

**The „Premium“ way of organisation**  
**an insight into a German soft drink company**

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Essay for the Lecture „Organisational Psychology“, PS3406 by Nick McDonald

**List of contents**

	<b>Page</b>
<b>1) Abstract</b>	<b>3</b>
<b>2) Introduction</b>	<b>4</b>
<b>3) Methodology</b>	<b>5</b>
 <b><u>The Organisation</u></b>	
<b>4) Goals and values</b>	<b>6</b>
<i>4.1) The operating system</i>	<i>7</i>
<b>5) Social relations and groups</b>	<b>9</b>
<b>6) Additional information</b>	<b>12</b>
<i>6.1) Culture</i>	<i>12</i>
<i>6.2) Risks and challenges</i>	<i>13</i>
<b>7) Conclusion</b>	<b>14</b>
<b>8) References</b>	<b>15</b>
<b>9) Appendix</b>	<b>16</b>

**1) Abstract**

The soft-drink company “premium”, which is located in Germany, is analysed in this dossier.

The applied methods were interviewing, analysing articles in newspapers and analysing official documents on the structure of the company. As a result there is an overview on the topics goals and values, social relations and people, and additional information on culture, risks and challenges given in this dossier. All in all the company has a democratic structure with emphasis on fair and equal treatment of all individuals. There is no hierarchy in the company and everybody, even the costumers, get to take part in all decisions, that the company makes.

Challenges for the company are mainly of structural form and a lack of participation.

## **2) Introduction**

It was their favourite cola brand - a high amount of caffeine and not as much sugar as other colas, almost a coffee substitute, as they said. But in 1999 the “Afri Cola” changed their recipe overnight to make it more suitable for the mass with more sugar and less caffeine. Uwe Lübbermann and other former „Afri Kola“- fans were disappointed, especially since all of this happened without an information to the loyal costumers. They wanted the original taste of “Afri Cola” back and so they founded their own Soft-drink-company in 2001. That’s where the organisation „Premium“ started - formed of former costumers, which were now stakeholders. They got hold of the original afri-cola-recipe, added a taste-neutral supplement to avoid juridical conflicts and started to produce and sell the cola again. In the beginning it was only for their own supply but the organisation quickly grew (Dörner, 2013). Now Premium sells over one million bottles per year and produces not only cola, but also beer, elder lemonade and Ice tea (Lübbermann, 2014).

Nowadays the cola itself is not the important thing for Premium anymore. The organisation wants to make a difference in the economical world through its unusual business model (Dörner, 2013). Since they started as costumers, who felt ignored, one of their most important principles is to let everyone participate in all decisions - no matter if its a costumer, a truck driver or the manager. They also have a strong focus on ecological production and they want to take a stand against the „society of consumption“. To ensure all of that the organisation developed their own system of principles and rules, the so called operating system, which is the foundation of the organisation.

All in all „Premium wants to set an example and spread a fair, ecological and socially sustainable business concept with high quality standards“ (Premium, 2014).

In this dossier the specific goals of „Premium“ are analysed, as well as the unique structure of organisation, which is set in the operating system. Also forms of communication, social structures and cultural arefacts of the company are examined. The dossier is concluded by a discussion on chances, risks and challenges of the company-concept.

### **3) Methodology**

In order to be able to give valid and detailed information on these topics a number of research methods were applied.

Firstly the "operating system", which is the detailed description of the organisational structure and values, was examined.

Secondly a number of newspaper articles about the brand were analysed.

Information on functions, communications etc. were systematically collected, by sorting the information into the three categories “goals and values”, “social relations and people” and “other information”.

Furthermore an interview with the Company owner Uwe Lübbermann was hold on November 12th, 2014 by telephone. A second interview was held through E-Mail in December 2014 with Anne Graf, the Administrator and contact Person for partners in the company. The content of the interviews can be found in the appendix.

All usable and important information from the company, different articles and the interview were collected and written into this dossier.

For further investigation and more detailed knowledge about the company structures, an attempt was made to be a part of the collective, which consists of everyone, who wishes to take part in the decisions of premium. Unfortunately it is necessary to know someone in the collective personally, to become a part of it. In the short time of writing this essay, this was not possible, since the company is located in Hamburg, Germany. Being a part of the collective would have been a great method to find out, how the theoretical concept of "Premium" works in reality. In spite of that it is possible to give an overview about the company with the available information.

## **The organisation**

### **4) Goals and values**

Regarding the unusual origin history of Premium through costumers, who felt not included enough it is obvious, that these people have high demands on how a good company should - or shouldn't - work (Dörner, 2013).

