

HOME EXAM – January 2023

This home exam takes part January 9th – January 13th. It consists of eight questions which total 50 points. To pass you need 30 points (60%).

You submit your **word** document on canvas no later than **January 13, 23:59**. Please make sure your technology works and that you start your submission in due time. We will deduct 3 points for those 0-3 hours late, and 5 points for 3-8 hours late. Beyond that, we offer an opportunity for reexamination later this spring (this will probably be an oral exam).

The word document you submit should NOT include these instructions, the questions, or a list of references. Besides your name and personal number (or equivalent) on the front page, the document should only include your answers (you use Q1, Q2a, etc to link your answer to the right question).

The document you submit will be checked for plagiarism, so make sure you follow the writing rules. You find information on this on the library homepage. We recommend this tutorial:
<https://refero.lnu.se/english/>

Your answers should not exceed 4000 words. You decide how you like to distribute the 4000 words between your eight answers (an indicative guide is to use 80 words per point (80x50=4000). The total maximum of 4000 words includes all words in your submitted answers.

You should not include a list of references in the document you submit. The references you should use in your answers are all listed below. Please reference wherever suited in your answers.

Please take it seriously when we ask for motivations and arguments. The motivation for the choice of articles to use (or not use) is a vital part of your answer.

Finally, as stated in the lectures, the intention of this home exam is to evaluate if you understand and can make use of the course literature. So, don't spend words retelling the content of the articles. It is more important that you relate to the message in the articles when explaining and reflecting on the questions asked.

And please, read all questions carefully and reflect on WHY, before you start answering!

The list of articles to be used in the home exam

- Davidsson, P. (2004). Chapter 1 What is entrepreneurship. *Researching Entrepreneurship*. Boston: Springer. Retrieved from <http://link.springer.com/book/10.1007%2Fb100548> (accessible on Canvas, you only need to read Chapter 1)
- Sarasvathy, S. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency, *Academy of Management Review*, 26(2), 243-263.
- Shepherd, D. A., & Gruber, M. (2021). The lean startup framework: Closing the academic-practitioner divide. *Entrepreneurship Theory and Practice*, 45(5), 967-998.

- Ostervalder, A. & Pigneur, Y. (2016). Business model generation. *Retrieved from:* http://businessmodelgeneration.com/book?_ga=1.75362578.1272172175.1471786683 (Here you can preview and download those 72 pages for free)
- Arthur, B.W. (1996) Increasing Returns and the New World of Business, *Harvard Business Review*, July-Aug.
- Bower, J.L., Christensen, C.M. (1995) Disruptive Technologies: Catching the Wave, *Harvard Business Review*, Vol. 73(1), pp. 43-53. Available in Canvas.
- Christensen, C. (1997). The innovator's dilemma. *Harvard Business School Press*, Cambridge, Mass. First two chapters.
- Tripsas, M. (1997) Unraveling the process of creative destruction: complementary assets and incumbent survival in the typesetter industry, *Strategic Management Journal*, Vol. 18(S1), pp. 119-142. Video [here](#). Available in Canvas.
- Mintzberg, H. (1987). "The strategy concept 1: Five p's for Strategy". *California Management Review*, 30(1). 11-24.
- Fleisher, C. S., & Bensoussan, B. E. (2003). *Strategic and competitive analysis: methods and techniques for analyzing business competition* (chp 1 and 17). Upper Saddle River, NJ: Prentice Hall. (accessible on Canvas)
- Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard business review*, 86(1), 25-40.
- Kim, W. C., & Mauborgne, R. (2005). Blue ocean strategy: from theory to practice. *California Management Review*, 47(3), 105.
- Javidan, M. (1998). Core competence: what does it mean in practice?. *Long range planning*, 31(1), 60-71.
- Cannon, M. D., & Edmondson, A. C. (2005). Failing to learn and learning to fail (intelligently): How great organizations put failure to work to innovate and improve. *Long range planning*, 38(3), 299-319.

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Q1 6 points

Q2 6points

Q3 10 points

Q4 5 points

Q5 5 points

Q6 6 points

Q7 6 points

Q8 6 points

= 50 points. Please make sure you have answered all questions.

