

Can Collaboration Assist in Overcoming Crises? - Case Moschetti S/A Embalagens

A Colaboração Pode Ajudar a Superar Crises? - Caso Moschetti S/A Embalagens

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ABSTRACT

The present teaching case describes Moschetti Embalagens' path to adapting to the crisis scenario caused by the coronavirus pandemic, with a particular emphasis on how the company's networking capabilities (NC) were critical at the time. In a period when many businesses faced major issues and not all of them survived, the ability to develop relationships and partnerships with suppliers and customers, which had been practiced over the years, was essential in mitigating the negative effects and ensuring the organization's stability and production. The case can be used in undergraduate or graduate courses in subjects that want to spark discussion about NC and its effects on company performance. It can also be used to discuss the role of collaboration in times of crisis.

Keywords: Networking Capability; Crisis; Covid-19; Business Cooperation

RESUMO

Este caso de ensino relata o percurso da Moschetti Embalagens em se adaptar ao cenário de crise ocasionado devido a pandemia do coronavírus, dando um enfoque especial em como as capacidades de *networking* (CN) da empresa foram fundamentais nesse momento. Num período em que infelizmente muitos negócios enfrentam grandes problemas e nem todos sobreviveram, a capacidade de desenvolver relacionamentos e parcerias, praticado ao longo dos anos com seus fornecedores e clientes, foram essenciais em reduzir os efeitos negativos, garantindo a organização certa estabilidade e boa produção. O caso pode ser utilizado em cursos de graduação ou de pós-graduação, em disciplinas que tenham como objetivo estimular discussões sobre as CN e seus efeitos na performance na empresa. Também pode ser utilizado para discutir o papel da colaboração em períodos de crise.

Palavras-Chave: Capacidade de Networking; Crise; Covid-19; Cooperação Empresarial

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The Trajectory of a Centennial Company

Moschetti S/A Embalagens (*Moschetti Packaging S/A*) was founded in 1911 by Engineer Luiz Moschetti, an Italian who emigrated from his home country to Brazil after being transferred by the company he worked for at the time. When World War I broke out in 1914, Moschetti was still in its early stages; unable to return to Europe, Luiz decides to settle in Brazil, with no plans to return to Italy. He founded the company in Porto Alegre, RS, until 1954, when he relocated to Canoas, RS, to consolidate his operations in the paper bag market. In 1982, he expanded the structure by opening a unit in the city in search of better logistics and greater coverage in meeting market demands. In 1988, he transferred the unit to the municipality of Cotia/SP, where he built the country's most modern paper bag factory.

Figure 1 A picture of the Installations in Canoas/RS



The company's product mix has evolved over time, producing paper bags for supermarkets, bags for seeds, rations and even for confetti and serpentine. Currently, its main product is paper bags for flour and other grains, which are sold directly to Milling Companies. According to the most recent surveys conducted by the compa-

ny, its market share in the Brazilian market in 2020 will be around 85 percent. Their product is well-known in the market for its high quality, which is a key factor for the company. Export has been a significant part of the business, and since 2015, it has also served milling companies in Uruguay, Chile, and Argentina. It now has a total of 150 employees divided between the two headquarters and can be classified as a medium-sized company according to the criteria of the National Bank for Economic and Social Development (BNDES).

The Moschetti family has run the company since its creation, passing the baton from father to son, and it is now in its fourth generation. Because the philosophy is one of respect and unity among family members, even when passed down from a single manager, from the 2nd generation to his four children in the 3rd generation still in the 1980s, and now among 4th generation brothers and cousins, the succession process was smooth. Family members are assigned to management positions, where they cultivate a traditional organizational culture resembling that of a family business. The environment of a small company is maintained in the office, and it is possible to observe that one of the company's main values is that of long-lasting close relationships, with the majority of employees having been working in the company for at least 10 years.

The company places a premium on product quality, investing heavily in machinery and automation on a regular basis. Its structure includes modern flexographic printing and paper packaging preparation equipment, as well as support peripherals such as a printing plates, in addition to the manufacture and development of inks. Significant investments have been made in recent years to comply with ISO 9001:2015 rules. This adaptation required the hiring of specialized consultants, machine adjustments, and team training, allowing for even greater reliability among customers and suppliers.

Moschetti's performance is distinguished by its dedication to sustainability. Not only in the design of its products, but also in its environmentally responsible processes, which prioritize and encourage the use of pulp and paper as a means of reducing environmental impact. Its products are 100 percent recyclable and biodegradable, and its inputs for foodstuffs come from reliable and approved sources. The by-products of its manufacturing process are entirely directed to specialized companies that have been adapted and certified by government agencies.