All principles and goals can be categorized to three fields:

1. equal possibility of participation for all members of the organisation
2. good treatment of individuals
3. and finally creating the most environment-friendly drink possible

(Premium, 2014)

Thereby there are no goals considering faster growth, power or financial gain. It's the opposite - Premium even limits its growth in order to be able to stick to their ethical values.

The main goal is to „prove, that moral and business can function together“ (Premium, 2014).

The goals and values of premium can be considered the heart of the organisation and are even considered more important than the drink itself according to some costumers, who say that they „don't buy the drink, but the organisational performance, that's behind it“ (Pfaff, 2010).

Since the goals are so important to the members of „Premium“, a set of detailed principles was worked out by the members. The so called operating system is the foundation and the law of the work at „Premium“.

#### **4.1) Operating system**

To explain the operating system it is important to understand how the organisation works with its partners. Premium does not produce their drinks and they don't have their own logistic system either. The organisation manages the process and the collaboration with their partners. Therefore they see themselves as "Software" and their partners who produce, transport and sell the drinks are the "hardware" in the whole process. Staying with the analogy to computers, the name "operating system" becomes more understandable. It is the basis on which the "software" (= Premium itself) works.

The operating system consists of three main fields of action: ecology, social commitment and economy. Additionally there are Protection and Transfer.

Each category consists of different modules, which differ in importance (Premium, 2014).

##### ***a) ecology***

The most important modules in the area of ecology are **renunciation, optimizing, CO2-compensation, Organic Products and Transportation.**

That includes measures such as using as less material, as possible by having only one label on the bottle and not the standard of three (**renunciation**) to save 333 kilo of paper every year. All of the paper used is recyclable (**Optimizing**). Other measures are taken for the protection of the environment are, that a certain percentage of the income is used for building trees as **CO2-compensation** and a lot of **organic ingredients** are used for the drink itself. A very serious issue for Premium is the limitation of **transportation**-ways in order to limit CO2-production. They even refuse costumers, if they are located too far from the place of production and rather encourage them to buy local products (Premium, 2014).

#### *b) Social Commitment*

The area of social commitment might be the most important, regarding the history of the organisation. It includes the modules **minimum standard, collective, consensus democracy, transparency, data protection, no written contracts, prevention of alcoholism, no marketing, responsibilities, trust** and **no deadlines**.

What is implied in these modules is explained in the point "Social relations, people and groups" later in this dossier.

#### *c) economy*

The category of economy takes measures in order to reape capitalism, step by step and lead away from power- monopolies and give smaller and local businesses a chance (Lübbermann, 2014). It implies, that there is no profit made from the company besides a safety deposit and no debts made at any point. To support smaller retailers there is a fixed price for everyone and no

discounts for retailers who order large amounts of drinks. In fact it's the opposite - Premium introduced the unique concept of an anti-quantity-discount, which consists of giving a bonus to retailers who can only buy small amounts of bottles. In the context of finances there is also the rule, that instant payment for producer and other partners is guaranteed, as soon as the task is fulfilled. Also any kind of work for the company is to be paid – there is no volunteering in Premium. There are some additional modules, such as a pay-back-guarantee for retailers in case they don't sell all of bought bottles (Premium, 2014).

To ensure that the three main categories can be fulfilled, there are some further regulations considering security and transfer, which are not a topic of this essay.

All in all the goals of the soft-drink-company Premium are unusual. They are not led by financial success, but by trying to be a fair company in regards to the environment but also to employees and people, who are affected by the business.

### **5) social relations, people and groups**

One of the most important goals for the company, is to treat the people, that are involved in the production and consumption of premium, good. Sociality is a high value at Premium and has a separated category in the operating system (Premium, 2014).

People are the most important factor of the Company - all decisions are made by the collective which is the union of everyone involved in the product: retailers, producers and managers, but also costumers or truck drivers and so on. If they want to, they all can take part in the development of premium, since all decisions are made in the collective. It doesn't its the new

slogan or the decision whether or not the coffee should be taken out of the production range - everyone can contribute to the decision (Dörner, 2013). The decision process takes place through the concept of a consensus democracy. This is a form of democracy, in which power for decisions lies not in the majority of the participants but a dialogue and consensus between all is intended. The goal is to establish the broadest possible social consensus for decisions and involve opinions of minorities (enzyklo, n.d). When making a decision the members of the collective discuss the matter until they find a solution, that they can all accept. As long as one person is against a proposition, it is rejected (Dörner, 2013).

The concept of a democratic organisation is not unusual in the current days. Especially in the last decades, through globalization and the resulting stronger competition but also more demanding customers and employees, the structures of organisation are becoming less hierarchical (Gratton, 2004).

