higher difficulty of the target, can create more commitment, which is reducing the distortion level. Having this higher difficulty will go together with higher risk. This perceived by the employees, higher risk with higher difficulty bringing reward can create possibility for manipulations.

So looking at these target designs can mean many possible combinations. The balance between them will depend on the criteria picked up in the begging.

Intro to next part: The part of the paper will look at the reward system theories, which together with evaluation theories are supporting each other for effective incentives system.

## 1.6 Rewarding performance

Linking performance to reward





## Graph 5 Simple pay-performance shape<sup>31</sup>

Looking at the above graph, can be seen different alternatives when it comes to design decision of the reward system. As steeper the slope gets, so more the errors are magnifying. The luck is rewarded and error is punished. Both of the alternatives are not good for the effective reward of actual performance. Getting more complete measures rewards value and opposite less complete measures distort this value.

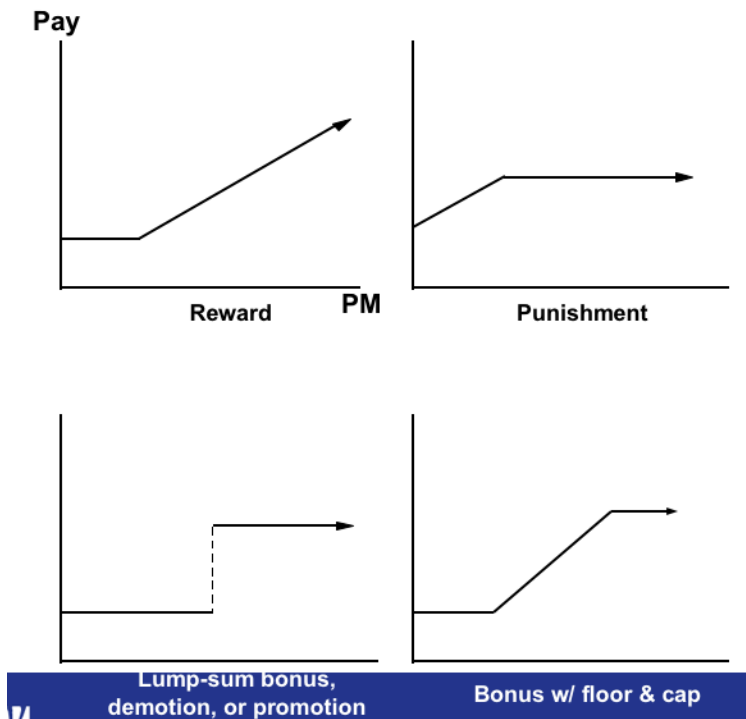
### 1.6.1 Coordination and value creation

Looking at the coordination problem, it goes together with some of the typical distortion elements in the performance evaluation. The reward needs to take under consideration those. The partial value creation can be eliminated if the principal ensures that rewarded tasks create value. The solution is with motivation of the agent to work in value creating tasks. Other element is resource allocation problem. The principal job is to make sure that the tasks get optimal allocation of resources depending from their intrinsic value and related externalities. Principal need to reward for multi-tasking and value creation. In relation with the externalities, the agents need to be motivated to see and work with the externalities. So they get internalized. Having this coordination role, the reward system can distribute weights for incentives of different tasks. In this way, it can motivate one task above another.

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<sup>31</sup> Performance measurement and incentives course, CBS, Lecture 6 slides, slide 4

## 1.6.2 Pay-performance shapes



Graph 6 Pay-performance shapes<sup>32</sup>

The first element when deciding the shape of the reward model is to determine the target level. This decision is not easy, because it needs to take under consideration various factors. Being set too difficult it may not motivate higher effort. If it is too achievable it also is not motivating extra effort. Adjustment of the target (T) level is opening possibility for other problem of dysfunctional behaviour. This is the level under specific interest of the organization which can be included as starting or ending point of the performance system. In the above shapes, we can be seen different combinations between variable and fixed pay or only fixed pay with change of amount after specific level. In the four above is missing one which is purely variable, which starts with 0 and moves up with the increase of performance. In the four presented shaped, the first one starts with fixed pay and moves to variable. In can be called rewarding shape. In this way, the organization stimulates less risk averse, since the employees are having minimum pay and possibility for more if they perform better. In case of budget target, after specific variable possibility for growth will have cap,

<sup>32</sup> Performance measurement and incentives course, CBS, Lecture 6 slides, slide 16

which will not allow more pay than this. The second shape or with other words punishment is model where the first part of the performance creates stimuli for increase of performance until specific level is achieved. Not getting to this level means less income. After achievement of the expected level moves in fixed payment. Next shape is lump-sum, it is typical for development until specific level, but it is motivating for more than this. It is typical for promotion outcome. Moving further, the bonus with floor and cap eliminates the effect of luck and control above cost manipulation. Can be used with budget.

Floors reduce employee's downside risk and develop incentives for risk taking. Caps on the other side may reduce gaming but lower motivation to stay in the organization.

Possible problem in the change of these incentive systems is the ratchet effect. This happens when the management uses historical performance to adjust future performance. The agents start to forecast this action and pre-adjust their behaviour. This can lead to low initiatives to innovate or develop the business in different way.

### 1.6.3 Promotion

Promotion is tool in the hands of the principal, which can be very motivating. The specific with this is that it may not carry the sale effect after it is achieved. Promotion as tool can solve the main issues related with incentives. The first one is coordination. The proper promotions can find the match between right employees to the right decision rights and tasks. The second one is motivational. It can create the incentive for higher performance due to higher pay and more possibilities. Promotion is good incentive tool, which create opportunities for specialization and functional organizational structure. The higher incentive intensity is delivered when the probability for achievability is higher. Zero or 100% achievability won't motivate.

One problem is that not always the best candidate to promote is the best performer. It can happen when the established system is created based on seniority or experience. Other part of this problem is the relationship between levels. Not always best match at level 1 is good match at level 2 or in other words, the competences at level 1 may not fit with the expectations for level 2. So the solution

can be promotion until the employees get to their level of incompetence. After this point is up to the principal how to deal with the souring of competent<sup>33</sup>.

The promotion rule, which could be used as extreme example are:

- Promote all who's performance matches standard – in this case the quality of the selected employees is better controlled (standard). The standard is defined ex-ante.
- Promote fix number of best performers regardless of specific performance (tournament). It is relative evaluation, which promotes the first ones, ex-post performance.

Being higher in the organization reduces the probability for promotion. This can be especially the case with smaller companies. The solution is increase in the pay level on the higher level to keep the same level of incentive intensity. The relationship is higher prize for lower probability for promotion.

The success of the promotion is a lot up to the personality of the person. Some employees being more aggressive and more like to not cooperate, others are having personality for team work and cooperation. So the degree of interdependence is very important together with the personality, when it comes to decision what kind of reward system to design. Bonus will be good for smaller organization or higher level in the hierarchy. Tournament on the other side will create competition which may distort the cooperation if it is important.

If we summarize, the reward model can help for better sorting of the employees for the right job, but has to be careful when it comes to automatic promotion based on success in some kind of standard or competition. Not always the best in one function are good in the other organizational function. The incentive intensity is related with the probability for promotion and increase in pay after this promotion. Individual evaluation is better if individual risk is stronger. This can reduce value distortions. Relative evaluation is stronger in case of common risk and need for comparison with external parties. Promotion may be strong incentive system, but the organization has to know to manage these incentives. The alternative can be pay for performance, which is more effective in reduction of employees' turnover.

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<sup>33</sup> Milgrom & Roberts, 1992, p. 367 or Lazear and Gibbs, 2009, p. 311

## 1.6.4 Motivational theories

Since the organization needs to make sure that the employees are doing their job, the primary objective is to motivate them properly. The motivation can be traced in two different forms. They are intrinsic, coming from inside of the person's interest and extrinsic, coming from external benefits, which are going to be achieved. They can be deeply connected since extrinsic reward can be used for other intrinsically motivated activities (f. ex. donation, family support). So even extrinsic reward is related in many points with intrinsic. These relationships need to be adjusted in the reward plan. Not everybody will be happy with his extrinsic reward not only due to the level, but also due to the effect of this plan on person's other interests. Of course here can be included one other consideration. In the free market economy, the employee has the opportunity to choose between different employers and select the one offering him something under specific interest. The question stays here, whether it is better to leave the employees to choose the organization due to your predefined reward structure or it will be better to attract good quality employees by offering them something under specific interest. So again if this can be seen in free market example. The organization can compete for quality labour force by offering more attractive reward structure. Following the previous discussion, the appropriate reward is combination between extrinsic and intrinsic motivating elements.

### 1.6.4.1 Intrinsic motivation

The intrinsic motivation is valued just for having it with immediate satisfaction. Having intrinsic motivation is crucial for increase of productivity per one-unit reward. This is due to higher effort. On the other side, it improved the efforts for learning new and innovate. Looking at the Cognitive Evaluation Theory (CET)<sup>34</sup>, factors which can produce variances in intrinsic motivation are interpersonal events and structures (reward, communication and feedback). The effect of the performance measurement and incentive system will depend from the effect of these factors above the psychological needs of the humans as:

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<sup>34</sup> Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions Richard M. Ryan and Edward L. Deci, page 5

- competence (Self-efficacy): believe in own abilities to perform
- autonomy (internal locus of control). Sense of autonomy itself can be divided on three elements which are supporting it<sup>35</sup>:
  - Method control: the amount of freedom in decision relates with work
  - Time control: degree of control above the schedule
  - Discretion in evaluation: degree of influence in setting the goals
- social relations (to belong to other people/groups): sense of relatedness/belongingness/connectedness to person, the group or culture. This is fundamental in motivating the behaviour. The motivation to belong to the group “crowd out” the performance measurement system in its role to influence behaviour. In this way social norms may function as way for reward/punishment of behaviour. So social contact is necessary to produce common understanding (trust) that produce a common norm of behaviour.

Having on place the interpersonal events and structures (reward, communication and feedback) can deliver the feeling of competence, it will not by itself deliver intrinsic motivation unless it is not supported from sense of autonomy (internal perceived locus of causality IPLOC). Having on place relatedness can create powerful motivation.

Having intrinsic motivation, it means higher motivation to perform. The negative side is that it is very difficult to change with hardly predictable outcomes compared to the extrinsic motivation. Extrinsic motivation is much more flexible.

#### 1.6.4.2 Extrinsic motivation

The purpose of this type of reward is to get some separate outcome. The activity which is done may not give intrinsic motivation. The effect of the extrinsic motivation can seek either more autonomy, which delivers more sense of freedom and choice or it can force compliance with requirements in much more control based organization. The type of effect will depend on the nature of the business, but the control option is giving much less benefits per unit of reward. The key is to seek understanding from the employee that he is paid in the way it is to get specific effect and he/she is part from the organization, which he/she can influence. The sense, which needs to be left in the

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<sup>35</sup> Performance measurement and incentives course, CBS, Lecture 7 slides, slide 15

employee is sense of choice and dedication. It is called internalization of the rules and values in the control system. Basically, what it means is that the employee accepts the rules as his own. This on the other side is called integration with the organization. The final effect is feeling of free choice and self-regulation. At the end, the effect can be similar to the intrinsic motivation. If we look at the figure below, the focus is to on the right with much more internal causality as ground for action. The way, this can be achieved is by again using the tool discussed earlier: relatedness, competence and autonomy:

- Relatedness: to produce relation to people, group and culture in performing specific activity. Respect, sympathy and care occur from the employees when accept the task. Achieved with meaningful strategies, measures and organizational culture.
- Competence: achieved with optimal level of challenge and positive feedback
- Autonomy: feeling of self-determination, feeling of degree of free choice, internal perceived locus of control.

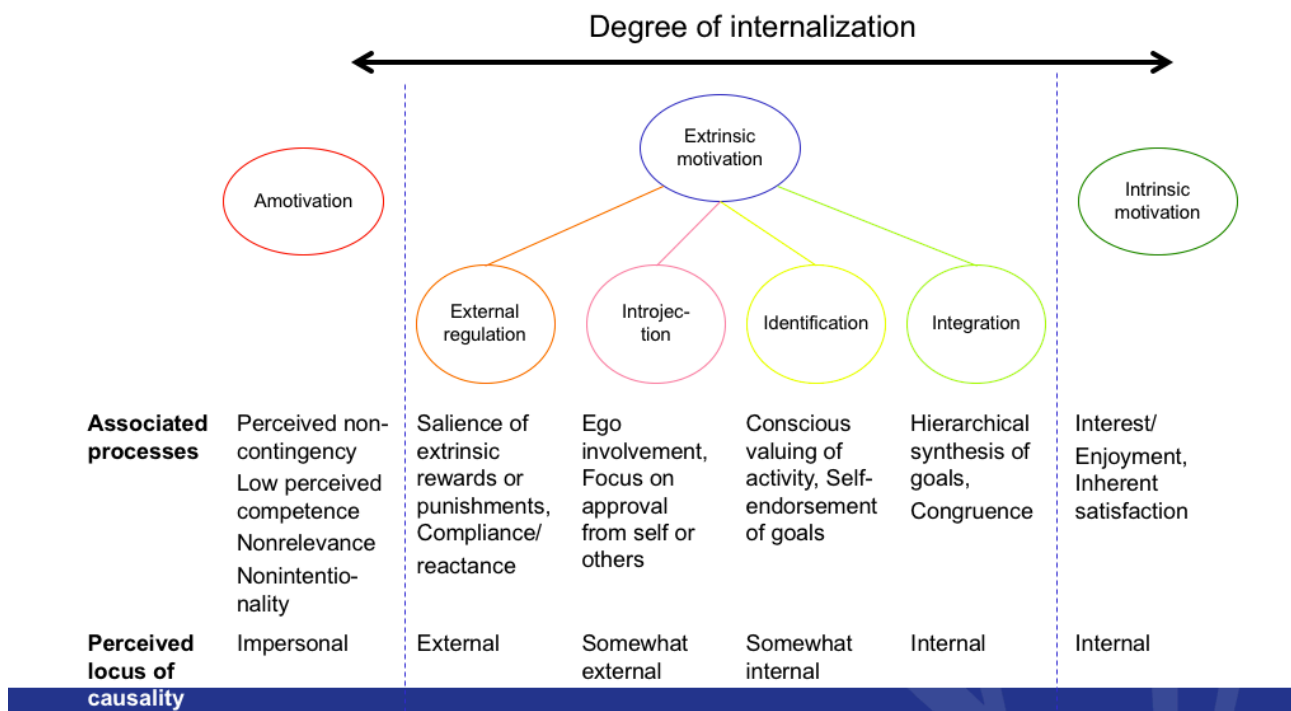


Figure 2 Motivation continuum (Ryan & Deci, 2000)<sup>36</sup>

<sup>36</sup> Performance measurement and incentives course, CBS, Lecture 7 slides, slide 23

#### 1.6.4.3 Crowding out<sup>37</sup>

Negative effect of the extrinsic motivation is related with shifting the internal to external locus of causality. This basically mean that extrinsic motivation may undermine the intrinsic motivation. This can happen when expected tangible reward, which is based on performance is perceived as controlling (threats, deadlines, directions and competition). Example is when the control is so strong that it actually kills the partial or full intrinsic motivation to do specific activity. In the case of food, it is question of discussion after, how intrinsically motivated are the employees to reduce food waste and also how the control system for less waste can actually influence their behaviour.

#### 1.6.4.4 Crowding in<sup>38</sup>

The opposite of the crowding out is when the extrinsic reward compliments the intrinsic motivation for performing one activity. Here the feeling of autonomy is central. The reward needs to be perceived as informative and not controlling. Other major theory here is the psychological contract theory. The effect of crowding out is achieved with focus on fairness in process and outcomes. Other tool is gift giving. It can power the interrelation without to be interpreted as control and signal intention for cooperation in implicit contract. Going back to the interpersonal events and structure, they can conduce for feeling of competence and enhance the intrinsic motivation from this. As discussed in the intrinsic motivation, this can't happen without the expected level of autonomy.

The feedback was mentioned above, it is powerful instrument, but needs to be used properly. Feedback can facilitate the feeling of competence and produce meaning of performing the tasks. The feedback itself needs to be delivered with fairness as it was said earlier. Finally feedback needs to be informative and not controlling.

It was discussed in the beginning the topic for decision rights allocation, job design is part from discussion. Here the relevance of this discussion can be connected with the current discussion for the reward. If we look at the figure under, we can see that job design and the outcomes on psychological states can have valuable work outcomes, which is also the current discussion for motivation.

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<sup>37</sup> Business performance measurement: theory and practice, Needy, 2002, chapter 7 Osterloh and Frey, page 110

<sup>38</sup> Performance measurement and incentives course, CBS, Lecture 7 slides, slide 28



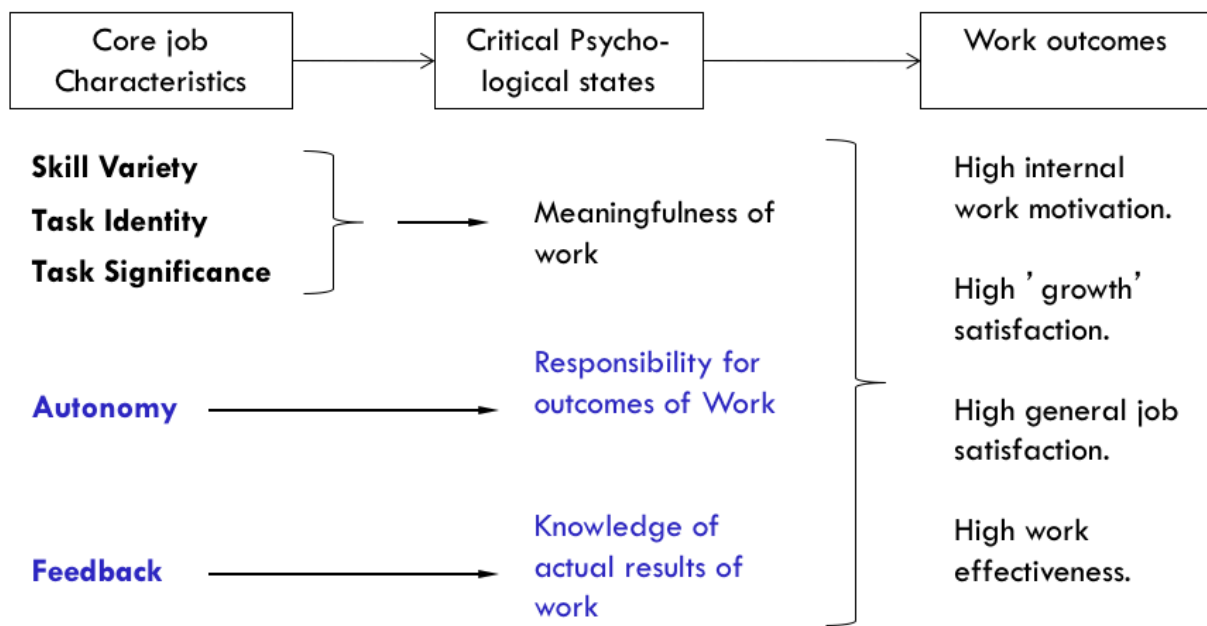


Figure 3 Job design and intrinsic motivation<sup>39</sup>

#### 1.6.4.5 Agency theory vs psychological theory

Before when discussion the agency theory with the principal-agent relations, it is assumed that pay for performance increases the agent's performance. This was challenged with the current discussion for psychological effect of reward. It no more is linear relationship when it comes to agent's motivation. The psychological theory says that the agent is actually intrinsically motivated and his efforts might be multiplied for unit of reward as long as he is intrinsically motivated. The extrinsic motivation can also have much severe effect if the agent is integrated with the organization. The extrinsic reward needs to exist because it is precondition for effort, but the mathematical relationship of pay for performance model may no longer be true. Actually the agency theory model of pay for performance may have negative effect above the above mentioned sources of motivation, that's why it may have to be modified or skipped all together<sup>40</sup>. This is due to the effect of post-reward performance lessening. This is combination between the corrupt effect of extrinsic

<sup>39</sup> Performance measurement and incentives course, CBS, Lecture 7 slides, slide 38

<sup>40</sup> Kunz, A.H. & Pfaff, D. 2002. Agency theory, performance evaluation, and the hypothetical construct of intrinsic motivation. Accounting, Organizations and Society, page 276

motivation and hidden costs of reward. Of course we have to be careful with the skipping it because it is still not very clear how these relationships between extrinsic and intrinsic reward occur. So the use of agency theory does not lose its relevance, but needs to consider the negative effects of post-reward performance lessening. These effects can be considered as exceptions rather than rules. Kunz and Pfaff do not question the importance of psychological effects above the economic theory. On the other side they do not consider the agency model as perfect. The cognitive evaluation theory (CET) emphasizes the harmful effects on motivation from autonomy restrictions and negative feedback.