Q1 The entrepreneurship debate (6p)

Sam and his girlfriend Teresa was for a walk when they suddenly met an old friend. The friend Ted was very happy. Sam just had to ask why!! Ted told them that his new Gym will open next week. This gym will be revolutionizing, he declared. In what way, Teresa asked. Ted looked at her conspicuously and said in confidence, I will charge 15% lower rates than all existing competitors! Here Sam broke in and declared with a loud voice - Ted, you are a TRUE entrepreneur! But Teresa objected reluctantly and said - but that isn't really entrepreneurial!

When we leave Sam, Teresa and Ted, the two first still fiercely debate if Ted's new gym venture is a sign of entrepreneurship or not.

- a) Choose an appropriate article in the readings to analyze Sam and Teresa's debate. Motivate your choice of article (2p)
- b) Use arguments from the article to settle the argument between Sam and Teresa. Who is right? Is Ted a true entrepreneur or not? (4p)

Q2. The Deans strategic change (6p)

When the dean of the business school launched a business program targeting engineering students he declared that this represented a strategic change, as the business school was targeting a new customer group. But, did the initiative really represent a strategic change?

- a) Choose an appropriate article in the readings to analyze the Dean's statement. Motivate your choice of article (2p)
- b) Use arguments from the article to decide if the Dean was right or not. (4p)

Q3 The ice cream industry investment (10p)

You are widely known for your successful investment advices. Several investors have made a fortune after they listened to your advice. So it is of no surprise when you are approached by a new investor, asking you for advice on the ice cream industry. The investor has localized two options for her one million SEK investment. But, which to choose? (the investor loves ice cream but has no experience in the industry).

Read the industry and the two company overviews below. Localize articles that will be helpful in the analysis. Use the articles to decide on where to invest.

- a) What articles will you use in the analysis? Motivate! (3 p)
- b) Use the articles to analyze the case and reach a motivated decision of where to invest (7p)

In 2010 two people who don't know each other, Kerstin and Jan, decide to enter the ice cream business. Both have studied marketing but neither has any experience in the industry. They start their operations in small towns 15-20 minutes' drive outside Jönköping, but in different directions. One in a tourist town of Gränna (north of Jönköping) and one in Taberg, south of Jönköping. Ice cream, it seems, attracts them both, and both decide this could be an interesting (and fun) way to reach their entrepreneurial goals.

In this case, we compare the paths these two companies have followed until 2020! But first, what is it about ice cream? What makes this industry so attractive for entrepreneurs?

The ice cream business

Ice cream has varying popularity levels around the world. In New Zealand, it is estimated that the consumption is 28 litres per person per year, followed by the USA (21 litres), Australia (18 litres) and Finland (14 litres). Sweden is 5th in per capita ice cream consumption in the world with 12 litres per person per year (about 110 million litres in total), ahead of countries like Italy (8 litres) and the UK (7 litres). Due to the climate, demand is highly seasonal. In the summertime, the sale of single-wrapped ice cream is at its highest, but sales of the packaged ice cream (in consumer packages from 250ml to 2 litres) are more evenly distributed over the year. On the list of Swedes' favourite flavours are the classics, namely vanilla and chocolate, as well as more complex flavours like liquorice, pecan and pistachio. The trend in the Swedish ice-cream market is that premium ice cream is a growing segment and that people have generally become more aware of the health aspects of what they eat. As a result, the popularity of frozen yoghurt is increasing rapidly.

Generally, consumers know that ice cream is “not good” for them to eat. It is a “reward product”. This means that when consumers indulge in ice cream, there is an emphasis on the quality of the product (“when I eat it, it must be good”). There has also been an increase in the number of consumers searching for healthier alternatives (such as yoghurt ice cream and fruit-based flavours). Women marginally consume more ice cream compared to men while older consumers enjoy the highest number of ice cream occasions. There has also been an increase in the number of people with allergies of various kinds (lactose, nuts, gluten and other additives). This has enabled ice cream products to develop new products to satisfy the needs of this market.