It is important to note that this is a market with a low added value product, which brings with it its own set of challenges. While the added value is low and the company's margins are small, the paper bag itself contributes a significant percentage to the final price of the product that reaches the consumer. To generate a positive result, sales to milling companies must be high and production losses must be kept close to zero.

Despite its more than 100-year history and current position in a relatively stable industry, the company is no stranger to crises. Between crises such as a lack of paper in the domestic market in the 1970s, which necessitated the import of high-value raw materials, and the hyperinflation of the 1990s, the introduction of plastic has been the most significant factor of change thus far. The paper market has shrunk dramatically as plastic alternatives have replaced supermarket bags, product packaging, and food packaging. The company claims that it was able to survive these various periods due, among other factors, to its conservative financial management policy.

The start of the pandemic and the difficulties encountered - *"We do not have orders, we have customers"*

The Covid-19 pandemic shook the world at the start of 2020, bringing with it a slew of changes and insecurities for the population and the business environment, and Moschetti Embalagens was no exception. The world came to a halt one day and a series of difficult and quick decisions had to be made the next. If it is already necessary to know how to deal with insecurities in normal times, the market's instability was even more visible during this period.

In the early days of the pandemic, Mr. Eduardo, the company's president, arrived at work and commented with his brother: *"we need to talk about this pandemic and everything we have to do to avoid major difficulties. It is urgent. Let's call the guys and have a meeting now."*

In a very practical way, Fabrício, the operations director and Mr. Eduardo's son, started the meeting by commenting on the simplest and most easily decided actions: *"Everyone in the office needs to go home and work remotely. We need to*

preserve our factory environment and avoid having COVID-19 cases in the factory as much as possible". Which everyone agreed with.

As a company in the food segment, which provides an essential service, it was not necessary to stop production or close the factory at any time. However, to reduce the risks and comply with municipal ordinances, several good manufacturing practices (GMP) measures, such as personnel training, use of appropriate protective equipment in a pandemic situation, circulation restrictions, even stricter cleaning and hygiene mechanisms, temperature control for employees, and other restrictive measures, had to be intensified.

The problems to be solved became more complex after the simplest decisions were made. Vicente, the director of supplies, expressed his concern about the availability of pallets:

- For many years, we have purchased the pallets used to transport the goods from the same suppliers. As you are aware, we are constantly striving to improve our relationships with our partners and communicate with them on a regular basis. Last week, the city inspected one of these partners and ordered its temporary closure, claiming that they were not an essential service provider. I believe it is critical that we assist this supplier in keeping the company running. What are your thoughts? I thought we could send him a document that he could use in his appeal to demonstrate how important he is as a provider of an essential service. Are you all in agreement?

At that moment, Mr. Humberto, vice president, already confirmed that everyone agreed. Moschetti's positive relationships with its customers and suppliers stem from a partnership and open communication posture in which they always strive for the best outcome for all parties.

Fernando, the sales director, seizes the opportunity and says:

- We must also discuss negotiations. Some customers have requested that payment deadlines be extended. We are in an insecure period; there is a risk that we will increase terms and they will be unable to pay us. Should we agree to it?

Mr. Eduardo, who had been quiet until the moment, asked to speak:

- We must also understand our customers. Neither side is having an easy time of it. Sharing the risk with our partners also contributes to our ability to maintain alliances and partnerships. We will agree to negotiate deadlines, especially with

older clients. In fact, prior to the exchange rate fluctuation, we had already signed the agreements. Being adaptable today will benefit the relationship in the long run. We will reduce the risk of not meeting commitments by maintaining the relationship.

- Fernando, please update us regarding the orders.

Fernando, quite optimistic, picks up the word:

- We've noticed an increase in the number of orders we've received. Orders for 5 kg bags, which are sold specifically for professional use, decreased; however, this was offset in part by orders for 1 kg packages, which are sold in supermarkets. People are cooking more as they spend more time at home.

- We also saw an increase in export orders, which can be attributed to three major factors. First, orders were identified to compensate for the difficulties that paper bag suppliers in neighboring countries have been facing in meeting local demand. Second, as the value of the dollar rises, it becomes more advantageous for countries such as Argentina and Uruguay to purchase from Brazil and import the product. Finally, I believe it is the result of the partnerships we have formed in order to increase exports.

Increased orders are welcome news, especially in times of pandemic and economic crisis. However, not without concern, Fabricio adds something crucial:

- Due to the increase in orders, we are operating at full capacity. We must carefully consider ordering priorities before putting them into production. What are your thoughts on how we should prioritize?