## 2. SQ 1: How does the current incentive system look in Hørkram Foodservice A/S?

The answer of the first sub-question, will start with introduction of current problems and practices of Hørkram in relation with food waste.

### 2.1 Problems and practices

Hørkram plays the role of middle party in the supply chain, it connects many suppliers with unified procedures and contracts. The invoices they have to make are to Hørkram and the logistic network, which is built as result can be made as efficient as possible. On the other side, Hørkram is supplier for many businesses. The company deliver for them not only food products, but also variety of kitchen supplies. Being key customer Hørkram can offer service beyond the usual. Example given by the CFO is when customer of them have topic Australia, so they can deliver crocodile meat, Australian beer and things like this<sup>41</sup>.

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<sup>41</sup> Appendix 1 Interview with Hørkram, line 130

Hørkram has many customers and Greenfield is just one of them<sup>42</sup>. It is not possible to give specific information for this company, since the strategy for handling all of them is the same. On the other side, Hørkram is keeping rating of the customer, which they call credit notes. The credits are the way all possible problems with specific customer is measured and evaluated<sup>43</sup>. In this way, the company can take different measures to prevent these negative events to occur. The credit note is changed when something wrong happens, for example it is mistake of the employees on the phone, customer who made wrong order, it is the articles with bad quality (frozen, bad) and so on. The system allows notes and better information for these events. Using this system Hørkram can have individual approach for each customer. It is also part of the control system, which will be discussed further.

Regarding to the pricing for the customer, the prices of the products are not fixed. They will depend on the customer's frequency of purchase with Hørkram, the size of the orders, number of other suppliers<sup>44</sup>. Other opportunity for price reduction can be when the customer order in good time and allow better predictability and less waste generation<sup>45</sup>. Prices normally are up to the agreement they have with each customer. Sometimes customer wants agreement on the total buy, in these cases, Hørkram can offer discount for total sales made to this customer for specific period. In other cases, the customer may seek low price at every delivery. The delivery itself get free in the customer buys more than 1500 DKK<sup>46</sup>.

Since the company is offering high flexibility for the customers, they are ready to accept order also at 11:00 pm. These orders needs to be processed in the evening and delivered on the next morning. This kind of situation, creates need for food, which is stored in the warehouse waiting until it is ordered for delivery. It is based on forecast, what may be needed. It may not be problem for goods with long life span, but a lot of perishable goods need to be removed if not bought by the customers<sup>47</sup>. Hørkram tries to minimize this waste, but as the CFO explained, it is difficult balance. If the customer order something, which they don't have it is problem for the customer, if Hørkram

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<sup>42</sup> Appendix 1 Interview with Hørkram, line 6

<sup>43</sup> Appendix 1 Interview with Hørkram, line 44-46

<sup>44</sup> Appendix 1 Interview with Hørkram, line 84-88

<sup>45</sup> Appendix 1 Interview with Hørkram, line 18

<sup>46</sup> Appendix 1 Interview with Hørkram, line 52-56

<sup>47</sup> Appendix 1 Interview with Hørkram, line 8

has too much it is problem for them getting great waste<sup>48</sup>. Compared with their mother company in Germany, the situation in Denmark allow far greater risk for waste. In Germany all orders are coming at least 2 days in advance. It allows much better forecast and goods planning<sup>49</sup>.

When it comes to utilization of the food which is going to become too old for sale, it is used in two ways. The first one is for the canteen in Hørkram, the employees are having their lunch with it<sup>50</sup>. The other use for it is donation for church institution, which picks it up on frequent basis. The food is brought to external to Hørkram kitchen and cook for homeless people and people with no money. The church institution is very happy about this donation, which saves them a lot of effort to deliver food for these people. On the other side Hørkram finds good use for it. The people in the church institution are not getting paid for this job they do. Hørkram as well do not get money for the food given to them. It is example for fully volunteer effort, which seems to work continuously pretty good<sup>51</sup>.

The last part of the food, which haven't been used ends in the garbage. The wasted food is reported in the annual report and also it comes on monthly and daily basis. The whole organization can see it. If the waste is very high, these wastes are going to be accounted in the prices of the products. This is not good option for Hørkram, because the customers may prefer to shift to alternative competitor and buy cheaper. That's why the company works with these wastes on daily basis and tries to reduce as much as possible the wastes internally, so the costs are minimal<sup>52</sup>.

When the product ends in garbage it does not currently have opportunity to be used for something else. Being ask about the possibility for gas production with this food, the CFO says that they have worked with system with gas production, but it is not finished yet<sup>53</sup>.

Other practice, which have been tried before is use of partners who deliver the excess food to different places, so it can be used. This haven't worked, because it is illegal in Denmark not to know where the food ends up. The food has many regulations going with it. One practice is that the food needs to be called back when some kind of problem is detected in the goods. Example is salmonella.

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<sup>48</sup> Appendix 1 Interview with Hørkram, line 10

<sup>49</sup> Appendix 1 Interview with Hørkram, line 14

<sup>50</sup> Appendix 1 Interview with Hørkram, line 10

<sup>51</sup> Appendix 1 Interview with Hørkram, line 10

<sup>52</sup> Appendix 1 Interview with Hørkram, line 101-106

<sup>53</sup> Appendix 1 Interview with Hørkram, line 65-68

Hørkram knows the products, which could have been affected and distributed to specific receiver. It is so, because the goods are registered in their system with tracing numbers. Having this knowledge Hørkram can use including media to inform the wide public that good from specific restaurant or canteen have been affected from the possible problem. If the goods are delivered to third party, it becomes very hard and costly to trace all goods and even more impossible to inform the end-consumer. When the church is selected, everything, which is going to be given to them is registered in the system so Hørkram knows the receiver<sup>54</sup>.

In relation with the employees' selection and specifically the team, which is on the phone and take orders from the customers, Hørkram looks for people with interest with food, people who know something about the food. This is so, because the company have problem with the orders. It happens mistakes in orders. It can be due to multiple reasons, but one is that the person on the phone is not educated in food, so they not always know what to look for when the professional chef on the other side is asking for something. Other way, Hørkram tries to mitigate these mistakes is by having data for historical orders by each customer. These two approaches, people with interest for food and historical data are the approaches they have for less mistakes from their side<sup>55</sup>.

Being asked about Hørkram's interest in relation with the food, the CFO says that they want to be the best supplier for professional kitchens, Hørkram has to be associated with trust that the customer gets what they need. It means the best articles in the rights quality and right time. The company wants to offer bigger assortment so the customer satisfaction from this can increase. The profit is primary objective point. It is so, because the organization's costs have to be covered and new investment project to be implemented. The example is the new fish department, which they are building now. The food is the resource they work with, but it is not on expense of food they get the profit, it is like this, because the profit will be lower if more is wasted. So they have combined effort for less waste and more efficient business<sup>56</sup>.

## 2.2 Decision rights

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<sup>54</sup> Appendix 1 Interview with Hørkram, line 20-26

<sup>55</sup> Appendix 1 Interview with Hørkram, line 37-38

<sup>56</sup> Appendix 1 Interview with Hørkram, line 117-124

Moving further, in order to understand the current incentive system, we will start with the current decision rights allocation when it comes to food.

It is not possible to take independent decision for how to deal with the food outside of the rules, which have been established. This procedures and regulations are limiting a lot the current opportunity for flexibility. In Denmark, the food control is very strict, which is related also with the overall EU regulation for best quality.

Inside the organization it is possible to influence the waste, it is in relation with the extra quantities bought in advance. As it was explained earlier, the customers not always order in good time and sometimes it can be just couple of hours in advance. That's why these buffer stock is at risk to become too old. So the people who have ordered the goods and have decision right for these matters get every morning the list with what have been left from the day before. Other list is how much goods have been thrown. This gives them possibility to plan better for the next periods<sup>57</sup>.

Having this knowledge, the paper can move in the first discussion, it is about the type of knowledge present in the company. IT was said that the people on the phones are having direct contact with the customers, who are ordering the goods. In any situation, the order from these customers in going in the computer data base, which means that it is processed further in the pipeline. This means that the specific knowledge for the order of the customer is transferred in the system. The other type of specific knowledge is when the customer calls and he/she complains that something is wrong. In this case also the information is registered in the system and as discussed above is influencing the credits which each customer has. This again allows different approach with this specific customer. The online system, which the company has is taking all specific knowledge from the agents on the phone and the online order system, which they have. This being said, allows to the decision takers as mentioned above to order goods from the suppliers. The decision takers can see the full list of goods which needs to be ordered from one supplier and this allows them to consider other general knowledge factors as current cash or forecasts to make their orders. Being set up in this way, the system is creating opportunity for waste reduction. In this set up of the system are missing two elements.

The first element is the access of information from the customers and their own forecast and plans. The data from the customer is first recorded when the customer makes his almost final decisions.

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<sup>57</sup> Appendix 1 Interview with Hørkram, line 63-68

The middle and long-term insights from the customers are not included. The motivation for the customers to do it also is not clearly specified<sup>58</sup>. It is possibility for agreement with some customer who may want or not to do it.

The second weakness of the system is also the weakness of many big organization, it has many employees and the contact one customer – one employee is frequently broken. Here can be traced two reasons, the first one is that 85% of the orders of Hørkram come from their web-shop. This means that the personnel contact is not possible in 85% of the cases. The second reason is that it is possible to call specific sales person on the phone and ask for him, but this is not always immediately, which may create waiting time, so the person actually may prefer to speak with the first available<sup>59</sup>. Most frequently one customer has to work with more than one employee (experience given by Greenfield), which makes the specific connection between employee-customer to be less possible. This on the other side create major problem for transfer of tacit knowledge, as type of specific knowledge. This can mean knowledge for personality and understanding of the other side. Typical example can be trust between the parties. The system of low integration between the customers and Hørkram create possibility only for short term mutually beneficial transactions. It is so, because the customer will be interested to easily shift in case of new opportunity.

At the end here, can be added short discussion about the need for control. This is important later when it comes to control, which can be given to the employees. Company like Hørkram likes to centralize some of their decision, especially when it comes to procurement. It can be seen in the interview as well. Asked about the relation between the people on the phones and the procurement team, the CFO responds that they are different teams<sup>60</sup>. This is so, because this job is not up to the individual sales units, but up to centralized decision, related with forecast and use of other orders from the online shop. The explanation for this can be found in the types of error theory. In our case Hørkram as company which do not like to allow mistakes and it is specifically forbidden to allow mistakes with the food quality. They have to be sure that false positive error will not happen. In their case false positive error will mean approving something, which is not healthy or profitable or

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<sup>58</sup> Appendix 1 Interview with Hørkram, line 12

<sup>59</sup> Appendix 1 Interview with Hørkram, line 134

<sup>60</sup> Appendix 1 Interview with Hørkram, line 132

both. The standard procedure for dealing this is higher centralization and more control. The weaknesses are less decentralization and less creativity. Example for this can be seen in their approach for dealing the food which needs to be wasted. They are accepted to deal with only one partner (the church institution) and they have rejected to deal with the other institution, which is the kind of intermediary for delivery<sup>61</sup>.

## 2.3 Performance evaluation

When it comes to their evaluation system, several example can be given. The first one is when sometimes customers are calling for mistakes in the delivered goods. These mistakes happen in the packaging of the goods. Hørkram puts a lot of efforts to reduce these mistakes, because it costs a lot of extra to deliver the products one more time, but also it creates risks for the goods, which are mistakenly sent to become too old to be used again. This is specifically true with perishable goods. Hørkram tries to prevent these mistakes in two ways. The first one is to speak the packing people and inform them about these problems. It happens on the next day when they make evaluation of what have happened the day before<sup>62</sup>. Other way to control these mistakes is by implementation of system for check of goods, which are ready for delivery to the customer. This checking looks for the quality of the articles, rights types of goods and quantity. Using the credit system, the manager can say, which customer needs to be checked every time. Example for this is when the customer complains very frequently. The check happens especially with new packing people. They normally are checked for two or three weeks before they are left on their own. It is not possible to check all orders but the company manages to control about 50% of the orders<sup>63</sup>. In case too many mistakes are happening in the customers' order due to packaging, the most normal practice is to release this employee from the company. If we sum up the control above these employee is based on informing them for their mistakes and that they should do better<sup>64</sup>. In case they don't, they are losing their

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<sup>61</sup> Appendix 1 Interview with Hørkram, line 22

<sup>62</sup> Appendix 1 Interview with Hørkram, line 58

<sup>63</sup> Appendix 1 Interview with Hørkram, line 42

<sup>64</sup> Appendix 1 Interview with Hørkram, line 74



job<sup>65</sup>. Some exceptions can be done in this before the actual firing of this employee can have some semi-punishing measures as for example to teach the new employees internal procedures and practices<sup>66</sup>.

The topic for credit notes was discussed earlier, but it is one of the core tool for control of the employees and customer management. It is so, because it allows registration of all possible issue in the customer or company end, which make connections between customer satisfaction and employee performance<sup>67</sup>.

Hørkram have created strong organizational spirit for responsibility. Example can be given with wide information disclosure of these issue to the entire organization. The whole company can see these wastes which are generated. It is not only this case, the company tries to spread the word for what is going to happen in the company during the day, so everybody feels involved in the activities. Examples here can be when somebody is coming to visit<sup>68</sup>. Other example given by the CFO was when some new customer comes to visit, she wants to make sure that every person involved in this visit is aware for his own role in the process, from the guy cleaning to the sales person. This involvement with the team spirit and information disclosure is creating strong organizational spirit for self-control. This is supported with the way in which they treat people making mistakes, it is not supported with significant punishment, but more like with word of mouth. The feeling of responsibility is primary.

Examples for the employee's feeling for these is when it comes to throw out food, which haven't been well planned. The negative feeling is strong intrinsic punishment for them. As the CFO said, it is the honour of the achievement, which is important in their organization. Example can be when the customer is happy, no waste is generated and no mistakes are happening. In these cases, the employees get more motivated and confident<sup>69</sup>. It will be discussed further about the rewarding effect of this, here it is relevant that this organizational spirit apparently has control effect. It is supported from this open speak in the organization.

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<sup>65</sup> Appendix 1 Interview with Hørkram, line 58-60

<sup>66</sup> Appendix 1 Interview with Hørkram, line 76

<sup>67</sup> Appendix 1 Interview with Hørkram, line 43-46

<sup>68</sup> Appendix 1 Interview with Hørkram, line 80

<sup>69</sup> Appendix 1 Interview with Hørkram, line 70

This culture is shaped from the begging, when the people start working for Hørkram. The CFO which is also HR tells to the person when starting that in this company everybody matters and everybody's performance is important. It is specifically relevant when it comes to respect of all work. The level of the hierarchy is not important from this sense<sup>70</sup>. The respect of the work creates sense of significance, which will be discussed further.

Something basic, but also significant when to motivation is that Hørkram tries to make sure that due to the good performance everybody has, it makes the customer happy, which is the primary objective of their company. The message, which they try to communicate to the organization is that it is not the principal, who should be happy, but the customer. This to be achieved Hørkram wants to be the best in several areas (delivery in good time, good quality, right package delivered, good product assortment). At the end, the basic thing is that they need to make profit, this profit is important when they make investment and create work places<sup>71</sup>.

#### Criteria in performance evaluation

Distortion: When it comes to distortion opportunity of the performance evaluation of the employees, the primary concern are the externalities. More specifically, it is the problem with one of the units such as packaging is making mistakes. This is significant issue for the delivery, since they have to drive one more time to deliver these goods and it will cost them extra. Other possibility for externality is when the people on the phone are making mistake and create problem for the rest of the units in the organization with packaging and delivering wrong goods. These are negative externalities, when it comes to positive externalities, the higher quantity of goods which need to be wasted create products for donation. This benefits the community, which consumes these goods, but also support positive spirit inside Hørkram.

Risk: The risk is other criteria, which need to be carefully evaluated when it comes to measurement of the performance. More specifically, it is the controllable and uncontrollable risk. This is relevant when it is discussed that frequently due to low possibility to know how much food will be needed, more is ordered and part of it needs to be wasted. This issue includes uncontrollable factor, because the person ordering these goods can't know how much it will be possibly left. That's why including

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<sup>70</sup> Appendix 1 Interview with Hørkram, line 82

<sup>71</sup> Appendix 1 Interview with Hørkram, line 117-120

this as negative thing in his/her performance evaluation is useless since this employee can't do anything about it. Quite opposite if this employee hasn't taken decision to order food in advance, he could be risking to lose customers.

Measurement cost: The last criteria, which can be relevant here is the measurement cost. The performance evaluation in our case include this element with control of the packaging team. This control spreads above 50% of the goods which the packaging team prepares to be sent. This is also indicator for intensity of the control system. The costs, which come with this control system are significant since more control will expect more people involved. The discussion here can between control and possibilities for creativity. In the case of packaging, it is not possible, so the costs are needed. When it comes to control above the people on the phone, it is much less significant since this job requires adaptation to the customer interest. The catalogue with the products in the system is still fixed, but more opportunities are possible as we discussed with the CFO, less products from the package can be delivered or special topic related goods can be provided (Australian crocodiles). Control system here will be much more expensive.

#### Performance measures

Diversity: From the presented system, the performance of the departments in the organization is monitored in several ways. The first one is the customer rating (credits) which changes with registration of complain. The second is level of waste registered in the end of the day, which can be indicator for specific performance. The third is financial costs of the departments in the organization.

Aggregation: These measures can go directly to individual employee, since the computer system can trace each product to the employee, who have been involved. On the other, this measures allow more broad department and organizational perspective.

Subjectivity: The measures included are both qualitative and quantitative. When it comes to quantitative, it is seen in the costs and mistakes that something is wrong. When it comes to qualitative, more subjective, this is the customer complain. This can be very hard to say only from customer perspective who is right. That's why the principal needs to take subjective evaluation based on his overall impression.