2020 was the year of the Coronavirus and lockdowns. The ice cream market was affected both in production and sales. The supply chain was impacted by the impact on inputs in the production process as the virus affected the labour supply in the plantations. Covid-19 also impacted the production routines in the factories with the introduction of additional measures to ensure worker safety and adapted shift patterns (Umhoefer, 2020). In Europe, ice cream was not considered a necessity, so ice cream stores were closed, impacting sales from these stores with many stores retrenching staff or closing completely (Mak, 2020).

Sales of ice cream during the European summer is an important contributor to profits of organisations which requires retailers to stock up. Uncertainty regarding the tourist in summer 2020 meant that retailers did not stock up on some brands of ice cream (Upshall, 2020), impacting the sales of leading brands during this period in some areas.

In contrast, sales of ice cream in grocery stores increased by 20% (Umhoefer, 2020) as consumers purchased ice cream to eat at home specifically the sale of multipacks which allows members of the family to eat different products. During times of stress, many people turn to food as a source of comfort as this helps them feel better, and the times of Covid-19 was no exception (Di Renzo et al., 2020).

The ice cream market in Sweden

Despite the pandemic, the ice cream market in Sweden grew an average of 9% in 2020 (based on figures from the 3 leading ice cream manufacturers in Sweden). As more Swedes stayed at home during this period, sales of a wide range of ice creams increased, but especially the multipacks of single pack ice creams which increased by 26% (Bengtsson, 2021). While there has been an increase in online sales of ice cream, buying ice creams still tends to be an impulse purchase not requiring planning (Larsson, 2021).

Of course, with the popularity of ice cream in Sweden, there are many competitors. The largest competitor is the multinational Unilever. Unilever is a public company listed in England and the Netherlands. In 2014 the turnover from more than 400 well-known brands was €48, 4 billion. In Sweden, their most popular ice cream brands are GB Glace, Magnum, Daim and Carte d'Or®. The brand that serves as an inspiration for many producers in Sweden is Ben & Jerry, owned by Unilever since 2000. Overall Unilever has a 42% share of the total Swedish market. They however dominate the single-wrapped ice cream market with a market share of approximately about 80%, making them less dominant in the packed ice-cream market. The premium segment of the market is about 5% in volume but about 10% in market value.

In 2020 there were 62 Swedish ice-cream manufacturers listed. Only ten of those had more than 20 employees and 41 were in the category of 0-4 employees. Most of these small manufacturers are farm-based and compete on a regional basis. One interesting concept is known as farmhouse ice cream (in Swedish Gårdsglass). This is a concept from The Netherlands that appeals to dairy farmers directly to help them produce ice cream from their excess milk production. This allows a farmer to expand their product range. Farmers typically purchase a starter kit from The Netherlands including the machinery and equipment to begin producing ice cream using standard recipes. The concept has spread to several countries. Ice cream manufacturers are increasingly linking up with milk producers as well as other local producers to reinforce the local and organic perception of the product.

Nine out of the ten competitors with more than 20 employees are Swedish in origin (Unilever is the tenth). LOHLID (former Alvesta Glass) is a top expander with a turnover of 245 MSEK in 2020. Even if the sales of their own ice cream on the Swedish market is a big part, they are also expanding on other markets, with imported ice-cream brands and an extended product range. The largest among the Swedish brands is SIA Glass with 570 MSEK in turn-over (family-owned, about 130 employees, about 20% of the total market and growth of 35% in the last five years). All competitors are agile and can respond quickly to changes in both the market and new product launches of other ice cream manufacturers. Many of the ice-cream packages look rather similar illustrating the inability to sustain a differentiation of products.

Mormor Sara

In Spring 2010, Kerstin Ström was on parental leave with her third child and without a job to return to. Educated in marketing/public relations and with a keen interest in food and cooking, she decided to search for new opportunities. With few job opportunities in Jönköping (a city of about 130 000 inhabitants), the search for a new job had become tiring. Home on the sofa indulging in eating ice cream, she realised that there wasn't a quality ice cream made in Sweden that could compete with international brands (such as Ben and Jerrys®), hence the decision to start making ice cream, named after her grandmother. Her husband chose the supportive strategy and soon Kerstin, together with two of their closest friends and her brother in Stockholm (a successful entrepreneur), began to intensively plan this new business.