Premium has no real hierarchy at all. The collective makes all the decisions and within the collective, everybody has equal power. The only exception appears, when the collective cannot find a solution on which everybody agrees and that delays the production. In this case the company owner and another member of the management team can decide on the basis of the opinion of the majority or find another solution. This gives them a moderating role and implies that they are not considered completely equal compared to the others (Pfaff, 2010).

The consensus democracy is only one of many forms of a democratic company. Gratton defined six tenets of democracy, that are important for the functioning of a democratic company. The tenets are:

1. The relationship between the organisation and the individual is adult-to-adult. The participants believe that the others are capable of making decisions in a fair and thoughtful manner.
2. Individuals are seen as investors, that are building and deploying their human capital. This highlights the role of autonomy.
3. Individuals are able to develop their natures and express their diverse qualities.
4. Individuals are able to participate in determining the conditions of their association
5. The liberty of some individuals is not at the expense of others
6. Individuals have accountabilities and obligations both to themselves and the organisation (Gratton, 2004, p.33).

Analysing Premium it becomes clear, that these tenets play a role in the company. Especially the tenet 2, 3 and 4 can be seen as fulfilled by Premium (Graf, 2014). Since the the organisation consists of the individuals, the relationship within the company is to be analysed to reflect on the first tenet. According to Anne Graf, one of the main Managers of Premium, the relationships between the people in the inner circle, including partners of many years treat each other with respect and trust each other (Graf, 2014). Nevertheless the collective consists of many people, who live in different places and often times only communicate in written form. That's why Premium cannot completely fulfil the first tenet cannot completely. Accountabilities are a big problem in the company. Since everything is based on voluntary work, people feel no pressure to participate or fulfil their obligations, the 6<sup>th</sup> tenet cannot be fulfilled (Graf, 2014). The fifth tenet cannot be judged with the available information. In conclusion Premium fulfils not all of the

tenets given by Gratton. But that doesn't mean, that the Company can't have the same benefits from being a democratic company, than the ones that fulfil the tenets.

## **6) additional information**

### **6.1) culture**

The unusualness and the value of freedom and fairness that is present through the goals, principles and people at Premium can also be found in the outward-appearance of the company. There is no office building or likewise of the organisation. The company owner Lübbermann manages the company from his apartment in Hamburg, Germany. Everybody else works from their home as well, which leads to the fact, that the members of the organisation often live in different parts of Germany and don't see each other a lot (Pfaff, 2010). The method of communication is E-Mail and Telephone. The employees also don't have fixed working hours and have to make their own hours (Premium, 2014).

Not only the workplace and the form of communication appears to be fitting to the modern, individual company, but also the communication itself.

When communicating with the company, there is instantly a friendly and personal atmosphere, since Uwe Lübbermann insists on talking on first-name basis and without formal address.

(Lübbermann, 2014) All of this underlines and validates the concept of the company: open-minded, modern, young and against any kind of inequality between people.

#### **4.2) Risks and challenges**

Analysing the Company Premium it becomes clear, that it has very high moral standards. To ensure that these are fulfilled, the rules and structures seem to be thought through in a long process. Nevertheless are there boundaries to the system (Lübbermann, 2014 & Graf, 2014).

Letting everybody participate in all decisions can lead to content employees and costumers (Gratton, 2004). But there are also several challenges to the system of the consensus democracy in the collective.

First of all it takes time and effort to be active in such a community. Only the ones who are very motivated are active in the collective, since it can be considered as additional work to the normal tasks. Around 50 people take part in the process, regularly. Lübbermann describes this

phenomenon as a sign that everybody is quite happy with the way the company works (Dörner, 2013) but it could also be a problem of motivation to sacrifice time for the cause (Graf, 2014).

It is also questionable if the system as it is now would work with a larger number of people, if the company grows. Especially considering the form of communication: An e-mail list can be quite unclear and confusing, even with the current rather small number of people. Premium is looking for an alternative communication method at the moment (Lübbermann, 2014).

Another limitation is caused by the fact, that premium does not produce their own products and is dependent on their partners because of this. Since they are a rather small company, it can be hard for them to demand something from them. In that way Premium can't control the whole production process and some values cannot be met. An example for that is, that they can't change the working conditions of the farmers on the caffeine plants, since the producer doesn't want to

change them just to please a small customer like Premium. Premium has the policy to strive for the best possible outcome in those situations (Premium, 2014).