Relativity: The relativity is used, when the performance is compared with the historical performance. Even compared with historical data it may not mean a lot in relation with food waste, since it depends from the level of customer predictability. Of course other aspects of the performance can be relatively compared, for example historical costs. The organization can make effort to reduce the costs in order to increase the profit and deliver acceptable prices for the customers. Other relative measure is when the organization compare the food left from the previous day and why this happen. These are aspects of historical performance relative evaluation. The organization compares its prices and services to competitors, which is the basic line of reference, but the nature of the objectives is to increase the profitability and customer satisfaction, which is much more absolute in nature.

## 2.4 Rewarding performance

The current salaries in Hørkram are fixed for each position. They are not open to offer bonuses. The system is not set up that everybody knows that he gets bonus if he does better. Everybody is meant to work efficient without mistakes for the money he gets. What is not known is that sometimes when they get employee who performs very well without mistakes they are open to consider increase in salary. It is again very subjective, up to the principal's judgement<sup>72</sup>. It is not officially expressed practice. In this way, the company can prevent one of the weaknesses of subjective evaluation, that the judgement of the principal may be not good enough. Here, the subjectivity is not clearly expressed as practice, but exist for better motivation.

Other motivating tool as discussed above is also something very common in Denmark, it is the honour of achievement which has strong motivating role<sup>73</sup>. Supported from the overall culture for interdependence between all in the company leads to more responsibility for the work done. The company has something called Hørkram spirit<sup>74</sup>, which they try to reinforce with different practices. These practices are mostly non-monetary rewards such as the group visit to different location

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<sup>72</sup> Appendix 1 Interview with Hørkram, line 58-60

<sup>73</sup> Appendix 1 Interview with Hørkram, line 70

<sup>74</sup> Appendix 1 Interview with Hørkram, line 78

outside Hørkram with food and little fun. Other initiative is bottle of wine when good achievement is done. It is related with the current August, which the company has the highest sales compared with Germany, Netherlands, Poland, Austria and others of their branches companies. So the top manager have sent letter to Hørkram Denmark with congratulations<sup>75</sup>. We can see again this reinforcement practices for the spirit of responsibility toward the organization.

If we sum up, the reward practices, they are based on fixed salary, which tends to increase in cases of excellent performance, but this is not made as officially declared policy. The rest of the motivation is based on the organizational culture and non-monetary rewards. Example for the benefits of these strategy is that they are the best-selling unit in the entire organization, which is also type of relative performance evaluation. The effect of this strategy on the food waste should be similar on the overall profitability effect, since they are related. Strongly positive elements of the current reward system are that it reduces incentives for self-interested behaviour. The interest of everybody is to have running organization. Since the organization is divided in functional units and every position is based on specific competences, the possibilities for promotion as motivating element are limited but possible.

If we look at the motivational theories, we can see some very good practices in Hørkram, which can be evaluated. The first theory is intrinsic motivation. Currently in Hørkram, the company looks to create culture of honour from the achievements, which is also satisfaction from the job done. As it was discussed in the theories, here Hørkram reinforces this strategy with first creation of sense for social relatedness in the organization. Everybody is important and connected as CFO explained. Other is the advices toward the personnel but mostly independent efforts for improvement, which creates the sense of self-efficiency or sense of self-control. The autonomy on the other hand is restricted in many units, due to the food, which have need to be dealt with high caution and under specially determined rules and procedures. The autonomy is relatively higher for the people on the phone, but it is restricted when it comes to product assortment, availability of products and speed. These will depend from the rest of the organization. When it comes to the drivers, they frequently are teaching the drivers to drive right, so less fuel is used<sup>76</sup>. It is also form of control, which is not permanent since the driver has level of freedom once he knows the drill. In general speaking about

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<sup>75</sup> Appendix 1 Interview with Hørkram, line 78

<sup>76</sup> Appendix 1 Interview with Hørkram, line 104

autonomy, it exists but the issues with it can be many, which limits the possibility for autonomy. Coming from this point the intrinsic motivation can be crowded out. This is the other theory, which was mentioned above. The higher control in some elements could lead to crowding out effect of intrinsic motivation.

Other big initiative with the customers and suppliers of Hørkram are the food fairs which Hørkram has. These are annual event when the suppliers of Hørkram meet with the customer of Hørkram and taste the products. The interesting is what happens after the fairs, a lot of food is left and the normal practice have been before that the suppliers meet between each other and exchange products. In the last years Hørkram is offering them to donate this food and Hørkram is delivering it to people in need. It has strong positive effect on all parties. Specifically, are the employees of Hørkram and the drivers directly, who outside of their normal work accept to drive to Copenhagen and around to deliver this food and may get 2 hours later from the fair. The satisfaction on the other end is much higher and they feel good. This is also part of the spirit of Hørkram and more specifically intrinsic reward for everybody involved. It also involves the suppliers.

Looking at the extrinsic motivation pretty much the same factors will say how good integration exist, the difference here is the non-monetary rewards, which are seen as extrinsic reward, which reinforced the integration in the organization. When we see the fixed salary, it is the basic thing, which makes them work in this company. In this company, the effect of crowding in is implanted more truly then the negative effect of crowding out can be seen. It is true, because the feedback initiatives in the company, the gifts are reinforcing this effect. It improves the sense of competence. On the other side the level of autonomy is restricted as we spoke.

## 2.5 Conclusion SQ 1

### Decision rights

The answer of this question started with the introduction in the decision rights in relation with food. This discussion goes with the owners of the specific knowledge. In our case, it was presented that most of the orders 85% come from the online platform and other 15% by the phone operators. In reality, it means that most of the specific knowledge is already transferred inside organization. When it comes to orders of the good from the suppliers the company has independent team

responsible for order of goods from the suppliers. This makes the process more centralized. This team has also the power to influence the quantity of extra food ordered in case of customer call them in the last moment. The decision is up to this team to decide. The weaknesses of the system are related also with current integration with the customers, it is currently set up in a way, so entering data in the computer is interpreted as order, which is missing the element of judgement and flexibility from this perspective the customer hardly can rely on this system and feel free to enter more data for his future plan in weeks or months. The absence of clearly stated motivating factor (discounts for early order) is part from the explanation. Other problem with the system is low to any transfer of tacit knowledge and low to any personnel connection. This can have effect on the long-term loyalty of the customers. In the same time, Hørkram implements strategy for less false positive errors in relation with their effort for healthy products, which are delivered on time in the right types, quantity and quality. This is implemented with more centralization and more control.

#### Performance evaluation

When it comes to the evaluation of the employees, Hørkram is having several possibilities. One of them is check of the packing team, it is important due to the mistakes in the packing, which may lead to repackaging and extra costs. 50% of the orders are checked. The normal way to prevent these mistakes to happen are based on feedback and open talk in the organization. The transparency creates sense for responsibility for the organization. Important policy is the one for the importance of every employee in the company and understanding that own actions can create customer satisfaction, this on the other side leads to sales and benefits for everybody. This may create sense of shame that something wrong is happening due to own fault. As discussed, one of the criteria for evaluation system to work is to have less distortions, which are hurting it. In the case of Hørkram these are some externalities, which are effects above other department's performance, which influence them without being recorded as somebody else's fault. Example here is when the phone team makes mistakes and everybody is measured for it or when the packing team is making mistake and the delivery is driving more. These are most likely currently understood, but they have to be dealt with care, since the performance of the departments can be wrongly interpreted. Other criteria is the risk, it is also most likely currently understood that some mistakes are uncontrollable, but still it need to be careful when evaluating performance. The costs in the measurement system are the last criteria and in our case as much more control is expected, so more costs are generated.

Normal tools for measurement of this control is the customer credit system, waste levels and overall costs in the departments. These are also the example for the diversity of the measurement system. They allow aggregation of the employees, which are measured either individual, team or organizational level. The evaluation is objective based on the data reported and combination between absolute and relative elements. The absolute relate with reduction of waste, less costs, more profit. The prices of the products will depend on their performance, so the relative evaluation on the other side are normal comparison with prices on the market. Other form of relative comparison is the revenue by countries, which is form of internal rivalry.

#### Rewarding performance

When it comes to reward, Hørkram has fixed salary per type of position, the opportunity for increase of this fixed salary is only possible when the principals decide that this may be appropriate due to extraordinary less mistakes or other achievements. The rest of the extrinsic reward is non-financial, related with firm events, bottle of wine and good feedback. Powerful motivating factor is the spirit of satisfaction from achievement, it is listed as honour from achievement. At the end, factors affecting the motivation are social relatedness, which is tool for responsibility for the organization. Other factor is the sense of self-efficacy, which is also the confidence of knowledge and ability. Third factor discussed as important when it comes to less crowding out effect is the autonomy and less control. In the case of Hørkram this is hardly possible, which may be the reason for some decrease of the intrinsic motivation.

### 3. SQ 2: How does the current incentive system look in Greenfield diner transportable?

#### 3.1 Problems and practices

Greenfield dinner transportable is catering firm, which have been on the market for 35 years. The company is owned by Michael Jørgensen. He is in the business for the last 40 years<sup>77</sup>. The company

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<sup>77</sup> Appendix 2 Interview with Michael Jørgensen, line 4



has own kitchen in Selchausdal, Ruds Vedby<sup>78</sup>. On top of this, Greenfield has own food storing facilities like refrigerators, freezers, cooling room close to the kitchen and cooling car, which has the size of big van<sup>79</sup>. This allows them to store all currently processed goods and freeze some goods. The company has three groups of customers, these are first private customers, who are searching for family events. The second group is business customers which are having company events. The third group is event company, which are having their own business and private customer and they need Greenfield to prepare food for them<sup>80</sup>.

When it comes to decision related with saving food after the events, Greenfield is making the following distinction. In general, the food, which have been planned for an event and the customers have paid for it is better to stay with the customers after the event. This is especially true for goods like bread, vegetables and salads. When it comes to meat, the manager considers the following alternatives. The meat which is brought by Greenfield as extra (and kept in the cool car the whole time) in case of emergency is brought back with them if not needed. This can only happen if the company have come with their own cooling car, which keeps the internal temperature 5 and below 5 degrees. When it comes to the food, which is planned for the guests, but not served (have been kept in the cool car) also is up to the guests to say if they are going to take it or Greenfield can try to find other use for it. All other food, which have been served less than 3 hours (normally he said 1 or 2 hours) is up to the chef to decide if it is good or not. The food served for more than three hours is not allowed to be taken back for further use<sup>81</sup>. When they have to deliver something to the guests with thermal boxes without cooling car, the normal practice is not to take anything back<sup>82</sup>. Popular practice when having event with BIG CATERING FIRM, after the event in case some food is left, the staff can eat it and what is left is thrown out. This company normally do not have practice to keep it and Greenfield can be asked if they want to keep something, which is good enough. When it comes to individual family events, normally they like to keep everything left. In case of business customer it is 50% probability they ask to keep some of the good stuffs<sup>83</sup>.

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<sup>78</sup> Appendix 2 Interview with Michael Jørgensen, line 9-10

<sup>79</sup> Appendix 2 Interview with Michael Jørgensen, line 24

<sup>80</sup> Appendix 2 Interview with Michael Jørgensen, line 6-8

<sup>81</sup> Appendix 2 Interview with Michael Jørgensen, line 32-38

<sup>82</sup> Appendix 2 Interview with Michael Jørgensen, line 41-44

<sup>83</sup> Appendix 2 Interview with Michael Jørgensen, line 68, 107-114, 299-304

Other consideration which was given is that sometimes, it is cheaper to throw the food out, especially when the cool car has to be brought back to the kitchen just because of this food. In case, it is the owner who drives it he can put it in the electrical energy (so it keeps cooling the food) when he comes home. In case, the event is taken by other of the chefs, it is hardly possible to implement this procedure and creates need to be delivered in the kitchen, which increases the costs for transportation and extra salary<sup>84</sup>.

Other discussion, which was made is that the customers will not be interested to have this system for adjustment of the price in case something extraordinary happens. Example can be more time is required, which creates more expenses for the employees working on the events. This removes a lot of opportunity for extra compensation for the staff especially when it comes to reduction of wastes, which are not having such a high value<sup>85</sup>.

When it comes to practices for gas production or donation, these are not initiatives which Greenfield is currently implementing. The gas production opportunities are interesting for Greenfield, but currently, they do not have practice to take advantage of it. When it comes to donation of the food, they have tried it years ago, this practice has been used for some time, but after it has been stopped due to many several reasons. Donation on its own has many responsibilities that the food has good quality. It gets also expensive to drive and deliver this food. The manager thinks that the possible receiver of the food won't be interested to drive and pick it up<sup>86</sup>. Popular strategy, which they use for part of the leftover is making bonus for their private customers or use it part of the first course in menu. They can rearrange some of the goods, which haven't been used in the previous event and make extra meal for the customers<sup>87</sup>.

## 3.2 Decision rights

As starting point here, the one responsible in the kitchen is the owner Michael Jørgensen. He is also the party who takes the majority of the decision in almost all areas related with the food. He is

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<sup>84</sup> Appendix 2 Interview with Michael Jørgensen, line 133-135

<sup>85</sup> Appendix 2 Interview with Michael Jørgensen, line 181-206

<sup>86</sup> Appendix 2 Interview with Michael Jørgensen, line 313-322

<sup>87</sup> Appendix 2 Interview with Michael Jørgensen, line 336-344

interested in the future to have somebody else, who is going to support him in some of the jobs he has. Since he is responsible both for procurement, administrative activities, communication and planning for events, most frequently cooking and also distribution<sup>88</sup>. So he will be interested somebody to support him in the kitchen's responsibility or in the administrative tasks.

Currently he has other chef, Carsten van Hauen, who is helping him frequently, but he is old partner of him and normally he does not take the full responsibility for preparing the goods. It is most frequently synchronized with Michael. This synchronization happens normally when Michael has prepared the event with all products, which have been ordered, Carsten and Michael together has to decide the quantities needed for each product in the menu for these events. When multiple events are present, Carsten and Michael are working together to cook for these events. When it comes to going to the events and cooking organizing the food with the customers, frequently, they go together. In this case again Michael has the right as owner and responsible for the event to take the decision how the food will be served and handle all possible problems. When it comes to decisions related with the decision to deal with the food at the end of the events, both has the expertise to know which food is good enough to be kept for further use<sup>89</sup>. Sometimes, the chefs (they can be more than one chef working with Michael at the same time) has to go and serve for event without Michael. In these cases, the responsibility of the chef is higher with higher decision rights, but they still can have restricted decision rights<sup>90</sup>. When it comes to leftover in these events (the chefs are alone), Michael has given them the responsibility and decision right to return what can be safe for his other customers and most importantly what is useful. The problem here, is that they save too many products, which creates additional work for Michael after to handle all these leftovers. As we discussed earlier, Michael is not interested to save any of the food. Only in cases when he has sent too much and it has been in the cool car, it can be returned. That's why, frequently, he is not satisfied with their performance in these events, when he is not present<sup>91</sup>.

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<sup>88</sup> Appendix 2 Interview with Michael Jørgensen, line 19-20, 207-208, 236-237, 242-243, 285-286; Appendix 3 Interview with Carsten van Hauen, line 35; Appendix 5 Interview with Sonya Christensen, line 22-24

<sup>89</sup> Appendix 2 Interview with Michael Jørgensen, line 35-37

<sup>90</sup> Appendix 2 Interview with Michael Jørgensen, line 93-96

<sup>91</sup> Appendix 2 Interview with Michael Jørgensen, line 97-98

In the company, when it comes to work with other parties Michael has organized the business in the following way. Some of the people working in the company, like Sonya<sup>92</sup> and different waitresses are employees in Greenfield. Others like the chef Carsten<sup>93</sup> and others have their own companies. The relationship is like between different companies. Michael does not have responsibility toward them as employees<sup>94</sup>. The difference is that in the second case, when they have their own company they can choose whether they can come to work with Greenfield, they can also have other companies to work with as partners. For Michael it is good opportunity, because he has less responsibilities. If we have to pick up two major things from this relationship, this is the higher flexibility and choice, which the partners have, which also relates with his further problem that he has to cancel events due to the fact that nobody wants to come and work with him<sup>95</sup>. This structure also creates weak connection for long-term partnerships with these partners<sup>96</sup>. When it comes to knowledge in the organization, this structure, lowers the opportunity for transfer of knowledge between Michael and his other partners, because they are not involved in all events, they are involved only in the events he called them for. That's why, when taking decision for saving some piece of meat, which have been in the cool car after the event, the chefs can't always know if this is useful and if this is worth wasting time for<sup>97</sup>. As an example, Michael tries to tell them frequently, but not all want to know it or try to remember it. That's why, frequently, he has to think for them, what could happen and advise them in advance or simply wait for them to call him and ask him what to do<sup>98</sup>. The problem with low integration in the company's interest is present also in other example Michael gave. Carsten frequently think from his own perspective and take risks, which are from his own point of view without considering the risk or costs, which may be created. The examples are two the first one is when all this food is brought back and he expects that Michael knows what to do with it. In this case, additional hours of work is created, which he doesn't consider at first place. The second example is the fasans example<sup>99</sup>. In this cases Carsten mixed possibly some possibly too

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<sup>92</sup> Appendix 5 Interview with Sonya Christensen

<sup>93</sup> Appendix 3 Interview with Carsten van Hauen

<sup>94</sup> Appendix 2 Interview with Michael Jørgensen, line 69-70

<sup>95</sup> Appendix 2 Interview with Michael Jørgensen, line 142, 162

<sup>96</sup> Appendix 2 Interview with Michael Jørgensen, line 245-248

<sup>97</sup> Appendix 2 Interview with Michael Jørgensen, line 120

<sup>98</sup> Appendix 2 Interview with Michael Jørgensen, line 121-126

<sup>99</sup> Appendix 2 Interview with Michael Jørgensen, line 162

old fasans with other fresh ones. He thinks that everything is reasonable ok, but in reality exist risk that they are too bad. These all are example for agent, who is not secure what is the right decision to take. Having these issues, Michael's structure of work is at constant approval for actions. Looking it first, Michael is explaining that Carsten is doing these mistakes, but in reality if we consider the system, we can see that Carsten is more than 40 years a professional chef, there is no way, he has problem to take decisions like this. It is the structure of decision rights, which creates fear that wrong action may lead to problem. On top of this, low sense of appurtenance is creating alien view for the company inside the agent, which doesn't allow consideration of the risk from company's perspective<sup>100</sup>.

What is coming from this information is that the specific knowledge lies most of the time in the manager of the company. He is the one taking most of the decisions as well. In special cases when the other chefs has to go to events without the manager, the specifci knowledge is moved to them. In the majority of the time, the agents do not get all specific knowkedge from the principal and thet do not want to have it very frequently. So the decision rights are moving together with this knowledge.

When it comes to type of errors, which can happen in the organization, small organization like this, which is interested to deliver flexible and excellent performance for the customer, it needs to be creative most importantly. This creativity goes together with decentralization of the decision center. This is so, because the type of error, which may happen are false negative errors. In these errors, the central decision taker due to overload may miss good opprtunity. In the case of decision regarding good quality food left afte the events, it can be false negative error. Major false negative error is the lack of employees who are ready to take the events, which have been missed. It can be due to the structure of work combining high stress and centralzation with restricted possibility for decentralized decision taking.

### 3.3 Performance evaluation

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<sup>100</sup> Appendix 2 Interview with Michael Jørgensen, line 163-164

One of the positive sides of the agents is kind of delegation of responsibility from Greenfield to third party. This also reduces part of the need for control<sup>101</sup>.