One of Kerstin's first actions was to set up a blog that soon became a success. The intention was that after some time she would reveal her plan to start an ice-cream factory on the blog. But, none of those that were involved early on in her project knew how to make ice cream or had experience in the ice-cream industry. Where to find a suitable location for the factory? How to make ice cream? Employees? How to sell the ice cream? The only way to raise capital was for Kerstin to take a mortgage on the house she and her husband owned.

Kerstin began to conduct market research, making cold calls to those who she thought could provide input. One speculative call was to one of Sweden's most successful food store owners, who happened to be situated in Jönköping. To her surprise, he spent more than an hour explaining the mysteries of the ice-cream business to her. He concluded by saying that logistics was the key to success and she probably had no chance of succeeding in that area. But if she made a success of it, he promised to sell her ice cream in his stores.

About a year later in July 2011, Kerstin's dream became a reality when her factory opened in Taberg, a (very) small town where space could be found at a reasonable cost, situated some kilometres south of Jönköping. The opening of the 118 square meter factory with a small shop was a success. Kerstin's blog and other activities had resulted in articles in both national and local media – as a result on the opening day, there was a queue of about 650 people outside the small factory! By the autumn of 2011, sales at the factory had stabilized, a couple of employees were hired, and ice cream was distributed to some local stores in the immediate vicinity. But ambition was high as Kerstin explained, *"I wanted to go to Stockholm. It is my hometown and my brother lives there. And, that is the place to be if you are going national"* And, on social media, it seemed there were a lot of potential customers who wanted to buy Mormor Sara's ice cream in Stockholm.

Needing equipment to develop the business, in 2014 Kerstin decided to use crowdfunding. The campaign was considered a success and 1.4MSEK was raised by the time it closed in April 2015. Kerstin presented ownership as *"doing something fun and different"* to potential shareholders, a key reason she believes people were initially keen to invest. The reason Kerstin decided to pursue crowdfunding was the perceived ability to create brand ambassadors from those who invested in the business - those who bought shares would tell others about the business and help to spread the word about the ice cream and the company itself. After the end of the campaign, Mormor Sara had 142 new shareholders owning 20.5% of the company. Most of these investors had invested 2-10 000SEK (€220-1200). There was one big exception, a local resident with a background as a financial controller who invested a significant sum demanded a seat on the board, thus extending the board to six.

Branding...

As part of branding, Mormor Sara early on added the word "Därproducerad" (there produced) in the company name. The ice cream is not "home-made" - it is made in a factory- and when it is sold outside Jönköping it is no longer "locally produced". The solution was to add "Därproducerad" - there produced- to the name of the company to stress that the ice cream manufactured by Mormor Sara is made from natural, locally-sourced ingredients and that the products are free of additives. Mormor Sara also developed an innovative new product: dairy-free ice cream entirely based on natural ingredients and with no nuts in the autumn of 2015. They were among the first to the Swedish market with such an innovation, but they were soon followed by many competitors. By November of 2017, you could find 240 different types of ice-creams on Mathem, a Swedish online store. Out of those 55 were gluten-free, and 42 were lactose-free.

After crowdfunding...and the future

Following the successful crowdfunding campaign in 2015, investments were made to increase production capacity and to increase market potential. This included equipment to maintain the cooling chain and vehicles to enhance distribution over longer distances. This successful campaign meant that it was possible to increase production and launch innovative products (e.g., dairy-free ice cream). Consequently, the company at the end of 2015 was ready to produce up to 250 000 half-litre packages a year, translating into about 6.5-7 MSEK (€750 000) in turnover. This presented a major marketing and distribution challenge to the company, as the company on a turn-

over of 2,35 MSEK (up 35% since 2015) made a loss on 1,3 MSEK in 2016. This loss was partly due to the big investments made, but also Kerstin's maternity leave influenced the development.