Mr. Eduardo then asked to speak:

- Frequent customers must always be given first priority. And, if necessary, we can refuse punctual orders from infrequent customers. The loyalty of our customers is more important than the yield of each order. Moschetti does not have orders, it has customers. We do not have "spot" customers; instead, we seek medium and long-term partnerships; and our philosophy cannot change during the pandemic.

Aiming for product excellence as well as agility in meeting the needs of its customers, the Moschetti supply system meets the requirements of just-in-time programming, aiming to strengthen customer relations and dynamism through delivery scaling and volume flexibility. It is also worth noting that expanding the factory floor to increase production capacity is a significant investment that takes months to complete.

Fernando then comments:

- I agree. However, it is critical to consider that one-time orders can eventually serve as a springboard for establishing a medium/long-term partnership. We have a specific spot order that resulted from an important negotiation; we identified the potential of this client and sought them out. They are currently working with plastic and will be testing paper to replace the entire production. It would be critical for us to be able to accommodate them.

Fabricio then concludes the matter:

- Excellent. We were able to meet some of the deadlines. But, keep in mind, we're in a supply chain, and we can't just think about the short term. Our packaging must be flawless because it will be filled on a high-tech Italian or German machine at the Mill. We must increase productivity for our customers.

Aside from process agility, the just-in-time system aims to reduce waste, losses, and inventory costs as much as possible, influencing the company's relationship with the main raw material suppliers, who must be efficient and quick in order delivery.

At that point, Mr. Humberto, who did not appear to be as calm as the others, interrupts and discusses a concern that had been keeping him awake:

- I received a call from our primary paper supplier yesterday. He kept me up to date on the status of their factory. They use pulp to make a variety of different and very specific products for each of their customers, scheduling production based on orders and working with low finished product inventories, taking into account the specifics of each order received. They are heavily reliant on the stationery industry in addition to supplying paper to companies like ours in the food industry. However, because of the changes in education brought about by the pandemic, stationery orders plummeted dramatically. And they are on the verge of ceasing production.

Moschetti, in its pursuit of long-term relationships with its suppliers, has developed over the years a partnership relationship with its main paper supplier, one of the few producers of the type of material required for the manufacture of food packaging. There is no formal long-term agreement. Orders for raw materials are made month by month, considering the mills' sales forecasts, and negotiations are based on consumption forecasts every 6 months - given that the paper manufacturer must

import the pulp - but, as previously stated, there is close collaboration mediated by the directors of both companies.

Mr. Eduardo, who thought the meeting was coming to an end, moves in his chair, concerned, and says:

- We can't possibly run out of paper. We must serve our customer on the day they require the product. There can't be a shortage of product on the shelf, or we'd never be able to retrieve the unsold order. If the flour from that milling company is not available, the customer will bake the cake with another flour, and each cake is made only once. The paper manufacturer and we have a long and friendly relationship. How can we use our networking abilities to overcome this challenge?

Thus, by the end of the meeting, they realized they were up against three major challenges:

1. To create an action plan, using their networking skills, to ensure the stability of the paper supply over the next few months.
2. What can Moschetti do, using their networking capabilities, to develop even better relationships with partners?
3. If we can continue to produce while our competitors struggle, how should we use this situation to establish relationships with new customers?

Teaching Notes:

SUMMARY OF THE TEACHING CASE:

The case briefly describes the history of Moschetti S/A Embalagens, focusing on the difficulties encountered and actions taken between March and July 2020, when the COVID-19 pandemic were expected to have the greatest impact, and how the company's networking capabilities (NC), particularly in terms of developing relationships, influenced the results.

TEACHING OBJECTIVE:

The goal of this case study is to propose a reflection on how networking capabilities (NC) and collaborative relationships developed over time can influence a

company's results, particularly in crisis situations such as the 2020 pandemic (see below for a bibliographic reference suggestion.). Simultaneously, the case encourages critical thinking and analysis of situations by considering the entire value chain, rather than just one situation in isolation.

SOURCES AND COLLECTION METHODS:

Data were collected using semi-structured interviews with company executives. Interviews were conducted with the finance director, the operations director, and the sales director. Respondents were chosen based on convenience, as the opportunity to speak with decision makers was highly valued. The interviews were conducted between April and July 2020 at the company's headquarters in Canoas/RS, while adhering to social distancing and hygiene guidelines. Direct observation and materials disclosed by the company on its social networks, as well as information from the press, were also used.