The primary form of control is based on feedback about activities which could have been done better or direct monitoring of the agent's performance. This feedback frequently is expressed with irritation<sup>102</sup>. He consider that some of the badly implemented tasks by the agents is motivated not so much from not knowing, but because they are lazy<sup>103</sup>. This can be indicator for selv-interested behaviour of the agents and low allignment of organizational with individual interest. The example for feedback is when he tries to tell Carsten that if something good is left he may need it for other event, what happens is that next day the refrigerator is full with all different kind of useless products. That's why he have stopped telling him<sup>104</sup>. He consider that Carsten listen, but does not always catch up and follow up the issues. It is explained by Michael that a lot of chefs they have their own structure in their heads, but frequently the thing change and they do not respond properly on this change<sup>105</sup>. When Michael is asked whether he tells the agents that they should put specific emphasy on less useless lesftover back, he says that if they don't know in specific case, they should ask, but generally, they should know<sup>106</sup>. These explain why the agents ask all the time, because as a result of series of unsuccessful trials for information exchange, the principal finally have become tired to explain in advance and he prefer to wait until the agent call him and tell what is the situation. This is more direct action control.

Other issue is that he think based on his experience that the people in this industry, do not care about the companies, if they don't like something, they just change the company. Other example is that the chefs are very much interested to create different products and be original, but the economic benefit is secondary or not considered in their priorities<sup>107</sup>. They are much more egocentric, especially the young people. This can explain that he likes to work with Carsten, who is old partner of him (30-35 years long)<sup>108</sup>.

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<sup>101</sup> Appendix 2 Interview with Michael Jørgensen, line 79-80

<sup>102</sup> Appendix 2 Interview with Michael Jørgensen, line 98-100, 230, 288-290

<sup>103</sup> Appendix 2 Interview with Michael Jørgensen, line 102-104

<sup>104</sup> Appendix 2 Interview with Michael Jørgensen, line 145

<sup>105</sup> Appendix 2 Interview with Michael Jørgensen, line 216-222

<sup>106</sup> Appendix 2 Interview with Michael Jørgensen, line 113-116

<sup>107</sup> Appendix 2 Interview with Michael Jørgensen, line 150, 160

<sup>108</sup> Appendix 2 Interview with Michael Jørgensen, line 142

The type of evaluation, which ultimately is used after all action control is the outcome. In the case of the chefs, this is the food. In the case of the waiters it is the service and outlook. The feedback of the customer is the last and most important evaluation system. It may not be enough for the manager since the generated costs and other variables as time may be more relevant, but the positive customer feedback is the ultimate objective used as control tool.

#### Evaluation criteria

If we have to sum up variable, which are used as control, it can be the **time**, which is used for on job to be done, it is the **costs** generated for this job to be done, it is the final **product quality** and it is the **feedback** from the customer<sup>109</sup>. As we can see these variable have high diversity and measure wide aspect of the agents performance. Something, which can be seen is that these are combination of individual and group measures. Product quality, which can be evaluation of the product in general and the way it is cooked, so more than one party s evaluated. Feedback, which is overall impression of the event. Costs can be individual and group based and time which each employees uses and all team uses together. The evaluation is most objective since the manager consider reasonable criteria. Some of them can be subjective as the feedback for example. Regarding to the relativity of the measures, they are mostly absolute for the current reduction of costs, time and increase of product quality and good feedback.

Measuring these variables as tool measurement system, we need criteria for the successful implementation of this measures.

- The distortion as criteria should be minimized. In the case of the chefs, the multitasking needs to be taken under consideration, due to the fact that more than one task is done at the same time. Externalities may be other distortion of the measures and this typically is when something is missing in the kitchen as ingredients or tools to work with. It can significantly slower the performance of the chefs.
- Other criteria in the design of the measures is to include uncontrollable risk, which may alter the outcomes. It is especially relevant when the agents has to go to new location to have

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<sup>109</sup> Appendix 3 Interview with Carsten van Hauen, line 8, 10; also the overall discussion with Michael

this event. Many changeables can happen in the process and the final performance may hardly be predictable.

### 3.4 Rewarding performance

The current system of payment for both own employees and partners is based on hour payments. The manager expects them to do their job as usual for the money being paid, which also include being active in all aspects of the job<sup>110</sup>. The partners can get little bit more since Greenfield does not pay them holiday money, insurance and things like this. The system does not incorporate any kind of bonus or other financial benefit for preventing wastes of food<sup>111</sup>. It is possible to receive gift as bottle of wine for doing good job during some of the events.<sup>112</sup> Further differentiation is possible when the chefs are out with the events, it is possible when having individual event to have the opportunity to get little bit extra for working with this customer. It is up to the customer whether it is money or gift (wine). When it is with BIG EVENT COMPANY it is more difficult to offer extra<sup>113</sup>. The manager himself is paid in two ways, first it is the hours he has been working and second it is the profit from the business, which he decides to keep<sup>114</sup>.

Michael shared experience in the past when rewarding employee with bonus for reducing some costs for the kitchen. The result have not generated difference and in fact have corrupted the system and the chefs have started to save from guests portions, which have meant that they have misunderstood the objective of this system<sup>115</sup>. These experiences makes him think that system with bonuses or any other financial benefit won't work<sup>116</sup>.

If we sum up, currently Greenfield has mostly fixed hour rate for the people he hires or the partners he works with. The bonuses are not used except some small non-monetary reward. The promotion as motivating tool or as tool for coordination between decision rights and specific knowledge use is

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<sup>110</sup> Appendix 2 Interview with Michael Jørgensen, line 128-130, 209-210

<sup>111</sup> Appendix 2 Interview with Michael Jørgensen, line 71-74, 77-90

<sup>112</sup> Appendix 2 Interview with Michael Jørgensen, line 75-76

<sup>113</sup> Appendix 2 Interview with Michael Jørgensen, line 91-92

<sup>114</sup> Appendix 2 Interview with Michael Jørgensen, line 251-256

<sup>115</sup> Appendix 2 Interview with Michael Jørgensen, line 174

<sup>116</sup> Appendix 4 Interview with Carsten and Michael, line 1-5



not used. This being said, because currently the principal is interested to allocate part of his responsibilities, as it was discussed in the begging.

Moving to the motivational theories in this case can be said that extrinsic motivation is delivered with fixed hour payment. Carsten is feeling motivated to reduce waste and make it as good as possible for the customers. It is based on his long experience when working with food and well developed practices<sup>117</sup>. Looking at it in this way, it is intrinsic motivation. This motivation is not reinforced for integration, quite opposite, the company is disintegrated with from the partners. The feeling of competence is moderate, since the changing environment leads the chefs to consider the opinion of the manager when it comes to something the manager has spoken with the customers or something related with the product. The feeling of autonomy is hardly possible unless the chefs are going to event by themselves. The social relations on the other side are tight, because Carsten and Michael are working together for many years. Allan on the other side (the other chef, not so active now) is working with Michael for more than 10 years. Michael himself has also intrinsic motivation to reduce waste and be more efficient from this perspective<sup>118</sup>. It works for him very well, since he has the autonomy and competence on place.

When it comes to attitude toward the food and motivation to deal with caution, several important things were said by Carsten. First it has difference between big and small companies. The people in the big companies have multiple principals and less control for wiser use of food<sup>119</sup>. So it has a lot of people who don't care. In the small companies the people know each other and can be aware of waste<sup>120</sup>. Some of the people, which Michael is hiring may not have this awareness and attitude for waste, but Michael will try to explain them<sup>121</sup>. Michael supports this view by saying that it should have positive background for waste reduction to happen<sup>122</sup>. At the end here can be said that the attitude of the people is important and if this attitude can be improved in a way for higher awareness for less food waste, it can work. This is only possible if the background exists.

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<sup>117</sup> Appendix 4 Interview with Carsten and Michael, line 6-7, 21-22, 27-28, 38, 43

<sup>118</sup> Appendix 2 Interview with Michael Jørgensen, line 307-308

<sup>119</sup> Appendix 4 Interview with Carsten and Michael, line 26, 29-30

<sup>120</sup> Appendix 4 Interview with Carsten and Michael, line 34

<sup>121</sup> Appendix 4 Interview with Carsten and Michael, line 36

<sup>122</sup> Appendix 4 Interview with Carsten and Michael, line 40

### 3.5 Conclusion SQ 2

#### Decision rights

Currently in Greenfield, can the majority of the specific knowledge in Greenfield is owned by the principal of Greenfield. Minority of the areas are the areas when he does not have specific knowledge and this is when the chefs have to go to event by themselves and this creates the need to take some independent decisions. This creates the situation also with the majority of the decision rights to be organized around the principal of Greenfield.

The structure of organization being very centralized around the principal is weakly integrated. Singles are the people being employed in Greenfield. The rest are working as partners of Greenfield after agreement for each of the events. This low integration even being centralized does not allow long-term interest for involvement and further integration. When it comes to the agents being employees or partners, they have low right to independent decision taking without consideration for the principal's opinion. This creates fear from risk and high intensity of communication with the principal.

The types of error, which happen are false negative ones, since the principal is centralized the majority of decision taking. The mistakes can be seen in the low knowledge what can be relevant from the food left or it can be seen when further business opportunities are missed due to overload of the principal or absence of partners to do it with.

#### Performance evaluation

The reasonable measures of performance are time for doing the job, the costs generated in doing the job, the quality of the outcome made (product) and feedback of the customer. These can be objective but also very subjective.

The distortion of the measures can happen in possible multitasking, which need to be properly evaluated and externalities which can be due to other's performance effect. Uncontrollable risk is typical issue when the events are in new location and this has to be considered as well. Currently these distortions are possibly considered as something understandable, but it can be issue if this is missing.

#### Rewarding performance

Currently the reward is based on fixed hour payment for all people involved. The only one which keeps also the profit is the principal. Small variability of pay are possible when private events are help. No special reward for less food waste is done.

Looking at Motivational theories, the intrinsic motivation for food waste reduction is present in almost of the parties. Taken under consideration the low autonomy and self-efficacy feeling, it can have major crowding out in place. The locus of causality is shifted from internal to external.

In general for the reduction of waste, Michael and Casrten agree that attitude and background of organizational are important factors.

#### 4. SQ3: How do Greenfield diner transportable and Hørkram Foodservice A/S current incentive systems support shared effort for waste reduction?

##### 4.1 Hørkram's efforts

Currently Hørkram will be interested from more information disclosed by their partners. The specific information they need is for future orders. This will help the company to plan better and reduce the

waste. This is something they try to do currently with some customers, where they have agreement that if the customer have information in advance, Hørkram would like to have it<sup>123</sup>. As it was mentioned above, the mother company in Germany is having all of their customers giving orders two days in advance. This is something not present in Denmark, as the CFO said<sup>124</sup>. In Denmark, from this perspective, the company is much more flexible in short time notice, but obviously on their expense<sup>125</sup>. After the manager was asked if they would give some price reduction or other benefits in case of disclosure of information in advance, the answer is that they have some customer when they always do in advance with the total order, so they can maybe get some discount<sup>126</sup>. This is one important thing, the CFO said. She said that if they always do with the total order. This being said is making it almost impossible to happen. First it may not be possible always to give this information in advance and second, it may not always be possible to give full order in advance. If we combine this with the fact that 85% of the customers are buying online, it means that less are actually speaking with the sales people to know about this opportunity. Since it is not clear from what the manager said, we assume that the sales people are not frequently telling them about this opportunity when they have contact. The thing she said is “maybe they can get price reduction” if they tell in advance and make full order. This actually means that this is the same thing as the strategy for increase of fixed salary for the best performing employees. It is subjective judgement, which is not publically expressed as strategy, but can be used with selected partners. This being said creates other discussion about the trust in subjective judgement in case the customer knows about this price reduction opportunity. Low trust in subjective judgement may arise from not specifically communicated reasonable criteria, which the buyers can seek or not to satisfy. This being so unclear, makes the customer especially in the Western, Scandinavian dignity culture to accept or reject the listed offer without trial for negotiation. The negotiation on the other side is hardly implementable since 85% is going through the web-shop. This actually end up with the only Hørkram, which is possibly considering this discount for some selected customers, which are giving information in advance. On the other side, why Hørkram would like to tell some of their customers, who already are ordering in good time that they can get discount and in this way, Hørkram to lose part of their

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<sup>123</sup> Appendix 1 Interview with Hørkram, line 11-12

<sup>124</sup> Appendix 1 Interview with Hørkram, line 13-14

<sup>125</sup> Appendix 1 Interview with Hørkram, line 15-16

<sup>126</sup> Appendix 1 Interview with Hørkram, line 17-18

profit. The reasonable outcome of this discussion is that really small part of Hørkram's customer actually know that they can get discount for ordering in advance and even smaller part of them are selected to get this discount. From what was discussion with the CFO, the primary opportunity for discount is based on criteria: quantity ordered, whether other suppliers are used, frequency of order<sup>127</sup>. In other word the motive for discount is profit not information in advance.

The other thing is that the food waste reduction on Hørkram side obviously is interesting for Hørkram and they should be the one offering this opportunity. CFO and Greenfield's manager said that Hørkram's sales people sometimes speak with customers and ask them if they want to buy on discount food which is going to expire in several days. This case is close to the other one, but the base condition is different. Before the discussion was around Hørkram creating motives for the customer informing them in good time, so they do not have to pre-order a lot of goods in stock. Here the discussion is the post factum. After the food have been in the storage for long time, it soon will have to be wasted and Hørkram is actually asking some of the customers if they would be interested to buy it<sup>128</sup>. This is not proposal for preventive reduction of waste, it tries management of the problem, which already exist. Other issues go together with this post factum management of the problem. First this food is about to expire and it becomes dangerous to give to the customer, it has timing issue related. The other issue is that Hørkram, do not like to create this kind of image on themselves as company selling goods with close date of expiration<sup>129</sup>. It doesn't fit together with the discussion for company offering fresh and high quality products.

Moving further, the IT system is opportunity for Hørkram, because it stores a lot of data for historical orders and credit note system. These system allows the customer and Hørkram employee to see his most recent orders, which he may order again. This reduces the possibility for mechanical mistakes with product type ordered. On the other side, the system is registering the reasons for the mistakes, which happen, so Hørkram can take preventive measures to reduce these mistakes. This note system is dedicated for less mistakes between Hørkram and the customers<sup>130</sup>.

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<sup>127</sup> Appendix 1 Interview with Hørkram, line 84-88

<sup>128</sup> Appendix 1 Interview with Hørkram, line 39-40

<sup>129</sup> Appendix 1 Interview with Hørkram, line 92

<sup>130</sup> Appendix 1 Interview with Hørkram, line 43-46

Other opportunity in the web-shop is to set up repeated deliveries on frequent basis. Example can be delivery of specific goods three times per week<sup>131</sup>. Hørkram is also open to change order even it is already done in case that the goods being ordered are not exclusive in some way. It is so, because Hørkram won't manage to sell exclusive goods to other customer if they are cancelled. Other issue is when the ordered goods are meat, it needs to be cut in the way, the customer have ordered, so it becomes harder to be sold to different customer. In case of goods from the normal assortment, it is not problem to change in reasonable time<sup>132</sup>. Other thing is that Hørkram offer possibility for reduction of wastes of the customer by splitting the original package in smaller units and selling it to them. This offer possibility for the customer to buy the quantity they need. It comes with bit more expensive units since Hørkram gets extra job to do<sup>133</sup>.

Hørkram is open to accept some goods, which the customer didn't use or were mistakenly delivered, but they are very careful with this. It is so, because they can't be sure how well the customer has stored these goods after they have been delivered. The customer may use many goods at later point of time, so they are neither wasted or returned to Hørkram when they don't get used at the current point of time<sup>134</sup>.

When it comes to Hørkram's effort for waste reduction, as it was mentioned, their sales people are calling Greenfield for making good offer for "older" goods in stock. The current incentive system in Hørkram have this element, so less costs are generated. Apart from this, Hørkram does not actually put serious effort for motivating their customers to disclose information in advance. As it was observed by Michael Jørgensen, the people working on the phone do not have expertise in food, which additionally decrease the opportunities for flexibility and minimum mistakes.

## 4.2 Greenfields's efforts

Hørkram is the biggest supplier for Greenfield, but it is not the only one. Most frequently when it comes to big orders, Michael uses Hørkram and they can deliver the food to him. As we spoke with

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<sup>131</sup> Appendix 1 Interview with Hørkram, line 47-48

<sup>132</sup> Appendix 1 Interview with Hørkram, line 49-50

<sup>133</sup> Appendix 1 Interview with Hørkram, line 92-96

<sup>134</sup> Appendix 1 Interview with Hørkram, line 98-100

Lone Petersen, orders above 1500 DKK can be delivered for free. When it comes to smaller orders, he can pick up from Hørkram's location in Sorø. In many cases, he also uses other local places for the small buy (supermarkets)<sup>135</sup>. When it comes to some goods, Michael can use also other suppliers, like bakery, fish<sup>136</sup>. This shows that Hørkram is not the single supplier of the goods they have and alternatives can be found.

When it comes to the goods which have been bought by Hørkram, Greenfield tries to use them all in order not to waste them. Frequently, when they buy a lot extra ingredients for one event, they are ready to use them for another one<sup>137</sup>. He says that it is not possible to return extra goods to Hørkram. This means that the opportunity which Hørkram expressed for goods, which can be less perishable is again something which is not communicated to the customers. They do not have interest to implement this strategy since they risk to take goods, which haven't been stored properly<sup>138</sup>. Hørkram is ready to take back products, which have been ordered by mistake or they have been send by mistake<sup>139</sup>.

Michael normally don't use Hørkram's web shop, but buy by phone by speaking with one of their colleges. This is because he thinks that it takes long time to find and enter all the goods he needs<sup>140</sup>. He considers the person in Hørkram to be weakly introduced in the foods, which they sell. Many problems arise from this, like mistakes or bad exchange of expertise when he wants to order something. He thinks that they are people having a job without special knowledge which can help him<sup>141</sup>.

Michael still consider using Hørkram, because they are local for him and they are Denmark's biggest warehouse. He understands that none of them will have best service<sup>142</sup>.

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<sup>135</sup> Observation

<sup>136</sup> Appendix 2 Interview with Michael Jørgensen, line 232-235

<sup>137</sup> Appendix 2 Interview with Michael Jørgensen, line 30

<sup>138</sup> Appendix 2 Interview with Michael Jørgensen, line 47-48

<sup>139</sup> Appendix 2 Interview with Michael Jørgensen, line 55-58

<sup>140</sup> Appendix 2 Interview with Michael Jørgensen, line 54

<sup>141</sup> Appendix 2 Interview with Michael Jørgensen, line 50

<sup>142</sup> Appendix 2 Interview with Michael Jørgensen, line 54

When it comes to discount, sometimes, Hørkram contacts Greenfield and offer products which soon can expire. This frequently is accepted, if it can be sold<sup>143</sup>. The prices in general with Hørkram are negotiable<sup>144</sup>.

When it comes to Greenfields' efforts for reduction of waste with Hørkram, little is actually done. The first thing is that Greenfield do not have incentive to offer information in advance to Hørkram. When it comes to delivery, they put effort to be present at the point of delivery so no goods stay outside for long time. They also take the time and inform Hørkram in case of mistake they do<sup>145</sup>. As it was mentioned Greenfield is interested to work with Hørkram in cases they offer them good discounts for some of their "older" goods.