## **7) Discussion**

In conclusion the brand Premium is a very unusual company. Led by a vision of less capitalism, the goals, functions and structures in this company are outside of the normal. With fair and equal treatment of all participants, strong engagement in the protection of the environment and the support of small, local businesses rather than big, monopoly companies Premium sets an example and shows that it is possible to combine high moral standards and a successful business. Even though the concept of the company would probably not work for all companies in that way and has some limitations, it has some good ideas and values, which can be used by other companies. Fortunately the ideas and the operating system is accessible for free, in the interest, that other companies might follow their example. Three Other companies use the "Premium-system" now and a lot more are inspired by some of the ideas. The way of thinking outside of the box, trying unusual things and concentrating on smaller, local businesses might help a lot in fighting against the negative sides of capitalism and globalisation.

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## **9) Attached files**

**Interview with Uwe Lübbermann, November 12<sup>th</sup>, 2014, via telephone**

**Aim of the interview: Get needed information, that are not available from newspaper-articles or the Internet (for example, how the decision-making-process is in detail), get accurate numbers, ask for risks and challenges in his point of view**

***Q: Current numbers: how many bottles are sold, how much growth in the last year, how many current members in the collective***

A: more than 1 million bottles sold, 5% growth, 50 consumers in the collective, 50 from the partner companies and employees,

***Q: Is there a hierarchy? How is the relationship to the partners organised?***

A: No hierarchy, people have their areas of responsibility and are able to make decisions on their own in that area, but the collective is always checking their decisions. There is a Organisation team: 6 people, also representatives of the brand in different locations in germany & switzerland, no written contracts or employer-employees-relationships to avoid dependencies, everybody has to be treated equally – there is fixed wage for everyone (15 euros per hour), which is recommended also for the partners

***Q: how is the decision-making process working?***

A: suggestion or topic can come from anyone, everybody can say something about it, experts and “normal” people, it is discussed until there is a solution, with which everybody can live with. Everything works with e-mail-lists. If a decision is made there is no rule for how long its valid. The system is stable, social, flexible, and in 13 years there was no law suit against the company – which we are very proud of.

***Q: What are challenges and risks for a system like this?***

A: It's necessary to have moderators, that don't want to have power or decide by themselves. That's a very critical point. The people who participate cant see the collective as a Verhandlungsprozess, but as a collective decision-making-process where everybody is important. Also since no one has to do anything, there are a lot of good ideas in the collective, but not many people take responsibility and actually fulfill tasks. Another problem is the communication. The e-mail-lists are very confusing, especially for new members. As the company grows, that is not a good way to make decisions anymore. Were currently trying to find a new tool for that. Also people are more and more wanting a leader for a clearer structure and more efficacy regarding the decision-making.

***Q: Is there some kind of evaluation or control-process for the operating system?***

A: No, not officially, but of course the members of the collective check on each other and remind themselves to stay true to the principles.

**Interview with Anne Graf, via E-Mail, December 4<sup>th</sup> 2014**

***Aim of the interview: Get information to compare premium to the tenets of a democratic company and have a different point of view on communication and hierarchy***

***Q: What exactly do you do at Premium and in which areas are you involved?***

**A:** I've been exactly four years in Premium and am working for the entire field of administration and the Care of our speakers. You can find more details in the attached role descriptions. I am next to Uwe one of the central figures in the organisation of the collective itself and to the outside world, including because I am the first point of contact for all people, questions, ideas, suggestions.

***Q: What do you think is the biggest advantage of the organization and what the biggest drawback?***

**A:** Our biggest advantage and disadvantage at the same time is the structure of premium. Premium has a growing structure, the constantly modified and evolved. This happens due to a changing of collectivists, they bring ever-changing input. This openness to new people and new input can also paralyze because we often lose ourselves in questions of detail, the difficult people slow consensus mechanisms or do almost everything to get involved in every decisions in the way they want and tasks always stick to the same people. (Many want to talk or contribute ideas, but don't really do something active.

***To check a model for democracy in organizations, I collect also information on these points:***

***Q: Are the relationships within the organization adult-to-adult, ie. Do the members trust each other to make good decisions?***

At the core of the collective, yes. There are a few people who work for premium regularly - Uwe, Katja, Elena and me. In addition, David and Edward are Product Manager for their own brands with advice and Deeds. I can answer this questions only for the people that I personally got to know over the years or with which the contact is very tight. This includes long-time spokesman, dealer, Restaurateurs and other partners.

For the "big collective" I do not think I can make a statement on that because my experience and information is missing.

***Q: Can the members express and develop their own individual strengths and Interests?***

For this question, I can speak for the whole collective. Yes, in my view, premium offers very much space for it. Collectivists can always bring all their ideas and thoughts that are serious and get feedback. We don't like to assign the tasks to the collective, in that way people can contribute according to their abilities and interests. The same is true for the central roles, from my point of view.