CONNECTIONS WITH THE OBJECTIVES OF A COURSE OR SUBJECT:

In this teaching case, it is possible to notice aspects that are primarily concerned with the development of organizational networking capabilities. Managing complex relationships in crisis situations was exemplified, all while maintaining a culture centered on long-lasting relationships and the formation of collaborative partnerships.

SUGGESTED SUBJECTS FOR USING THE CASE:

Interorganizational Relations, Network Management, Strategic Administration, Small and Medium Business Administration, Entrepreneurship and Succession.

BRIEF THEORETICAL DISCUSSION:

Mitrega et al. (2012) propose the concept of networking capability (NC) in response to the scarcity of studies that discuss how to initiate, develop, or terminate relationships between companies, suppliers, and customers. The authors define networking capability as a complex organizational ability aimed at managing business relationships at all major stages of the relationship lifecycle. The proposed definitions are influenced by Relational View (DYER; SINGH, 1998) and Dynamic Capabilities theories (TEECE; PISANO, 1994).

Mitrega et al. (2012) create a set of organizational activities and routines that are implemented at the firm's organizational level in order to initiate, develop, and terminate beneficial business relationships. The NC is a useful empirical tool for studying the relationship dynamics of all organizations involved in a given company's value chain. According to the tripartite perspective (REINARTZ et al, 2004), they postulate three specific components of the NC for each of the three stages of the relationship: Ability to Initiate Relationships, Ability to Develop Relationships, and Ability to Terminate Relationships.

The first capability, Initiating Relationships, is concerned with the start of commercial relationships, a stage that is further subdivided into partner selection and partner attraction. When it comes to understanding the attributes desired by a company in potential partners, selection of partners; and attraction when analyzing the personal ties between managers and the expansion of the relational portfolio (Mitrega et al., 2012), as well as the ability of a company to effectively initiate a relationship with a company that has been selected. The ability of Moschetti Embalagens to manage and develop ties with its partners is very clear, especially in the case of the relationship with the paper supplier, where the main managers of both companies conduct negotiations at a closer and less formal level. In this case, the organizational culture values long and collaborative relationships, and they seek to associate with companies that share this value, relying on this factor for good results.

The Ability to Develop Relationships is the objective of this step, which is to build, manage, and strengthen business relationships. The authors divide the relationship between managers into two categories: interorganizational, which includes activities of adaptation, understanding, and coordination of relationships, and personal ties, which are activities of adaptation, understanding, and coordination of relationships. Once again, in the case under consideration, there is a capacity for comprehension and coordination, particularly when analyzing the company's solutions to the difficulties imposed by the pandemic. Finally, the Ability to Terminate Relationships refers to a set of activities aimed at terminating unwanted business relationships, identifying unfavorable relationships, or simply interrupting relationships. It is not possible to identify any situation of terminating relationships in the scenarios reported in this teaching case; however, it can be said that it is implicit, by analyzing

the cultural traits and relationships described, that the company avoids terminating partnerships, always seeking to build long-term relationships, and possibly does not have a formal process for analyzing when and how to end a relationship.

Assuming that business networks and commercial relationships are an important asset for competitive advantage and company performance (Mitrega et al., 2012), the practical implications of network capabilities (NC) address the fact that managers need a better understanding of the processes, routines, and resources they require to manage in order to positively affect the business relationships of their partner network at each stage of the relationship's life cycle, whether they are suppliers, customers, or eventual business partners.

POSSIBLE ORGANIZATION OF THE CLASS FOR USING THE CASE:

Before class:

Reading the case as well as the supporting bibliography before class - suggestions are provided below – is highly recommended. Students should choose the aspects that seem interesting to them, as well as the correlations with theory, especially in master's and doctoral level courses. It is expected that a high-quality classroom debate. To ensure that this prior reading occurs, the teacher can ask students to be prepared to present the case and hold a drawing to determine which student will present it at the start of class.

The teacher can also propose an online discussion using a specific tool a few days before the class. It is up to the teacher or a specific student/group to propose one or two discussion questions.

During class:

It is recommended that the teacher begin the class by introducing networking capability concepts and clarifying students' doubts. The case presented here focuses on networking capabilities, but it is not limited to this subject, with the teacher being able to make references to other theories and even request this from students.

Discuss the main issue of the case in small groups, as well as the issues listed below. After the smaller group debates, bring all students together for a large group debate, highlighting some of the main lessons learned in sentences. Visual tools such as post-its can be used for the learning process.

To conclude the class, it is recommended that the teacher conducts a great synopsis of what was learned with the students, although still with their support. The teacher can even use tools such as mind maps or post-its, selecting the main learnings.