### 4.3 Conclusion SQ 3

In a conclusion, it can be said that the current incentive system of the two companies does not support the idea that something has to be done with the partners so less waste is generated. Examples for efforts for waste reduction are offers for discounts and accuracy when it comes to delivery. Positive element is that Greenfield communicate personally with Hørkram, so they are open to discuss these issue with the other party. The staff on the phones are not very prepared to advice the customer in relation with what he needs the goods for. Other incentive does not exist at the current point in time, which creates low information exchange in advance with Hørkram.

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<sup>143</sup> Appendix 2 Interview with Michael Jørgensen, line 248

<sup>144</sup> Appendix 2 Interview with Michael Jørgensen, line 295-296

<sup>145</sup> Observation



## 5. Recommendations for use of incentive system for reduction of collective food waste

### 5.1 For Hørkram

The types of error typical for company like Hørkram are false positive error. As it was mention above the natural movement is toward more centralization, which means also more control. This on the other side, can create significant issues when it comes to the motivation of the employees. The balance between too high control and sense of autonomy needs to be kept in appropriate levels. The need for high control can be substituted with change of the hiring policy (selecting more responsible agents), training (for less mistakes to happen), significant information exchange,

transparency and feedback, budget control with restriction for maximum level of costs allowance and most importantly culture for less waste, higher efficiency, organizational spirit and self-control.

Hørkram has the following measurement system, when it comes to food waste:

- Credits notes of the customers: here all data for the customer is recorded which allows control of the employees as well
- The levels of food waste generated: this is objective measure, which helps to keep control of the waste and track it on product and department level
- Costs: The costs generated in the departments

To evaluate how successful are these measures Hørkram attaches targets for these measures, important when setting these target is:

- The subjective measure like credit note need to be well communicated with the person being help responsible for some of his efforts.
- Try to reduce requirements for these target and leave the actual performance to be leading. This will remove the need for comparison and motivate the actual achievement.
- Try to be modest in the expectations toward the employees. The target as much present should be achievable.

When selecting the measures and evaluating the data coming from these measures, criteria need to be used. As discussed above less distortion need to happen. Especially externalities from the other units' performance. It should not affect the unit under evaluation. On top of this, the externalities need to be internalized with differentiation between the departments critique only above the units which have made the mistakes (order taking, storage, processing, packaging or delivery). These effects from the mistakes if the others need to be excluded when evaluating individual unit or employee performance. Other distorting factor is the uncontrollable risk, it needs to be evaluated in all departments and excluded from the evaluation. At the end, the costs for measurement does not have to go beyond the benefits from these evaluations.

The current reward, which is given to the employee is based on fixed salary. It is part from the culture in Denmark also, so it is positive and important tool to work with. Recommendation can be to use more actively the promotion as rewarding tool, so it can play the role of risk premium. This may not be possible in all cases, but it is important to be created formal way for growth when the performance have reached special standards. It can be higher independence. Good ways for non-monetary support can be work flexibility, possibility to take home food, which is going to expire or investment in work environment.

In order to support the employees' intrinsic motivation, important thing is to keep in place the three psychological needs:

- Competence: keep in mind that the employees need to express their competence and know that they are good enough for the job they are doing
- Autonomy: being very regulated, this is hardly possible, but delegation of specific level independence is possible especially when it comes to packaging, delivery, sales.
- Social relations: Important is to keep in mind the importance of the existence of good social connection between the employees and feeling of community.

Having on place these, the employees can focus on their intrinsic interest to be good workers, to prevent food waste and to generate customer satisfaction. It can't happen without being communicated properly and here is the big role of the feedback. The employees need to receive feedback all the time, so they can adjust at every moment of weak performance.

Strong recommendation for Hørkram is to work in two extra areas, first to start more active cooperation with its customer when it comes to information exchange in advance. This can be stimulated with corresponding benefit for the customer. Possible examples are:

- Lower level buy for free delivery in case of minimum one-week in advance information disclosure (Currently it is 1500 DKK to get free delivery): This can be achieved after Hørkram make calculation how much money can be saved from wasted food if most of the customers are ready to give this information in advance.
- Discount from total buy if order minimum one-week in advance.

Other area of focus is to stimulate direct contact from time to time between customer and specially dedicated employee in Hørkram. This can create possibility for more personnel communication with

the customer and better understanding of his/her interests and needs. Important is to have reflection from this calls/meetings and adjustment from the feedback.

## 5.2 For Greenfield

Looking at Greenfield major type of error, we can see that false negative errors need to be prevented. This naturally happens with decentralization and less control. The issue here is that Greenfield is doing in the most of the opposite. The specific knowledge is centralized in the principal of the company and the control above the agents is significant. It is especially true about the parts of the business as cooking, which is the core business of the company. The recommendation is less control and more decentralization. If we compare with Hørkram, there it is required to centralize so less dangerous mistakes can happen. In here the decentralization is slightly more important since the business is very small and every form of centralization is having dramatic effect above the employees' motivation. Positive framework can be to split the decision rights on decision management and decision control. The decision management can be left to the agents with possibility to initiate activities and implement them by doing their job. The decision control can be left in the principal with ratification of the activities (approval) and monitoring the implementation. This means again significant transfer of specific knowledge in advance, so the agents know better what is the context of these activities in the event (private or business event) and how this event stays compared with the other events, which have happened or which are going to happen.

Greenfield has the following measurement system, when it comes to food waste:

- Speed (time for doing the job)
- Costs: how costly it was to do the job
- Quality of outcome
- Feedback from customer

The targets for these measures need to consider the following:

- Subjectivity of the outcome quality and feedback need to be explained, by more argumentation, since the feedback may be misunderstood.
- Check of actual performance and not so much comparison with other employees, since this can lower the cooperation and create competitive environment. On the other side, it may not evaluate the development of this employee.
- The level of difficulty of this target should be considered, because the risk here is that the agents starts delegating responsibility to the principal if he feels impossible to solve the issues alone.

When it comes to distortion possibility in the measures, multitasking needs to be properly evaluated, since the efforts of the agent in one area may not be considered when giving feedback. This can happen when the agents are doing something, which is not supporting their primary objective. In these cases, the evaluation system need to consider this and focus attention in the primary objectives. Example can be the refrozen fasans, which are not part of the primary chef's work or positive talk with the customers, which may lose time. These are considered by the agent as important but they are not, which is distorting his focus. The measurement system need to signal this distortion. When it comes to the other distortion, it can be that something wasn't made by the other employees as it is supposed to be, so this takes extra time for the employee, who is measured. This distort his evaluation and does not consider these wastes of time. Primary focus here is to source the origins of the externality. When it comes to uncontrollable risk, this has to be again considered by the principal when giving feedback.

For the current reward system of Greenfield, as it was discussed, it is based on fixed hour payment. This system is considered as normal in the sector and additional possibility for increase are not possible. That's why this system should be kelp, but other efforts should be done for improvement of the motivation, when it comes to food waste reduction. As it was started, the control is distorting the intrinsic motivation which exists in the employees. More focus should be given to decentralization of decision rights and in the same time integration of the different partners of the business when it comes to social relatedness and organizational spirit. This can reinforce one of the psychological need of people, which is social relations. The second psychological need for competence needs to be reinforce with more feedback and information exchange, so the agents

can know more and consider themselves more competent for what they are doing. The third psychological need for autonomy can be reinforced with more functional division of the business (administrative, cooking, service). Each of these functions will have own responsibility to generate the best outcome and respectfully will have own decision rights how to do it. So having these three psychological needs on place, can reinforce the intrinsic motivation of the employees and move to integration.

All of this to be successful stays the two points mentioned also by the Michael and Carsten:

- It needs to have the background for less waste generation
- It needs to have the attitude for less waste generation

These to be achieved and less centralization to be needed, several other efforts needs to be done:

- To hire people with this attitude
- To train and correct wrong behaviour with the food
- To explain more about the reasons for one or another behaviour
- To create budget constrains for maximum costs (time) possible for single job.
- To create culture for less waste

At the end, when it comes to work with Hørkram, it will be recommended to Greenfield to approach the company with recommendation for better information exchange and expectation for possible benefits in case of this cooperation.

## 6. Conclusion

After going through analyses of both of the companies, it became clear that following key recommendations needs to be done for the successful reduction of the collective food waste. The recommendations are proposing both effort for adjustment of the incentive systems in these organizations and incentive for work with the other party in order to generate less waste.

Key recommendations for Hørkram's incentive system when it comes to food waste reduction are:

- More careful use of control above their employee: this is because, it need to prevent crowding out effect of their intrinsic motivation for waste reduction. For the development of the intrinsic motivation the three psychological human needs need to be supported: competence, autonomy and social relatedness.
- This lower control can be balanced with change of the hiring policy (selecting more responsible agents), training (for less mistakes to happen), significant information exchange, transparency and feedback, budget control with restriction for maximum level of costs allowance and most importantly culture for less waste, higher efficiency, organizational spirit and self-control.
- The current fixed salary system can be kept, but it is possible to use promotion as rewarding tool for adding risk premium. Other thing is non-monetary rewards such as: work flexibility, possibility to take home food, which is going to expire or investment in work environment. These will give additional motivation for better performance without directly hurting intrinsic motivation.
- Continue using feedback and keep introduction of the employees in the organization's matters.

Further recommendation for Hørkram is to put efforts in two areas, when it comes to work with the customers:

- More active cooperation with the customer for their orders early information disclosure
- More frequent direct contact with the customers for development of strong relationship with specially selected single employee as contact person in the Hørkram.

Key recommendations for Greenfield's control and incentive system are:

- Allocation of the decision rights according to the decision management and decision control functions. In this way can be achieved decentralized division of the organization. This can support the sense of autonomy
- Effort for integration with these functions, even though they are independent firms. This has to reinforce common organizational spirit for relatedness.
- Other psychological need is for competence, which need to be reinforced by giving more feedback allowing self-decision taking.

- Having on place autonomy, relatedness and confidence, this will support the intrinsic motivation and willingness to work long term in the company.
- Issues of distortion of performance evaluation need to be considered in the areas of multitasking and externalities. The uncontrollable risk has to be accounted.
- Due to the current situation of high centralization, Greenfield need to put effort in the following initiatives, which will reduce the need for centralization:
  - To hire people with attitude for efficiency and less waste
  - To train and correct wrong behaviour when it comes to the food
  - To explain more about the reasons for one or another order or behaviour
  - To create budget constrains for maximum costs (time) possible for single job.
  - To create culture for less waste

When it comes to the work with Hørkram, recommendation is to approach them with recommendation for better information exchange and expectation for some kind of benefit from this information exchange.



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Performance measurement and incentives course, CBS, Lecture 7 slides

### **Interviews in appendixes**

## 8. Appendixes

### 8.1 Appendix 1

Interview with Hørkram

CFO of Hørkram: Lone Petersen (LP)

1. ME: Who am I speaking with?
2. LP: I am Lone Petersen, the CFO of Hørkram.
3. ME: Can you tell me more about Hørkram as company?
4. LP: Ja, we are food distributer and only sell to professional kitchen, restaurants, state institutions, hospitals, pizzeria, canteens and so on.
5. ME: What is your experience with Greenfield. Do you know something about them now or it is one of the many companies you work with?
6. LP: It is one of the many companies we work with. It is customer for us. I know the name, but I am not visiting this customer.
7. ME: Does it happen to have food excess, which can be sold to end-consumers. Do you try to manage this excess food?
8. LP: We have a lot of waste, if you can say so. It is because we sell a lot of articles with very short lifetime. The customers can call us on the phone 11.00 pm and we bring the articles the next morning. Therefore, we have to guess what the customers want to have this day.
9. ME: So you make some kind of buffer...
10. LP: Ja, and we try here to minimize but, it is balance between. If customer want to order and we don't have it. It is problem for the customer, because they expect they can have the articles. On the side, if customer always can get all they want then we have great waste. It is problem for us, we have to balance of these two. Our business depend on customer satisfaction and therefore we want to have the articles they can ask for. In here when we have waste, we have canteen here. When the goods are having four days left maybe, then you can't sell it when it is only two days, but we can use it here in our own canteen. There

we use a lot of articles. We have church institution, which makes food for homeless and people without money with difficult life can come every day and get food. The people who work there are not getting paid, they are working with the church. They are coming here one time per week and get free all the food, which we haven't given to the customers. They are very happy, she cried the first time, because they want to do it good for the people but it is difficult for them to get the money to buy all this. We are very satisfied with this policy.

11. ME: So two interesting things from our talk until now. First are you interested to speak with your partners/customers, so they can give you more information in advance, maybe at least week or a month that they need more, so you can prepare in advance. Is it good for opportunity for you?
12. LP: Ja and we try, we have some customers, if you can make an agreement where they make a forecast then we would like to have it very much.
13. ME: So the best thing for you is to have it as early as possible.
14. LP: Ja our mother company in Germany. All their customers are making decisions two days before delivery and that is not happening in Denamrk. In Denmark the customers are used to they can have it with very short time.
15. ME: So you offer more flexibility here.
16. LP: Ja
17. ME: but on your expenses. In this case if you get this information in advance, are you open for discounts for giving this information in advance or it is just good to have it.
18. LP: We have some customers, when they always do it in advance with the total order then maybe they can get some price reduction.
19. ME: ok, on the other side you said about donation of this food and people coming. So you like them to come here on place. You don't want to deliver somewhere else.
20. LP: We can't do this. In Denmark it is so that when we the producer of the articles, when they find problem with salmonella or so in the product. Then they have to call it back. Then we must know exactly who had gotten this item. In our system we have to register this on every article we sell.
21. ME: So you can trace the product

22. LP: Ja, and we must give a call and have it back. We have tried to with companies which come and pick these products and deliver to several places. It is institution, which do this, but we are not allowed to do this, because we say it not safe. We can't say where this product, which they take, will end. It is not legal in Denmark.
23. ME: What is the difference between this and when you sell it to catering firms?
24. LP: The difference is that the company who make the food is the end user. If you have the end user, and have problem with the food, then you can make announcement in the newspaper for example.
25. ME: In the first case when you give it to be delivered you have the problem that this product have the name of Hørkram given to somebody who you don't know. Then you lose the chain between the one who got it with you. In this case the food is not cooked, it is raw.
26. LP: Ja and when we choose one, the church then we know we register all with number and everything and if we get this call, then we call the church institution and tell if you haven't use this food yet then just don't use it.
27. ME: ok, so basically you like to have it cooked here.
28. LP: NO we don't cook here, we just give it to them and they cook it.
29. ME: About the church
30. LP: Not here, the church institution cooks it.
31. ME: Have you consider alternatives?
32. LP: The business who deliver around, but we have worked with this but it is not allowed.
33. ME: When you look at the organizational structure, is it with more independent units who can take decision by themselves when it comes to food or it is more like they have to ask the top management what to do? How does it operate?
34. LP: It is when it comes to the food. You can't do it in your own way. We have so many rules, which talked before that you must exactly know where have you brought it, so you can call it back and it is not allowed in different way.
35. ME: You create culture with rules and system.
36. LP: Ja and in Denmark it is food control. It has to be best for the end-user. They don't get sick from it.

37. ME: We discussed with Greenfield that when they speak with the guy in Hørkram (sales person), frequently he is entering data in the computer, but mistakes happen because they are not actually very introduced how the food looks like. What is your practice when selecting people, who are on the phone? What is their experience with the food?
38. LP: They can see in the system the articles which the customer is used to buy, for example from the last week. We have some meeting every month, where our suppliers they come and show the products, they have made something or so. The people who are on our phone call, they have seen the good also. And they have interest for food. When we need a new college, we always ask, do you have some experience with food, what have you work with before. If you have one who loves to cook and his interest is with food that's the normal way.
39. ME: Also he told me that your employees sometimes offer them food which is going to expire maybe in several days on discount. So you have this practice.
40. LP: Ja, we call when we have something. It is necessary it is not only one day until expiration. You must have several days.
41. ME: Other thing, which he mentioned was that when he orders the goods to be delivered, but sometime it has mistakes. So he calls one more time and they come with the car, but sometimes the food is too old to be used, maybe it has been outside or something. Or maybe something happened. How do you try to prevent these kind of mistakes?
42. LP: The food which is packed for delivery stays in the hall and waiting to be on the truck. We have people going around and scanning the products and they can say what this customer have ordered, whether it is ok, is the articles good enough. If it is not ok they call packing people back to fix it. It is because it is very expensive for us to go one more time with the car. Today we can say, which customer we want to be checked, you can say you check the packing people, if it is new then you can say all new packing people are check in the first 14 days, 3 weeks and then when they are without fails, then you can say ok, now it is not necessary to check every order and then you can say if it is customer who always complain, so you can say now we check every order for this customer. You can't check all the orders, there is not time, but 50% of our orders are controlled.

43. ME: Do you make differentiation between restaurant who order similar good every time and the ones who change more, like catering companies?
44. LP: We can always in system see the credit note of the customers. This is sign that something is wrong, delivery is not ok, order is mistaken. Then you can try to find why this happened.
45. ME: So you rate the customers and if something goes wrong the rate changes.
46. LP: Ja, when we make credit note we also give it a mark, is it fail of the people here on the phone call, is it customer who make fail order, is the articles not good enough, is it frozen, bad or so ja. If it is the customer making the fail, we can get the sales people visit the customer and explain. In the system you can make a list with your articles you most use, so it always stays. If it is people in our own organization, so the leader can say what is the problem why you always fail here.
47. ME: When we spoke earlier about informing in advance, do you have this opportunity in the website where you can inform in advance.
48. LP: Ja, you decide when you open the website, then you make the delivery day, you can make delivery everyday if you like and sometimes customer have delivery three times per week.
49. ME: What if they don't have certainty? They don't know for sure this amount? Can you change it before delivery can you cancel it?
50. LP: If you have made order for the next Monday for example and then in Wednesday you change your mind. It is ok if this articles are from our normal assortment. If it is special good, which we don't have normally and we have called it home, then they cancel it, then it is problem. Normal can man call the people here and they can change order. That's ok. We have out meet production where we cut the meet in the way the customer wants here, that's production and they have made it. Then it is also problem. We try to find another customer, who may want it.
51. ME: What about the reward system, which you have in your company? How you pay to your people, by hours (part time) or full time? Do you make some bonuses?
52. LP: We have a lot of different agreements, some customer wants to have an agreement of the total buy if you could say so and some customers want to have low price at every delivery

and some want to have one year bonus when they have bought specific amount, then you can get this and if so many then you can get this that's different.

53. ME: You mean like discount for the customer?

54. LP: Ja, that's different.

55. ME: You are open to offer differeciation in the price if the customer is frequent buyer and things like this.

56. LP: Ja and it is also so when you know the customer, some of customers you have a lot of work with and some not so much work with. When you are buying for 1500 kr and more you get free delivery.

57. ME: My question was more about, the people in organization, do you pay them differently for less waste for example?

58. LP: It is not a bonus system. We don't have this. With the packing people it is so that if you have too many fails then you are not in the company. We can't have this. It is also expensive and you get unsatisfied customers and so. Every morning we see who have made mistake the day before and then you confrontate the people with fails. You don't do it, nobody makes a fail, because they want to make it. You try to do it.

59. ME: Inform them what they have done..

60. LP: Ja, and then you tell them the people that they have made the fail, because otherwise they don't know it and they think that they have done it right. When you have very good people with no fails and a lot of packaging then they get a little more in salary. We have fixed salary. Normally if you get the same work then you get the salary here, but we have people we are very fun of because they are good packing without mistakes so we pay more. It is not so everybody knows that he gets automatically more if he is not doing mistakes.