Sales in 2017 increased by 70% to 3,9 MSEK, mainly as a result of the new dairy-free products. Losses also decreased to 0,8 MSEK in 2017 and prospects were good. However, the financial distress increased as the company was running out of financial equity and the financial position was further placed under pressure due to the distribution network, logistics and that the company truck had been demolished in a crash and needed to be replaced.

The result of this was that Kerstin decided to search for a business partner. In 2018, Alma Kalm, an entrepreneur running several small businesses in Stockholm, took over as CEO and acquired 50% of Mormor. Kerstin says that "*Alma came as a saving angel. If it wasn't for Alma, the business (Mormor Sara) probably would have gone bankrupt*". Kerstin continued as a site manager in Taberg as Alma had no experience in the ice cream industry.

Grenna Glass

One morning, at 06:30, Jan's sister called him. She was very excited when presenting the idea of setting up an ice-cream business. Jan hung up on her! But his sister was persistent and didn't give up on the idea. After some time, the idea had matured and they started to experiment with making ice cream. At the time Jan and his sister owned a small local grocery store in the countryside. They had been talking about introducing a product of their own in the store and why not ice cream? They both had the idea that ingredients should be local and natural from the beginning and with this as a starting point they used their customers as an expert panel. The kids in particular provided excellent feedback, as they were extremely direct on what they liked (and what not)! The investment they made at this time allowed them to manufacture in small batches of five litres. One early issue was to come up with a name for the business. One idea was to use the name of their store, but this was a very local name and thus rejected – then the idea to name the ice cream after the small town of Grenna (2700 inhabitants), but a summer hot-spot came up. So, Grenna Glass it was.

The opening of the café ...

After some months of good sales in the local market, Grenna Glass started distributing to a few supermarkets. However, an opportunity for further expansion was limited. Given the name, the obvious decision was to move the ice-cream business to Grenna and when an opening presented itself they jumped on it. Thus in 2010, they opened an ice-cream café. Having started simply, they adapted to the new market in Grenna and learnt as much as possible.

The first learning was the seasonality of the business:

"The first year we opened in April. There were no customers! The frustration lasted until mid-June when suddenly the place was crowded. Then we were packed until mid-August. We had 3-400 customers a day in our small café. This pattern has remained. The peak in sales is very concentrated in the short summer period. Over the year about 40% of our total sales are in these eight weeks in the Café."

Encouraged by the demand in the first year, they invested half a million SEK in new equipment and a freezing room and started to produce their ice cream in Grenna in the second year. During the period 2011-2015, they developed the business step by step. They widened the product range to include coffee from a local roastery, among other products. All to strengthen the local profile. Finally, they increased the number of retailers. There was also a need to learn about how to manage deliveries to retailers. "*We had no truck for deliveries. We used an ordinary car with some freezing boxes. And we took all opportunities. If a potential customer called us, we immediately jumped in*

the car and drove there with an initial order. There was no organization and planning of the routes. As the customer base increased, this became a very time-consuming way of running a business!"

Further learning related to the ingredients and the pricing of the product. In 2010, many customers didn't see the importance of local ice-creams and Jan soon realized that he had to explain why they should pay a premium for his ice cream when compared to Unilever/GB across the square. Jan says: *"At this time, the trend for locally produced and organic ingredients wasn't so apparent. It was my sister who set us on track and within a few years, we were certified. Now, this is a big USP for us. We use milk from a local dairy farm. We use rhubarb and strawberries from a local producer, and so on across the range."*

In 2015 the two siblings realized that operations were too complex and they decided to split the business. The result was that Jan's sister stayed with the grocery shop and Jan took sole ownership of the ice-cream business. *"When my sister and I split operations in 2015 we took external help to conduct a thorough audit. In this audit, we realized that the shop had essentially sponsored the ice-cream business in the first five years. So, after 2015 I had to step up to make both ends meet."*

To develop the business, Jan focused on increasing the number of retailers and invested in a truck. Today 80 retailers regularly stock their ice cream, all situated within an hours' drive from Grenna. While most of them are food stores, the list also includes restaurants, tourism spots, conference centres, and coffee shops. Finding new retailers during the non-summer period remains a challenge. Jan recently met food shop owners in Stockholm, gaining a lot of interest. This is good, but there are challenges associated with this opportunity, as it is costly to develop and maintain a wider distribution network.