QUESTIONS RELATED TO THE THEORY

Networking Capability:

- What are the three NC components?
- Why are NCs important to the company?
- How do you see the three components of NC being managed in practice within the company when discussing them?
- When it comes to the three components of NC, how do you see the leaders of the companies encouraging them to happen?
- What steps can the company's leaders take to ensure a long-term networking capability? How can these actions be incorporated into the company's plans?
- What examples of actions taken to encourage collaboration can the group provide from a well-known company? Which NC dimension do these actions fall under?
- How do you comprehend how a high level of networking capability can influence a company's competitive strengths?

Collaboration:

- What do you consider a collaborative relationship to be?
- What elements must be present in a company-to-company relationship for it to be classified as collaborative?
- Is it necessary for companies and suppliers to collaborate across all sectors and industries?
- In your opinion, what factors are critical for establishing collaborative relationships?

POSSIBLE ANSWERS TO THE ABOVE QUESTIONS:

The recommendation is to rely on the case's theoretical discussion to analyze and evaluate the students' responses, particularly in relation to theoretical issues.

The article by Mitrega et al. (2012) is a must-read support reading, outlining the three networking capabilities: initiating, developing, and terminating relationships, as well as the elements required for these capabilities to exist. Further readings, particularly Dyer and Singh (1998) and Teece and Pisano (1994), are also suggested as a foundation for discussion. Remember that the questions are posed here to encourage students to think about the Networking Capabilities approach and how it relates to other administration approaches/theories. The answers may differ depending on the segments and industries studied.

In general, the following responses should be expected from the student:

The central concept of NCs is that interorganizational relationships can be used to access and create resources. When compared to other companies, firms that develop their capabilities tend to have greater competitive advantages and increase their chances of success in cooperative strategies. They are classified as having the ability to initiate, develop, and terminate relationships. In practice, one refers to a set of activities and organizational routines that are implemented at the company's organizational level. As a result, actions must be planned in order to develop each of the capabilities. For example, continuously monitoring the market for interesting partnerships, having clear required attributes in partners, working on your company's image as attractive for collaboration, managing conflicts with existing partnerships, and structuring processes to terminate relationships. These actions must be planned and encouraged by the company's leaders, who must promote the development of protocols and specific actions. Or else, alternatively, to deal with partnerships, establishing internal structures with specific managers and leaders. It is also the responsibility of leaders to ensure that the organizational culture always values collaborative relationships.

QUESTIONS RELATED TO THE CASE:

- Do you agree that the company's relationships influenced the positive result obtained during the crisis, or is this factor indifferent in terms of achieving the result? Justify.
- Given the company's reliance on its paper supplier, which steps could the company take? What are the consequences of these actions?
- Do you believe the company acted correctly in light of the solutions it found?

- What courses of action would you take differently?
- List the benefits and drawbacks of the company's approach.
- In the case of Moschetti, can you identify the relationship stages, relate them to the NC components, and describe the practices and routines of each identified stage?
- Do you believe Moschetti Embalagens knows how to manage its relationships in the best possible way, based on NC theory? Justify.
- What processes and routines would you recommend for Moschetti to implement in the company's daily life to improve their NC?
- What other valuable lessons can be gleaned from this case?

ANSWERS FOUND BY THE COMPANY FOR SOME OF THE DIFFICULTIES

FACED:

Paper supplier:

The connection between the companies became critical in resolving the pandemic's issues. The paper supplier approached Moschetti as soon as he identified the problem that could bring his mill to a halt, using clear communication. Moschetti and the supplier signed an advance order agreement to address the main issue, which could be a lack of raw materials. In this agreement, Moschetti purchases the equivalent of a four-month supply of paper in advance, ensuring that the supply of paper is maintained and allowing the manufacturer to advance production and stabilize in a new scenario.

Pallet supplier:

The supplier appealed the decision in court, relying on customer support to justify its continued operation. Even though the relationship between the companies is formal in this case, Moschetti recognizes the importance of the partnership and has supported the supplier at this time by drafting documents and emphasizing the importance of pallets in the supply of essential products.

Learnings:

The events of the last few months have brought valuable lessons to light, such as the importance of clear communication between all parties involved, as well as reaf-

firming the company's commitment to cultivating positive relationships with its suppliers, customers, and potential partners. It is understood that collaborative relationships, which involve mutual gains and reciprocity, are extremely important during times of crisis; however, they take time to build and must constantly be developed.

BIBLIOGRAPHY SUGGESTIONS FOR PREVIOUS READING BY STUDENTS:

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