61. ME: Only if you decide somebody is good enough you give him.

62. LP: Ja

63. ME: In relation with better utilization of the food. The people can't influence a lot the waste, is it right?

64. LP: Our people who have ordered the good they of course can influence of the waste, but if they want to have no waste at all, so as we spoke before we get unsatisfied customers. They



get every morning a list of what the customer didn't get yesterday. They get also list how much have we got rid of.

65. ME: When you get rid of, do you give it for gas production or just throw it out?

66. LP: We have worked with system with gas production, but it is not finished yet.

67. ME: So currently you just throw it out?

68. LP: Ja

69. ME: So the sales people you take decision, do you give them some kind of bonus for this effort or it is just their job? (here I speak about risk averse agents and ask her how they motivate the agents to take risk and produce less excess wasted food)

70. LP: We are working with it every day in the department where these people are sitting. The leader of the department can see how much we have wasted, it is per article group, milk ... all people in the entire company can see this. It is problem for them if it gets too much. It is not salary thing. I think that for Danish people in work is very normal that it is not the money which get the motivation, it is the honour. You can see it on the face, when you have thrown a lot of milk out, it hurt them. They want to do their best and it is YES, when everything goes without mistakes. In the same time, the customer had gotten what they want.

71. ME: So you are using different tools to support their intrinsic motivation.

72. LP: Ja

73. ME: These tools are control systems, maybe meeting with the customers and things like this.

74. LP: We have open speak in the company, when you make a fail, it is not so uhhhh, it is better next time. We know that you are not working against the company, we all make mistakes. We are trying to make it so that you are not making the same mistakes again. They are sitting in department where you can't have 0 waste

75. ME: You balance...

76. LP: Ja. We say maybe you can do different way, maybe you can be the person who try to train the new people, so you make a little other work than the normal workers.

77. ME: So these people feel group/organizational spirit, which makes them feel they do this for the organization not only for themselves.

78. LP: Ja, we call this Hørkram spirit and we are working with it. Today this afternoon comes a bus which brings the ones who want to DHL in Copenhagen and they are running, we have

colleague who is cooking for them make some beefs and salads. We have special arrangement and today all people are getting bottle of wine, because this month (August) we are the department from the entire chain Germany, Austria, Poland, Netherlands and so, which have the highest sales. Our director has sent mail, which says very good.

79. ME: How you try to make so the people feel responsible for their job and they do it, because they want to improve and not because of the money?

80. LP: We try to tell them what are we doing. We have a lot of customers who are visiting our company. When we have some visitors, we announce it on the info screens around the company, so the packing people also know who are walking around and looking and they can say hello.

81. ME: So you involve them.

82. LP: Ja, I try to say when we have agreement with person who are going to work here, I try to say that in Hørkram every person is important and I say our sales director when he gets big customer visit us here. When Per, the guy who is going to clean the cigarettes from the table outside has not done his work then it is not looking fine in the company and then we don't get the customer so Per is also important as the sales director. We are all important and it is very important for us that you have respect for all work no matter the level in the hierarchy (cooking canteen, cleaning, sales director).

83. (After she tells me that she can't tell details about their specific agreement with Greenfield)

84. LP: We have a lot of agreement with customers and the price always depend on how often you buy, how many deliveries per week and how much you buy, do you buy your total from us or you have other suppliers.

85. ME: So everything depends from quantity, frequency and then you can make combination with transportation and things like this.

86. LP: All kind, many things which have influence on the prices.

87. ME: So it is not fixed.

88. LP: No

89. ME: Tell me more about the practices when it comes to excess food from your or their side, we spoke that sometimes you offer them discount...

90. LP: Ja

91. ME: Something more

92. LP: Not to the customer, if we find customer who need it before the end of the day then it is ok and we can sell it for special price but normally we want to be company which the quality of the articles is the best. We don't want this system of selling in the last moment, because it is not so good. We offer to the customer so that if we have box with 12 pieces then you always can buy only two pieces then we open the box and sell only two. Then we have other customers who buy 2 and 1 and so. It is little bit more expensive, because for the packing people is easier when they get full box. They have the opportunity to buy only two of the 12.

93. ME: So they don't waste a lot.

94. LP: No, it is not necessary.

95. ME: For who gets more expensive? For you or for the customer?

96. LP: For the customer, because we have more work with it and maybe no other customer will buy the rest of it and then we must have it in the canteen or give it free to the church.

97. ME: What about if the customer has something extra, for example he bought too much potatoes and he don't need it, are you open to take it back.

98. LP: We do it when it is article which we are allowed to take it back. Normally when it is product with short life span, is also article which the rules are very strong what you are allowed. It is because if it stays in the truck and we know that it has only been in our place on 5 degree and our driver has delivered it. But we don't know whether the customer has had it three days also on 5 degree or 7 in one hour. So we are not allowed to take it back.

99. ME: If it is something canned.

100. LP: Ja but normally the customer can use it in the next 12 months. It is not a problem to take this back. Only if it is misunderstood order we do it.

101. ME: Do you consider financial loses when having these waste food? How you do it? Higher price for the customer or how?

102. LP: It is in our annual balance, our waste has special category and we can see it every month. It is so if the waste is very very high, there are only to customer to pay, but when we can't sell the articles as cheap as others then we don't sell it. It is balance.

103. ME: So if it too much waste because the customer cancel it, you can't say to the customer now you pay it or how it is?
104. LP: No, it is so that when we buy on this price and sell it to this price and difference must pay the rest of our cost. When our cost gets too big we are working with it. It is our responsibility to reduce it. And if we can't do this, because some prices are not our responsibility (gas and diesel for example), you can teach the driver to drive rights so we are not using more, but you can't control the price. Then you have to give higher price to the customer, but normally we say, we must do it better here so we have right price for the customer.
105. ME: So you consider these costs by trying to reduce them.
106. LP: Ja
107. ME: Now it is more for your personnel view. If you are not having financial interest to save this excess food. Do you think that it has to be used properly without waste?
108. LP: We have food fairs. All the suppliers are there and the customers who are visiting us can taste it. At the end of the fair we get a lot of food, which is not getting used. We try in the last three years, we make announcement to the suppliers, all the leftovers will be packed and delivered to Copenhagen and other places. Normally suppliers speak between each other to exchange food. But we think it is better in this way, because then they get too much food home and they can't use it. We have this system, where at the end of the fair they bring it to one spot and then we organize and we pay for delivery. Our trucks take it to the places and so. It costs us truck delivery and costs the people who are working with it and you get two hours later from the fair, because of all of this.
109. ME: But they do it for free?
110. LP: Ja and they think it is good idea and they get home from the fair with good feeling that they have made a lot of people happy.
111. ME: So the people here are conscious that the food shouldn't be wasted.
112. LP: Ja, we know it. Not all people but a lot of people who are working with it.
113. ME: This answer also the question if you can do something from your personnel time would you, you said yes. What recommendation you can give for minimizing this food waste,

specially do you think that your customers are open discuss this topic. Recommendation we spoke that of course you do what you can.

114. LP: Ja

115. ME: Do you think that the customers are open to discuss, do you think that your customers will care for your wastes?

116. LP: I hope so. I think many people think we must save the water for the next generation, you have another part they live now. It is difficult to change this.

117. ME: What is your business interest with the food? Profit?

118. LP: Of course, we want to be the best supplier to professional kitchen, we want when you say Hørkram that you can trust that you can get your delivered orders and you get the best articles in the right quality in the right time.

119. ME: What about the assortment, bigger smaller?

120. LP: We want to make it bigger? We are making new department with fresh fish. We want satisfied customers. All of us know that if the customers are not satisfied, we are not here. Our job depends on it. We are working the same way, but always to earn money, so we can make it better for our customer. When we have earned the money we use to build new fish department.

121. ME: The thing is the food is of course tool to work with, but it is not on expense of the food you try to make profit, you try to combine less waste with efficient business with profit.

122. LP: Ja

123. ME: The food is not just compromise; it is part of the business it should be efficient.

124. LP: Ja

125. ME: Do you use this opportunity to connect customer with suppliers.

126. LP: Ja. We have a customer who wants very special product and then we can say the supplier can develop this product for this customer and maybe they only sell it to this customer. But then the customer can buy a lot kg. You can't make a product for small sale.

127. ME: Is it normal that your suppliers and customers exchange between mutually valuable goods?

128. LP: Ja it can happen, sometimes our suppliers visit customers. They can't buy direct.

129. ME: Maybe you are afraid they start trading between themselves.
130. LP: No because (Here she draws that they are the middle organization, which reduces the time, money and effort of the partners by connecting them. So they don't have interest to cut them off. They can sell all what is used in the kitchen. Then the customer can save a lot of money by not wasting time for dealing with it.) It can be canteen which have theme Australia and then they eat crocodiles and drink Australian beer and then they can call and ask what can you get for us? And we find it, get it to the customer.
131. ME: The employees in Hørkram, who order goods from your suppliers, are they the same people like the ones on the phone or it is different team taking centralized decisions at the end of the day? (taken by e-mail communication)
132. LP: It's not the same team who orders goods from supplier and talks with the customer on the phone. (taken by e-mail communication)
133. ME: Is it so that every customer gets the same employee on the phone to work with or it depends who is available? (taken by e-mail communication)
134. LP: 85% of all orders come from the web-shop and they don't speak with anybody, but if the customer call the office he can contact directly the person he wants to talk with or he can call the line where they get the first free. The customer has their own member of staff on the phone, and this member of staff know the costumer very well, and the customer can ask for this person. (taken by e-mail communication)

## 8.2 Appendix 2

Interview with Michael Jørgensen

Michael=MI

Me=ME

1. ME: So, to whom am I speaking now?
2. MI: It is Mike Jorgensen, headmaster of Greenfield (manager: Michael Jørgensen, Greenfield diner transportable CVR: 25398858)

3. ME: What kind of company are you working in?
4. MI: The company is catering company, which have been on the market for 35 years. I started the business almost 40 years ago. Now we are having catering and serving on Selchausdal, Ruds Vedby, Denmark.
5. ME: What is your primary market? Business customers, private customers??
6. MI: I would say that strong power of the company is that we can deal with the ones we want to deal with. It is not normal to have a lot of different kind of type of customers. So what we are specialist in is to work with two types of business customers and private customers. These are three different groups, which are about the same size each.
7. ME: So you say the first one is like the key customer (business customer, event companies) like BIG CATERING FIRM, second is own business customers (individual company events) and the third one is own private customers.
8. MI: Yes.
9. ME: Do you have own kitchen?
10. MI: We have own kitchen, own business number, where we support different places and also the man house here (the castle in Selchausdal). And we have also number for the health authorities and so on.
11. ME: So you are registered to deal with food, basically.
12. MI: We can deal with food, all different kinds and all different places, even the queen and
13. ME: I know that you have had Danish princesses on some of the events. I ask you because some of the catering companies do not have kitchen and go on the events like this.
14. MI: A lot of event companies do not have the kitchen and typically we will be one of the companies, who are going to be asked for making catering for their events.
15. ME: For example BIG CATERING FIRM?
16. MI: For example BIG CATERING FIRM. We don't make for a lot of other companies in this business, because we respect very much BIG CATERING FIRM and I don't want to have too many faces on. I can put a lot of face on, we can be a lot of places, castles, man houses.
17. ME: You don't want to conflict with BIG CATERING FIRM and take their market, right?
18. MI: I have respect for the ones I am working with.
19. ME: OK, Who is responsible in the kitchen? You, the other chef/s or all together?

20. MI: I will be responsible at the moment, yes. I would like to have chef managing the kitchen if possible, because I have a lot of other jobs. I could also have manager of other part of the business and work in the kitchen myself. I don't care as long as I have a good employee, good college, it will be fine.
21. ME: So what you are saying is that currently you are the manager, who decides everything, but you are open to split this responsibility with somebody else. For example the cooking part for someone else or how?
22. MI: No it will be little bit different. Depending on where the person have his strong side, where the highest knowledge is.
23. ME: What kind of food storing cooling facilities you have here (in the kitchen)?
24. MI: We have full working new minivan, cooling room, 5 freezers, different cooling refrigerators. The biggest is the cooling car we have. (It doesn't become clear if the minivan is the rented car or different one. I think it is the rented one, because I saw new rented van with cooling part.)
25. ME: So you rented one.
26. MI: We rented one for this weekend, yes.
27. ME: You also have this possibility, to rent external.
28. MI: Yes.
29. ME: Do you like to store food for long time or just until the event is over?
30. MI: A lot of the money in the product is what we can see after we had event. SO we have bought box of tomatoes and we use half. It is good business after the event to sell the half box.
31. ME: The thing is ingredients is one thing, cooked food after the event, you cant save it or?
32. MI: Depending how it has been stored. If we have the possibility to put under car, if we are out. If we have possibility in short time, up to three hours to store the food in cold less than 5 degrees.
33. ME: About the three hour, what do you mean?
34. MI: If we have food out on the refrigerator for more than three hours, on the table is normal to throw out.
35. ME: What if it is less than three hours?



36. MI: Depending what it is. You have to know what you are dealing with. It can be disaster. Normally I would say one or two hours. It also depends on how long it has been de-frozen before.
37. ME: So you have to take decision, but the most important is that you have the expertise to do it, right?
38. MI: We have the expertise, but also we have possibility, because we have cars and everything.
39. ME: The transportation facilities you have is that you mention, car, truck and you also rented external one.
40. MI: Ja, but another thing is, it is very important, the product go in the cool already when we buy them. So they don't stay in warm car. So I know how things have worked out.
41. ME: So you have this cool car to transport with. Do you use other cars to transport to events?
42. MI: Depending on what it is, it could be, but then it is in thermal box. It keeps it hot or cold.
43. ME: But this food from thermal box you can't use after, right?
44. MI: Normally we don't use it after. Other thing is that when we have cooled the things, it is big difference if we cool down to 5 degree, 2,5 degrees and to 1,25 degree. 5 degrees things can maybe last up to one week, 2,5 degrees the same product 2 weeks, little more than 1 degrees 4 weeks.
45. ME: So as long as it doesn't froze.
46. MI: If it froze it will still last, but can maybe destroy the product.
47. ME: Can you tell more about the partners you have? suppliers, customers, key customers, who are they, how you choose them. Can they take the food back?
48. MI: I cant return them. Hørkram (supplier) I call them and they deliver next day.
49. ME: Can they be flexible?
50. MI: The problem is that the one sitting in Hørkram is people having work and they don't know anything about food. They know about numbers and putting in computer. So yo give expertise to people who don't know what they are dealing with. Maybe don't know how it looks like. Very often, they put on wrong product. They have to change it the same day. It could be problem with some product, which they have to throw out, but it is not my problem.

51. ME: So what happens is because of their low expertise, some products are mistaken, it loses your time, it increases the cost. It can also lose product if it is too sensible. OK. What about the bakery? How do you order?
52. MI: One to two days in advance.
53. ME: (here I return to Hørkram) But why are you still working with Hørkram?
54. MI: Because they are local for me, Denmark's biggest warehouse. Even they don't have the best service, none of them have. All big suppliers have weak parts. You can order by email, then you make the mistake yourself. You make it online, you use a lot of time to find out products.
55. ME: Do they take it back if you make the mistake?
56. MI: I just say, yes. They would take the product back.
57. ME: So they are kind of flexible?
58. MI: They have to be.
59. ME: About the bakery.
60. MI: We order one or two days in advance. Sometimes we pick up, sometimes they deliver.
61. ME: Do they take back something?
62. MI: No, all the bread when the day is over, they throw out.
63. ME: Can they freeze some of it?
64. MI: You can, but doesn't get better. If you have a lot of the same, bread you need to use next day. So it is a good idea to do. Sometime you have to believe it or not. Sometimes you have courses of bread (dry bread) you can use.
65. ME: What about the customers? How do you arrange with them?
66. MI: (Here he shows me email for Confirmation which is going to happen next year. He needs to make menu for them.) On the event they tell me specific number of people and offer them menu, so they need to confirm.
67. ME: When the day of the event comes, you go there and you get some extra food, so what?
68. MI: By BIG CATERING FIRM (business customer, event company), maybe the staff will eat some of it and maybe we bring small things back. If we have pieces of beef, maybe we use it next day for other purpose. If it is vegetable, bread it is thrown out. If it is private person, he gets everything.

69. ME: What about the employees you have? Are they employees or they are partners (different businesses)?
70. MI: Ditte, Carsten Allan, Pia. A lot of them have own company. Persons like Sonya, Emma or different waitress and staff they are employees.
71. ME: How do you pay them?
72. MI: Per hour
73. ME: And you don't pay them differently. I mean you pay them of course differently depending how much expertise it has. Waitress, dishwasher, chef. The thing is that do you pay extra for extra service? Like saving the food or. How you motivate them with this system. Just paying per hour and expecting them to work.
74. MI: Yes.
75. ME: So no other external motivation?
76. MI: Yes in a way, I mean, if Sonya is flexible then sometime gets bottle of wine going home, there is not a lot of money in this business.
77. ME: What about the partners? How do you pay them?
78. MI: Per hours again.
79. ME: What is their benefits to have own company, Ditte for example, she will pay to her employees.
80. MI: They are more free to say when they can work, they take responsibility for what they are doing.
81. ME: So you pay them per hours but they still are different companies working for you. You pay them money like total amount and they can split by hour they have worked.
82. MI: Sometimes it is easier also because if I am not getting paid from the companies. Customers pay later sometimes. So I don't have to pay them first at the month, they can get the money when the money come in.
83. ME: So, lets sum up. So people like Sonya, you pay them per hour they have worked at the end of the month. When you work with people like Carsten (own firm) you still have to pay them number of hours they have been working but it doesn't have to be immediately, but when you get the money from the customer.
84. MI: Ja.

85. ME: Is this the difference?
86. MI: There a lot of differences. He can deduct different things, to save some money.
87. ME: Do you pay them extra on top of the normal?
88. MI: It is difficult to say. They are paid a little extra, but they do not get any holiday paid, they don't have insurance.
89. ME: So extra because of their own responsibility.
90. MI: Yes
91. ME: Do you pay extra for extra job done?
92. MI: It can be the customer give something extra (wine, extra money). When you are out by yourself with party you are little better paid. It is depending on how the party is, what kind of party is it. If this is individual party it is easier to get extra. If it is BIG CATERING FIRM, it is different. It also could be if they (one of the helping chefs) have party by themselves, I can give him good price. With BIG CATERING FIRM we make fix prices in each situation.
93. ME: Are the chefs more independent when they go to these events alone?
94. MI: They are responsible for what is happening on the field and they can always get me on the phone if they need help.
95. ME: They get more independent when they get there, right? They can decide for the food.
96. MI: Yes, they can decide how to put it on plate. (He means that organization on place is flexible, many other things are fixed like the menu)
97. ME: I mean for the leftovers.
98. MI: A lot of time, they think they are fantastic chef. But when they come home with a lot of shi\* (things), we have to throw out. They think they saved a lot and they are very good boys, but they are not.
99. ME: Here is the important, if they come with a lot of saved food do you give them more money?
100. MI: NO, I say instead of having money, they can have food in their pockets. I am irritated that they bring food home. A lot of time, this is food which needs to be used on the place and sometimes the customer is calling and saying where are the leftover of my food. So I have to pay back to the customer money, because I don't have the leftover.
101. ME: So you are more interested to distribute the food which have been prepared.