Jan also set up a board with two business development experts who serve as advisers. This is important as he is the only full-time employee and alone in the business most of the year. His uncle and mother help him out when needed and this summer his sister came back to the business on a part-time basis (she sold the grocery shop in 2020). Moreover, every summer he employs six young people (aged 14-18) as summer workers. Jan tries to have them return each summer for 2-3 years and works hard to empower them. In that way, he can leave them to run the café themselves while he produces and delivers ice cream. In 2020 the business turn-over is 1,8 MSEK and the profit margin is 13%.

Jan has identified several future opportunities including the development of summer hot spots. The plan is to *"develop the café activity into a concept where we sponsor "summer hot spots" with a free freezer, some equipment, and an exclusive supply agreement. Perhaps this could turn into a kind of café franchising?"*

The challenges of the industry

Changing customer tastes

The entry of plant-based ice-creams (manufactured by Oatly), which are enjoyed by vegetarians and those who want to avoid animal proteins is a challenge. A further product issue is frozen yoghurt which has an annual growth rate of 35%. A frozen yoghurt stand happens to be GGs largest competitor in Grenna. Frozen yoghurt is often marketed as a healthier alternative to ice cream due to its lower fat content while being perceived as indulgent.

Creating brand experiences

Experiences are increasingly important to consumers. Ice cream stores can add an experience to the consumption of ice cream, for example, Parallo Gelato (<https://parallelogelato.com/>) where customers are engaged with production. In contrast, brands that are sold in retail stores rely on

the consumer to create the experience for themselves. Finding ways to impact this experience, such as in the development of new flavours is one way to increase awareness and impact sales, but there are also other alternatives, like linking the ice-cream brand to other local brands and making more use of place branding.

Q4 Arthur and return (5p)

- a) Arthur (1996) writes about the emergence of new management styles as being related to the notions of increasing and diminishing returns. Briefly explain the argument brought forward by Arthur. (2p)
- b) In some cases, increasing returns result in profits skyrocketing, in other sectors it instead tears the whole business apart in a violent process of creative destruction. How can this be the case? Explain and draw upon relevant concepts covered in the course. (3p)

Q5 Pattern of disruptions (5p)

- a) Describe the pattern of disruption as it is explained in the paper by Bower and Christensen (1995) concerning the disk drive industry. Why do established companies go bust according to this paper? Also, explain the pattern of displacement and the emergence of new technology. (3p)
- b) Identify three different examples of technology emergence that are inconsistent with the pattern described by Bower and Christensen. (2p)

Q6 Industry analysis (6p)

In the article by Kim & Mauborgne they argue that they present an alternative framework to the traditional industry analysis (in this exam mainly represented by Porters article). But is this really true?

- a) Compare the frameworks in the Kim & Mauborgne and Porter articles. In what aspects are they similar and in what aspects are they different? (4p)
- b) If you must choose one of the frameworks. Which one would you choose? (Motivate) (2p)

Q7 Strategic Planning (6)

When strategic planning you should consider both the organization's internal and external environment. The two articles discussed in Q6 (K&M and Porter) both focus on the external environment.

- a) Which article(s) from the reading list would you rely on when you conduct an internal analysis of an organization? Motivate (3p)
- b) How would you design an ideal analysis of the internal environment? Motivate. (3p)

Q8 Learn how to fail (6)

Cannon and Edmondson (2005) wrote an article on how great organizations learn how to fail.

- a) Following Cannon and Edmondson's framework, an organization should make effective use of failures. Does this effective use represent a resource, capability competence, or perhaps a core competence, according to Javidan (1998)? (2p)
- b) The ideas proposed by C&E seem obvious. So, why aren't all organizations learning (effectively) from their failures? Motivate (4p)

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