102. MI: Yes, the private customers at least. Why they don't do this is because they have to wash the plates and the things the food is in. So when they come home with it they don't have to wash it. So they are just lazy.
103. ME: So you think that they don't want to be busy that's why they just bring it back.
104. MI: Mhm
105. ME: So they still get paid?
106. MI: Yes they shouldn't.
107. ME: So, what is the objective in this case. If it is private people, the food is given to the people immediately.
108. MI: Ja
109. ME: If it is business customers?
110. MI: Half and half. Sometimes they like to have for the next day, sometimes it is weekend or holiday and then I am going to have it.
111. ME: If you think about the food, what do you want for the food? Do you want to give to the people and leave them to deal with this or..
112. MI: Usually yes. I want to give it because then it is used and they have paid for it. Sometimes we bring extra steak if it is not enough. This kind of food is ok to bring home. It can be used for next day. But if it is salads in ball, no.

30min

113. ME: OK so let's make the differentiation like this. The food which is perishable you leave it there. The food which is not, likes steaks depends what they want, business customers like BIG CATERING FIRM, you prefer take it back, if it is private people you ask the people..
114. MI: depending what it is, but often yes.
115. ME: If you think about this, when it comes to working with Carsten and Allan (both chefs, Allan is currently more occupied with other activities outside of this business). Do you try to tell them; do you try to motivate them to work in this specific way. Do you tell them or they should now themselves?

116. MI: Depending which party, if they don't know in the specific case they should ask. But they should know enough.
117. ME: So they should know and you pay them per hours and not always the case with extra food is the same. For example, if you pay extra doesn't have to connect with extra saved food. Do you try to connect these two?
118. MI: No, I don't want them to bring food home.
119. ME: No the food which you said, steaks and stuff.
120. MI: Ooo ja. Then they will take it home. But they already have paid for it. There is not much money in it. The chefs know only the case they are in. They don't know what's happening tomorrow. This weekend we have private party for 60 people, they have all food. I try to make it they are 60 guests, but I make food for 70 people. For the last 10 persons they get in the refrigerator in home. We have another party, business party, 60 people also. I will bring a little more, beef, different things from here, because I like them to have a lot of different things to choose. The company is in Brøndby. I take some extra meat, which we have fried, so they can have maybe 5 different kinds instead of 3 different kinds to choose.
121. ME: You try to think about them to save some of the food and to organize the food yourself instead of they do it.
122. MI: I have to decide what we do with leftover. They will take home some of the food. They have to think themselves. If I am out myself, I will just do it myself.
123. ME: Do you try to tell them when you have to connect different events with exchange of food between them your interest and situation?
124. MI: Ja Ja
125. ME: Do they do something?
126. MI: Depending on which chef.
127. ME: ok third option, even if you tell them, do they get rewarded for this?
128. MI: Can I ask you thing, if doctor, you say I have headache and he gives you pills and good advice. Go home and sleep. You say thank you doctor I want to pay you extra for the good advice or you just thing it is normal that he is doing his job.
129. ME: So you expect them to do it.

130. MI: It is big part of being chef. To decide and to serve and have respect for what you are doing.
131. ME: This is the principal-agent. They are self-interested.
132. MI: Yes, you are right, you can pick it up by the chefs. It is very difficult to control and for the chefs they usually want to drive home after the party. They don't want to drive to deal with the food. If you can save 300 – 400 DKK next by having extra peace of beef, all this money will be gone by losing time by coming here. The only one who could do it is me, because I have the possibility to take the cool car with me, so I can put el power for the night. Allan can't have the cool with him, Carsten also.
133. ME: SO you use extra money for the food to come here.
134. MI: Yes, sometimes it is cheaper just to throw it out.
135. ME: SO you are not motivated to pay them extra because it gets even more expensive. You are not only pay them hours to bring it here, but also you pay them extra doing the job for saving it. It is not your interest, isn't it?
136. MI: Yes, because it will be leftover, who they don't know what to use for.
137. ME: What if you differentiate the payment, you pay them less per hour and pay extra until the normal hour rate if they do this job for you.
138. MI: Very good thinking, but that you have to put into the people many many years before. So they have another way of thinking. They have to have ecological way of thinking, not consuming way of thinking. If you get the case I save one piece of meat and I give to the chef to go to party with it. They say why I don't get fresh one, which I can frie myself. Maybe I tell them you have to do. They have no motivation.
139. ME: Do you tell them what is your interest?
140. MI: They don't care.
141. ME: So they don't care what is the company's interest. They care about their own interest.
142. MI: It is very big problem. The people is not caring about the company. If they don't like the company, they change the company. If they don't like the rules in the company, they change it. I can tell you the young people who want to work and serving. They they find a party where they can have drinks instead of with me going out and making drinks, they will

cancel the work and go for the party. They are egocentric. They don't care. I have cancelled more than ten parties this year, because I couldn't get anyone to work.

143. ME: Ok. So you say that people are egocentric, this is one thing. The other think is how we change it? All of this one is way of payment.

144. MI: No they don't care

145. ME: One side, the other side is it long term or short term employment. We get to this later. Other thing is, do you explain to Allan and Carsten for example, which are closely related with you, in your company. Do you try explain them that you have other events, so you want them the food to be used for all of them. Do you try to explain?

146. MI: Yes, very often I say Carsten, I have another party, if there will be leftover of this meat, please take is home. So I come next day and the refrigerator will be full with salads, potato salads and all kind of things I don't have to use. So I have to use one or two hours cleaning the staffs. So I never do it, because he is only listening to half of it.

147. ME: So they can do it, they also have will to do it, but they don't do it right. So it is communication problem.

148. MI: No it is not communication. They are just not listening. I am not good enough. I don't have the capacity to tell them how we do things. I simply don't have it. I didn't have thirty years ago and still don't have it. I have been working a lot with this, and I have trained more than 40 chefs. I have been using a lot of time doing this. It was very important when we had the restaurants, because we could use the food immediately.

149. ME: How they react to this?

150. MI: Little like blowing in the wind, sometimes the wind is strong, sometimes not. It was a lot easier, a lot more fun for the chef to be using new products all the time. What happened was, I can tell you in a way, when we had the strawberry season coming. They like to have strawberry new when it was starting, when they were most expensive, they didn't taste of anything, but they like to have them there, because this was new. Then when the strawberry season was high, they say no we don't want to work with strawberries, because you can get them everywhere, it is not something special. So when they were cheap and it was the best, they didn't want to work with it. So they only work with whats..

151. ME: So this is again their self-interest ...



152. MI: Yes, it is ...
153. ME: So you are saying that people are a lot of self-interested in this business.
154. MI: I think they are from the begging in the mentality, they are a lot. I don't think all people are, but people in the restaurant business are a lot like this.
155. ME: They want to perform better, to look better as chef they want to do something original, something new. But they don't care about the company's interest..
156. MI: no, very few kitchen chiefs will know how to make money, but then they will more make money than to think what they are serving.
157. ME: If we change this and we take Carsten and he gets the money for the event and he gets percentage of these money. If he performs better he gets bigger, so his personnel interest.
158. MI: If person can't do this do you think that I will let him control how thin slices will be of the beef.
159. ME: So they will work against the interest of the company, because they will want to save more.
160. MI: yes of course. I don't say they don't work with the company. They work with the company and they think they are doing the best. In a lot of ways, they are doing reasonable fine. They already use way too many hours. They use way too much power. They have to make potatoes today, so they turn all power on 3 hours before to use it. They take big oven for small bread, they don't take the small oven.
161. ME: SO what if rent out the facilities to these chefs and they get the money from the customer and pay you for the kitchen and the cars they use.
162. MI: I have said no to 4 parties Saturday, because none of them want to work. They like to be free and have drink. They are not interested. If they want to do this, they will have their own business. If would be nice, if we can organize save the food do the things but I must say I will work on it. It is good to speak about this. If we have restaurant we could do differently. I tell you story. Carsten came here and the freezer was destroyed two months ago. He took everything out. He use 6 hours, to write down everything, so I can use for the insurance company. Six hour is much more I can get from the insurance company. He think that some of the fasans, which we little cold can be saved, so he put them in another freezer.

My problem is that I don't want use those fasans, because they have been out refrozen for three or four days and I don't want to take the chance and use it, but he already put a bag and mixed it with the other ones. Now I can throw double as much out. So it is not matter of him taking responsibility.

163. ME: So basically, you give him responsibility to do, he thought he acted in your interest, but it was against your interest.

164. MI: A lot of time yes. He is using his own mind, when doing it. If he takes responsibility, he should be doing it for the company. He thinks he is seeing it from company's perspective, but he do it with his own mindset. He said I think is good for the company. He is not listening, if I say this is good for the company, he will say o yes, but he is not listening.

165. ME: This is Carsten, we have to mention that he is more than 65-70 years old.

166. MI: He was like this when he was 34.

167. ME: What about Allan?

168. MI: Each of them have their own strong sides. This is not communication.

169. ME: So maybe you could use two different approaches with them.

170. MI: That's why I treat them differently.

171. ME: So what about the payment system. Can it be different as well?

172. MI: You have point there. If you were working with well-educated people. You work with they have bonus or something like this if they do something special is one thing. If you work with chefs, which are normally not well educated. It is very difficult to make different salary.

173. ME: Do you say that they won't perform better? Do you say the relationship payment-performance is not strong?

174. MI: Yes. When I had restaurant, I was going to pay the chef to the restaurant one salary for coming and one salary if he did it well and saved some by percentage of the kitchen and so on. And it was almost no difference when they worked. They were saving from the guests food, so can get some money. They misunderstood it. Even I told them. You have to be own business.

175. ME: So you say it have to be not the way you pay them, but the way you treat them.

176. MI: Yes not treat, but...
177. ME: what to tell them to do.
178. MI: The problem is you have to make so much talking. If you have party this business which has to be over 22:00, then you have procedure for this party and everybody will be home at 00:00. The thing is so many speeches, the rain could come and they finish 00:00. So you already use too much money for salary.
179. ME: Do you make differentiation with the customers, do you tell them for this service you pay me this one. If it takes more time, so you pay me extra
180. MI: If we were doing this, we will not be sitting here, because they will choose another place to go. Your problem, you can't give to the customers. They come and buy something professional. The problem is that there is not enough money in it. You have to make it. When the time is running and it is 00:00, then you change the agenda. If you said we have big steak and you cut it and use it for tomorrow. This can be good idea, it can take half hour. The problem is that if it is after 00:00 it will take one hour. It will be cheaper to buy new meat. It is because everybody is tired and start making mistakes and we have to buy taxis for the waitresses and a lot of things.
181. ME: So you say that the companies you work or individuals, they don't care about your interest, they don't want to negotiate a lot. They just want to take price/offer and want it delivered. They don't care what is in the middle.
182. MI: Ja, let me show you something. I have much bigger problem. If we start discussing this with customers. They wouldn't care less if we have leftovers put in our refrigerator. It is ok with leftovers, but it is fifth thing. Not first or second. When they are there at home doing daily. They save a little bite of bread for the next day. But when they are out having party, it is another thing. This is big problem. On this paper we have. (The paper says that somebody have cancelled the event they have due to high price. They say that they have made calculations and they could buy alternative cheaper food. Mike explains that he gave them cheap offer and he could have offered them different cheaper menu if they have asked for it.) The people think about something cheaper, they don't think about leftover. We normally do 30%, I gave them very good price with 20% discount with only 10% profit. If they want to buy this at another place, it will cost the same at least. So what they did was that the party

- is important, but the food is not so important anymore. And they don't care about leftovers. If I start to tell them, I will charge you extra for if it is two hours more. They say what are you going to do? It is very difficult just to have them.
183. ME: So why don't you sell them different packages? One is service, other food. This bill for the food, this for the service. So the numbers of hours are this, so they pay it.
184. MI: It is like this.
185. ME: Why they make problem out of it?
186. MI: I don't know.
187. ME: They can see it is more hours.
188. MI: The thing is that, before we talked about BIG CATERING FIRM, this is included in the hours. It is still under pressure but it is considered in the price. If you talk about having a chef to private event, a chef is for a night. It is 8 hours for one price. And if the night is longer and then you tell them, now 00:00 or 02:00 I want you to drive to the restaurant or to our kitchen and to save some of the leftover. They will not do it. They will have the next day destroyed. And I can't get the customer to pay for the two hours, they have to use for that. I mean when they leave the party, they are leaving.
189. ME: What the customer are doing with the food?
190. MI: They eat it.
191. ME: They don't have where to store it maybe? We speak about company events.
192. MI: Ja, and they don't want to mix it up with what they are having next day. They don't know how to use it. They don't have expertise. If they have lady in the kitchen, she doesn't want to take care for other's leftovers. They think this is others leftovers.
193. ME: So here is mentality think, they don't want to care about leftovers, because they think it is something bad.
194. MI: Maybe, I mean if there was a lot of salmon left maybe they want to keep little bit. Sometimes they do, but you have to know the situation.
195. ME: Ok, but how you motivate the customers? Do you say ok I can give you 5% discount if you give me some of the leftovers which are still good?
196. MI: No, then they say. Make 5% less. I don't want to pay 5% for the leftovers. You can't use it for the same party. If we have a party this Saturday where I put extra peace of

meat. It is meat which costs maybe 300 DKK per kg. So I put in 2 or 3 kg extra then I bring it home on Saturday night and serve it for some of my customers on launch on Monday. But this is people who pay maybe 100 DKK per person instead of 400 DKK. So if I should buy food for the people on Monday I buy cheaper meat.

197. ME: So you say that the food from the first event is more expensive and if you discount the food and use it for something else won't cover the cost.

198. MI: Ja, it will cover but you are not making a lot of money, you just minimize.

199. ME: OK but you can make offer for discount to the first event not 300 DKK but 100 DKK.

200. MI: But then I can buy beef for 100 DKK and use it for the party.

201. ME: But this one is already cooked, isn't it?

202. MI: Yes, but you can buy cooked meat also, so yes.

203. ME: Ok but the point is that if you want to save some of the food you can make some kind of combination.

204. MI: Yes, if we had restaurant it would be maybe different. If you have smoked salmon, you can maybe make salmon salad and use it for the appetizers tomorrow.

205. ME: But let say you can negotiate with the customers and motivate them to give it back.

206. MI: ja

207. ME: What about the organization of the company? You are the boss, we talked about this.

208. MI: Ja.

209. ME: what about the incentive system for better performance? We spoke you pay them per hour and you don't want motivate them specifically to save food.

210. MI: No.

211. ME: Can you tell about employees' possibilities for autonomous behaviour from the manager? Independent or you tell them. For example Carsten you tell him almost everything.

212. MI: Ja.

213. ME: If it is Allan he is kind more..

214. MI: I tell him also, but he know easier to react. In many ways Carsten will do all right job by the people.
215. ME: Allan doesn't listen so much, but Carsten listen more. Is it like this?
216. MI: No. Actually usually is different, but it is not that Carsten is not listening. It is more that he not always picks up. If he has been out with the party, he thinks it is the same every time. (Little talk here about our experience with Carsten at the day of the interview)
217. ME: So he doesn't listen so carefully.
218. MI: A lot of chefs don't do.
219. ME: Why they don't?
220. MI: Because they already have their own..
221. ME: ..structure in their head
222. MI: ja..yes and also because a lot of time things change.
223. (Here part of the discussion goes in the topic agile vs lean work. It is more me speaking)
224. MI: Sometimes they ask me when we are going to finish. I don't know.
225. ME. So they want to know more.
226. MI: Yes I don't know, do you know why? Because I don't know how fast they work.
227. ME: So on one side you want them to act flexible in the best interest in the company
228. MI: yes
229. ME: and you by your own personality is forcing them to do it. Your behaviour, tell them, be faster..
230. MI: No but I will tell you story. You and Carsten are here having guests. Carsten is here having little fun with the guests, making food and you are working doing the dishes. I say you can finish by 11 so you get good sleep for the next day. And no money to 11 o'clock. 12 o'clock Carsten is running with the guests having fun and you go to bad maybe 1 or 2 o'clock. SO I pay Carsten 2 or 3 hours, I pay you 2 or 3 hours more and when you were between 10 and 12 you were working 100% after 12 you work only 50%.
231. (Here I speak again about different interests)
232. ME: Who is responsible for supply? We spoke that this is Bakery and Hørkram who deliver staffs and sometimes bakery deliver.

233. MI: Ja and a lot of other fishermen and so on.
234. ME: So this is their job to deliver. Sometimes you pick from them.
235. MI: Ja and sometimes I pick from other places.
236. ME: In the food production it is your responsibility because you cook together with the chef.
237. MI: ja
238. ME: Most frequently you deliver, but also they can deliver when they (the chefs) can deliver when they go to the event.
239. MI: Ja
240. ME: Sometimes the customer picks up, but so frequent.
241. MI: No
242. ME: So you are the one who has to organize transportation. The responsible for the leftover. Sometimes the people on the party get the food, sometimes..
243. MI: but you are responsible to keep what is save to keep.
244. (here I speak that except the suppliers (guys from Hørkram, bakery) and sometimes the one who picks food from customers, all other are dependable from him. He also can have influence on the independent he can speak with them. He agrees.)
245. ME: Can you tell about the long term engagements of the employees? You have companies the waiters for example, they are one-time event by event.
246. MI: Ja
247. ME: You have Carsten and Allan, who are long term..but not full time
248. MI: No no they also on and off. I want to say something, if we need something from Hørkram we can order the same day and get it if we need it very much. Sometimes they call me and say I have some chicken and this chicken is only one day left and I buy the chicken and I can sell it tomorrow.
249. ME: Can it work backwards? Can you give something to them?
250. MI: No
251. ME: So about the compensation, your compensation is the profit, you don't take hours for example. How you price yourself?
252. MI: Hours

253. ME: You don't have different one?
254. MI: Both
255. ME: So you get profit and the hours.
256. MI: Yes
257. ME: Do you know something about how BIG CATERING FIRM pays to their people, when they have to deal with the leftovers?
258. MI: They throw it out. They don't give for the customer, no.
259. ME: They don't keep it.
260. MI: No
261. ME: Do you know how they pay to their people? Per hours or..
262. MI: they have some hours people and they have some fulltime.
263. ME: Isn't it in the interest of BIG CATERING FIRM to save some of it or?
264. MI: No, they don't care.
265. ME: What is it you are aiming with the current system. Do you try to have specific effect with this hour payment? Or it is everything included in the price of 160 DKK for example per hour.
266. MI: if I give them less if they don't do it well. Carsten will only have 100 DKK per hour.
267. ME: So you say you don't differentiate the payment, you don't have specific objective, but then how you motivate them to work in the best interest? You pay them of course and they know you and want to be responsible for you. Is it the motivation they have? Because they represent you and they respect you.
268. MI: In a way they do. They do it because they like to work and they get some money out of it. They like to make much as possible of course, but it is important they have job which is not always so hard. It is hard, but not always so hard.
269. ME: So they want to have extra job, not their primary job.
270. MI: No it could be (primary job) then we make together in a different way.
271. ME: So no special objective, maybe part of it now and part of it when the job is done.
272. MI: You can't do it this way.
273. ME: So you just pay them per hour.
274. MI: They get more money when they are out to a party.



275. ME: So the objective is that when they are out they get more money because they are responsible (here I mean that having more money for more responsibility, so objective is more responsibility better payment. Based on the previous discussion, it turns out that they not always get extra paid, it is up to the specific event. In case of private household or company event it is more flexible. In case of event company like BIG CATERING FIRM, it is more fixed)
276. MI: Ja, yes.
277. ME: SO your payment based on hours and profit motivates you to save food.
278. MI: Ja, actually no I think this is waste throwing food out.
279. ME: Your financial income, is it connected with the food you waste?
280. (MI agrees)
281. ME: What about employees, do their current incentive system alter the amount of wasted food. Does this payment influence the amount of food they waste?
282. MI: No
283. ME: It kinds of motivate them not to but it doesn't have specific motivation.
284. MI: Ja exactly.
285. ME: The property of the food in the kitchen is yours
286. MI: Mhm
287. ME: Does employees' financial income depend on the wasted food.
288. MI: Sometimes I tell them if they are wasting our food they can have the leftovers in the pocket.
289. ME: Ja but you never do it. For example do you cut their salary?
290. MI: It is the meaning about. They have to think about it.
291. ME: So you tell them by a command to think about this, but not through their financial income. What about BIG CATERING FIRM? The fact that they throw food doesn't alter their financial income.
292. MI: No
293. ME: Is somebody in the supply chain specifically rewarded with bonus for less food waste? DO you know somebody who is specifically rewarded?
294. MI: NO

295. ME: How do you determine the price between you and your partners? What is the objective of the price? Can you influence something? For example when they sell to you like Hørkram they give you price and you have to pay, can you negotiate it?
296. MI: I can make a lot of things yes.
297. ME: For example if something getting old you can negotiate discount (I mean something with few days left) What about BIG CATERING FIRM, can you negotiate with them? Maybe they can give you some food back before the event is over..
298. MI: No.
299. ME: So you can negotiate mainly with your suppliers but not with your customers.
300. MI: No not really. Sometimes Marethe (BIG CATERING FIRM) is asking can you use this salmon for five people tomorrow.
301. ME: This is what we spoke about taking back.
302. MI: It has no money in it. It is already too cheap.
303. ME: Do you see the value of the food outside of the financial interest?
304. MI: Sometimes if we can get something out from it, it is good. The problem is that fresh leftovers could be good idea. When it is old leftover, it is more problem to keep it in the refrigerator. It is problem to have it in the boxes, because we don't have enough boxes.
305. ME: The question is if you don't have these costs, do you see value in the food? Do you want to keep it naturally? Intrinsically motivates.
306. MI: Ja, Yes.
307. ME: Do you think that it needs to be used with caution, because it is important for you personally not to waste it?
308. MI: Yes
309. ME: Assume that you have sold food to your customers, a lot leftovers and you cannot use it legally for resell in your company, if you have neither financial income or loss, do you feel motivated to save part of it and make something better with it. Donation, animal feeding, gas production. Have you thought for it? Do you think about this alternative?
310. MI: Yes, in a way we do. The problem is animal feeding many years ago..
311. ME: is forbidden

312. MI: ja, and the problem is that you have to separate things so much and have to keep too much out of it. It will have other animals coming, which we don't like.
313. ME: Do you try donation?
314. MI: Ja but if we donate we are responsible for..
315. ME: to be healthy and good
316. MI: ja, but costs extra. Maybe costs 1000 DKK extra.
317. ME: Do you pay VAT if you donate the food. Maybe you can get some VAT back, isn't it?
318. MI: I don't know, but it is small. If you have time for it, if you have been 12 or 20 hours at work and you want to drive to Copenhagen and donate it for men's home or whatever. No. Use 100 liter of diesel, no
319. ME: What about gas production? Do you people in Jutland buy for gas? Do you think it is good idea?
320. MI: Ja, I think it is good idea. Very good idea.
321. ME: Do you think that if you have arrangement with them you can do it?
322. MI: You do it more with day to day kitchen ja.
323. ME: So what I conclude from now is that you are motivated to save food as long as it has some financial benefit or at least 0 benefit...
324. MI: realistic
325. ME: For example you don't want to donate it if it costs too much. That's why in my project I want to make it not so much to donate it, but to use the food wiser.
326. MI: Ja
327. ME: This means less waste generated. This can be achieved with incentive motivation of the employees to act.
328. MI: If you call the people who maybe have interest with it and ask them to come and pick it up. They don't want to pick up. If you ask them to eat, they say they don't want to have fish today because they had fish yesterday. I can tell you 10 or 15 years ago, we had a lot of leftovers from party. We donated for some of the places. Do you know what, we come with food 300 – 400 DKK per person and in the begging ja but now..

329. ME: ... They don't care. But do you agree with me that motivation has to be focused on making the people in the kitchen to work in a way so less waste is generated?
330. MI: Ja
331. ME: This is one thing, the other is to make your partners, suppliers and customers to have some interest to return the food to you even for gratis, even for small amount of payment, maybe discount from you in the final price.
332. MI: No, not that way. There is not money for that. They say just deliver less. They want cheaper price.
333. ME: The think is that information flow has to be good in all cases.
334. MI: Ja
335. (around 30 min later)
336. MI: If the meat is 100 DKK for example then I should sell it for 110 DKK and maybe get it for 90 DKK, because I make a deal with Hørkram. So that 20% I earn. Then I maybe say now I have 20% extra. Out of 20% I give 10% extra food for the guests, because Ms Hansen will be very happy if she has piece of meat for the next day for her guests, which have been sleeping, so that 10% meat which is too much.
337. ME: So basically, it is not your interest to give it because you can use it for something else, but you do it to keep the long term partnership.
338. MI: Ja
339. ME: So use 10% to make good impression to the people.
340. MI: Sometimes we make 10 balls of salad for 200 people, which is normal, but only eat 5. So we throw out 5 balls of salad. That's a lot of salad. But it is like that or that I don't know.
341. ME: You don't know.
342. MI: Ja and sometimes we just have some parties where that almost eat everything. We had a party where we made potato salad. Normally they only eat a little potato salad, I say make a little extra. Carsten listen to me and put little extra. We get to Jutland and only half of the guests get potato salad, because they make potatoes like that. That's Jutland. It is so difficult depending where you are, sometimes 80% is men. So you have to make plenty of food.

343. ME: So I think about, you as decision taker make decision to make more profit, but you also have the interest to keep long term partnership with the customer, so you can redirect the food in different way, for example the one which is extra from one event, you can make something special for the next customer and basically make him happy.
344. MI: Ja, the appetizers come out of that. To begin with it was more of leftover we used, now it is more things coming up. In the begging it was more leftover.

### 8.3 Appendix 3

#### Interview with Carsten van Hauen

Here are included parties who are working in the kitchen or have direct contact in the kitchen, where the food is produced. The point here is to see their view point when dealing with the excess food. The first part of questions asks for more information for the interviewee.

1. ME: Can you tell me your name and position when working with “Greenfield diner transportable”?
2. CA: Carsten van Hauen, as chef
3. ME: How long time you have been working with “Greenfield diner transportable”?
4. CA: 35 years

The next part asks about the food treatment and the excess food.

5. ME: Do you consider less waste when dealing with the food?
6. CA: yes
7. ME: What is the reason for this consideration? (managers’ surveillance, resource availability, personnel financial cost)
8. CA: I think for the menu and the firm’s costs.
9. ME: If any of these was present and you simply have food to cook, do you have own motivation to make it as efficient as possible?
10. CA: We do food so it is enough as better as possible for all people, who have paid for it.

The next part asks about the incentives system.

11. ME: What is the structure of your organization? More horizontal with independent decision taking units or centralized decision taking? Tell me more about the decision taking in the organization.
12. CA: We speak, Mike looks at the weights for each customer.
13. ME: How the control system looks like? More specifically when it comes to dealing with the food and reduction of wastes.
14. CA: We have the same professional level. We think equal and work equal.
15. ME: He is not controlling you?
16. CA: No
17. ME: Does he say sometimes how much you can use, that you should save some food for other event or things like this?
18. CA: Sometimes maybe. It has to be enough for the guests. It can be that we have a lot of meat and it has event next day also, so we divide it. In this way the extra can be saved in the refrigerator or freezer. On the event we try to look for the grams of food per person. We bake first and second time. If some meat is left, we put it for the guests to eat it next day in their refrigerator. It has also for the personal to eat. When all the chefs, waiters and dish washer have eaten so there is no food left. It is precise.
19. ME: So you say that most of the time you use all food left.
20. CA: yes
21. ME: Can you tell more about the reward system, which you have in your company? (f.ex. based on hours work or fixed monthly salaries or bonuses per event)
22. CA: He pays per hour.

The next part looks at the practices when it comes to excess food.

23. ME: What are your practices when it comes to the excess food?
24. CA: Personnel eat some and sometimes there is salads, which are thrown out.
25. ME: How are you mitigating these food loses?
26. CA: We give it to the guests, so they can eat it next day.
27. ME: Do you consider financial costs when having these loses?
28. CA: Yes, of course. If it has extra potatoes, guests get it for the next day.
29. ME: Does this cost affect you?

30. CA: No

The last group of questions tries to look at the personal view point about the topic of food waste.

31. ME: If you personally do not have financial interest to save this excess food, do you think that this food has to be used properly without wastes? (Not asked)

32. ME: If you can do something from your personnel time to prevent this waste would you do it?

33. CA: Not in this business. Not with Mike. It can be if the owner of the castle (Selchausdal) come and we say we have some food for you so you get it.

34. ME: So you say if they come you can do it, but of they don't come it is not possible.

35. CA: It is Mike's company he takes decisions.

36. ME: What is typical situation when you have extra food?

37. CA: It can be if less people come to the event, which is planner for more or they don't eat so much. Maybe it has most ladies not man, so they eat less.

## 8.4 Appendix 4

Interview with Carsten and Michael (Greenfield)

1. MI: You can't do this motivation with money, you need transformation in the people's brain. You need transformation in people's brain so that they want to have better world, where we not throwing out a lot of things.

2. ME: Maybe can you motivate this behaviour.

3. MI: Ja but you can't do it with money at all.

4. ME: What if we give possibility for independence, development in the business, control, bonus, wine, extra holiday or something like this.

5. MI: It is the same, this is money. Money or extra holiday. It is many things about it, not only one solution. Transformation in people's brain that they want to have better world, where we not throwing out a lot of things. If I should do big saving now, it will be the same as we say yes, we get all things put it in plane and ship it without heat turned on to Africa.

6. ME: Carsten, can we say that it is very important for you not to throw food out?

7. CA: Yes, it is right.
8. ME: Why you do it?
9. CA: Sometime it is too much. There are many ways you can stretch the food. If you are restaurant you don't put all meat at one time. You put little once per time. So the rest can be cooled, so we can use it the next day.
10. MI to Carsten: Will you use your free time to prepare and drive the food from the event to Men's home or somewhere else?
11. CA: If it was on my way home otherwise I wouldn't do it. They have to come to me and get it.
12. MI: I asked if you are going to use your free time.
13. CA: No
14. MI: I won't pay for it.
15. ME: Can we try to brand Greenfield as company, which tries to reduce food waste? Maybe we try with our customers and suppliers, that we all try to minimize food waste.
16. MI: It won't work. It will be minus instead of a plus. The customers can't understand it.
17. CA: It will destroy the business if you do it in this way.
18. MI: The customers will say, you can do it but not with our event. It has to be enough. They will be worried if there will be enough.
19. ME: Carsten how the company motivate you to always think about when you open package to use the one which is already open?
20. CA: Common sense is that customers won't come back if something is lower quality. Many years ago we gave the food to pigs. Now we can't do it.
21. ME: When you work in the kitchen, what motivates you to have less food waste?
22. CA: I think about the guests, if it will be enough. If it is anything left, we get it with us home.
23. ME: Do you think if part of the meat which is present should be used for other event also?
24. CA: We look what is present, we think if these are man or woman and how much will be needed.
25. ME: Does it mean that If you are paid extra to reduce this waste you can't do a lot?



26. CA: There are difference between big and small companies and how the people do it. Sometimes in the place where I work (He works in big canteen with this job together) people just throw food out. Sometimes it is good staffs, which we can use for soup and other.
27. ME: Is it because you have experience with so many years you do it?
28. CA: It is just the way I do it.
29. ME: Is it because the other company is big or it is because here you get better control by Mike?
30. CA: In a company like this when sometimes it has 200 or 300 people are coming it has a lot which I can't influence. (He speaks about his company)
31. ME: Why you say that it has people who throw food?
32. CA: Because it is big organization with a lot of chefs.
33. ME: It has many people who are responsible, so the responsibility is not fixed.
34. CA: Jaaa. It is always different work in small shop. People know each other. In small companies people can aware of food waste. In big company there is a lot of people who don't care.
35. ME: Is it because you are friends like Mike?
36. CA: There big difference between people. Some of the people which Mike is hiring don't have the attitude as me about food waste. Mike will try to explain them.
37. ME: So you say this is Mike's personal approach? Is it because of the money you get you do it? Why?
38. CA: It is something basic for me. It is something with my age too. If one 23 years come and he probably don't care and probably think that this don't mean anything.
39. ME: I think that Mike's selection is important.
40. MI: In the organization it has to be positive background so these things can happen.
41. CA: Sometimes I have different meats with a lot of sources, so I take from these sauces put them together and put them in the freezer and next time have it.
42. MI: This is also way to save food.
43. CA: For me it is very important to do things in the proper way. Good chef needs to have good attitude.

## 8.5 Appendix 5

Interview from Sonya Christensen

Here are included parties who are working in the kitchen or have direct contact in the kitchen, where the food is produced. The point here is to see their view point when dealing with the excess food.

The first part of questions asks for more information for the interviewee.

1. ME: Can you tell me your name and position when working with "Greenfield diner transportable"?
2. SO: Sonya Christensen, as a waiter.
3. ME: How long time you have been working with "Greenfield diner transportable"?
4. SO: I have been working with Mike one year.

The next part asks about the food treatment and the excess food.

5. ME: Do you consider less waste when dealing with the food?
6. SO: Ja
7. ME: So when having event, you try to prevent this waste?
8. SO: Ja
9. ME: What is the reason for this consideration? (managers' surveillance, resource availability, personnel financial cost)
10. SO: It is because I think it is not good to throw food out.
11. ME: To use it for more people.
12. SO: Ja, exactly
13. ME: Is it also because Mike says it?
14. SO: Ja
15. ME: Ok so it is because you think it is right and because he says it.
16. SO: Ja.
17. ME: Do you have personnel costs when you throw food?
18. SO: No
19. ME: If any of these was present and you simply have food to cook, do you have own motivation to make it as efficient as possible?

20. SO: Ja it is me personally.

The next part asks about the incentives system.

21. ME: What is the structure of your organization? Tell me more about the decision taking in the organization, when it comes to food.

22. SO: So Mike says what I should do.

23. ME: So he takes all decision.

24. SO: (she agree)

25. ME: You save because the manager says it should have food for everybody or just because he says it?

26. SO: I just think it is natural to save from it.

27. ME: Can you tell more about the reward system, which you have in your company?

28. SO: I am paid after how many hours I work.

The next part looks at the practices when it comes to excess food.

29. ME: What are your practices when it comes to the excess food?

30. SO: It is not a lot with me to do. So I don't know actually.

31. ME: So you just deliver it to Mike.

32. SO: Ja

33. ME: How are you mitigating these food loses? Do you try something special?

34. SO: No

35. ME: Mike takes the decision.

36. SO: Ja

37. ME: Do you consider financial costs when having these loses?

38. (not asked she depends from managers decision)

39. ME: Does this cost affect you?

40. SO: No

The last group of questions tries to look at the personal view point about the topic of food waste.

41. ME: If you personally do not have financial interest to save this excess food, do you think that this food has to be used properly without wastes?

42. (not asked)

43. ME: If you can do something from your personnel time to prevent this waste would you do it?
44. SO: Ja I could
45. ME: So the most important you say is that you are motivated per hours.
46. SO: Ja.
47. ME: also Mike says most of what you should do
48. SO: Ja

## 8.6 Appendix 6

Interview with representative of one of the big event company, which is customer of Greenfield. The company do not want to reveal its identity. It will be called BIG EVENT COMPANY.

The first group of question tries to understand what kind of firm is this:

1. ME: To whom am I speaking with?
2. RE: Representative from the event company BIG EVENT COMPANY
3. ME: Can you tell me about your company?
4. RE: We are an event company working with small and big (10-10.000 people) events around whole Denmark and sometimes also outside our borders.
5. ME: What is your experience with “Greenfield Diner Transportable”?
6. RE: We have been working with Mike and Greenfield the last 20 years, and your guest and customers are always satisfied with the quality of the food.

The second group of questions tries to understand more about the partners’ practices when having extra food, which is not consumed.

7. ME: Does it happen to have excess food, which can’t be sold to end consumers?
8. RE: Yes, I will happen from time to time.
9. ME: What are your practices in this case?
10. RE: Normally we will not be a part off the extra food / leftovers. In some ways/ or sometimes, our staff can take a part of the leftovers with them home.

11. ME: Have you considered alternatives?

12. RE: We have considered to give it away the homeless or the one off the companies who pick the leftovers up and then give it away. But as we are selling events to big companies, we have to be carefully, so they see it in a good way.

The next group of questions asks about the incentives/reward practices this business have and how these practices look like in relation with excess food.

13. ME: What is the structure of your organization? More horizontal with independent decision taking units or centralized decision taking? Tell me more about the decision taking in the organization.

14. RE: Short answer – both! Mostly independent, but also higher decision and off course some discussions in the company about what to do.

15. ME: Can you tell more about the reward system, which you have in your company? (f.ex. based on hours work or fixed monthly salaries or bonuses per event or combination of these)

16. RE: Fixed monthly salaries

17. ME: Do you have special incentives system for reduction of food waste in your organization? How this incentives system looks like?

18. RE: No system

19. ME: Do you try to specifically motivate reduction of food waste with material reward (bonus)?

20. RE: No

21. ME: Can you tell more about the prices between you and “Greenfield Diner Transportable” for the ordered goods? What is the objective when you agree with them? Objective can be long term partnership, cost coverage + percentage profit, minimum cost generated. How this changes with different types of events?

22. RE: It different from event to event. Small events are sometimes only an order and delivery (no price in advance) and the bigger events are more detailed in order from us, offer from Greenfield and off course also in planning time.

The next group of questions is related with the work with “Greenfield Diner Transportable” when it comes to food.

23. ME: What are your practices with “Greenfield Diner Transportable” when it comes to the excess food in your end or their side?

24. RE: Greenfield can take extra food with them back to the kitchen. We pay our price no matter what.

25. ME: How are you mitigating these food losses? (NO ANSWER)

26. ME: Do you consider financial costs when having these losses?

27. RE: No

The last group of questions tries to look at the personal view point about the topic of food waste.

28. ME: If you personally do not have financial interest to save this excess food, do you think that this food has to be used properly without wastes? If you can do something from your personnel time to prevent this waste would you?

29. RE: Yes, but most off the time, it going really fast. As I mentioned earlier we are trying to give leftovers to our staff. Thereafter Greenfield are taking the rest.

30. ME: What recommendation you can give for minimizing this possible food waste? Specifically, do you think that your customers are open to discuss this topic?

31. RE: 95% off our customers are not thinking about, the rest have an idea about it, but not taking about it. Our first and most important part, is simple to have enough food to our customers. If we don't have enough food, the customers will get really disappointed.

32. ME: At the end, can you tell me what is your business interest in relation with the food? How this is valued in the context of the events.

33. RE: Like questions 16