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INSTRUCTORS' NOTES

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CRAFTING COMMUNITY: A CASE STUDY FOR KINGS BLUFF BREWERY SOCIAL MEDIA MARKETING

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INSTRUCTORS' NOTES

CASE DESCRIPTION

The primary subject matter of this case concerns social media marketing for small businesses. Secondary issues examined include consumer behavior, social networks, and uncertainty reduction. The case has a difficulty level of three, as it is appropriate for students at the junior level. The case is designed to be taught in three class hours and is expected to require one hour of outside preparation by students. Prior to assigning this case, instructors should review pertinent theories (social network theory, uncertainty reduction theory, uses and gratification theory) and industry resources with students. See below for related content.

TEACHING STRATEGY

Following a discussion of the theories outlined within this Instructor's Manual, instructors should introduce students to industry resources such as Pew Research Center, HubSpot, Social Media Today, and Social Media Examiner, where students can gain insights concerning consumer use of various platforms. Additionally, instructors should share with students the business resources available on social networking site pages such as Facebook for Business (includes Instagram) and Twitter for Business. Finally, students may benefit from a general awareness of the utility of social media content management platforms such as Hootsuite and HubSpot. Using a combination of theory, industry resources, and case information, students will respond to the discussion questions outlined below. Additionally, instructors may wish to assign students to develop a full content strategy, with an option to include sample social media posts.

Learning objectives
1. Students will be able to identify internal and external information (and sources) required to make common decisions small business owners face when developing a social media marketing strategy.
2. Students will be able to explain the role of social media in promotional strategy.
3. Students will be able to formulate research-based, mission-centric social media marketing recommendations for the firm.

Discussion questions

1. Which social networking sites should KBB use? Who should manage them? Provide supporting rationale and research. (SLO 1)

2. Through the lens of social network theory, explain why social media is a critical component of the promotional strategy for KBB, a new business seeking to build community and grow sales. (SLO 2)

3. What uses and gratifications may drive craft beer drinkers to follow and engage with KBB brand pages on various social networking sites? How can KBB use that information to strategically develop social media content aligned with their mission? (SLO 3)

4. Think about the reasons KBB customers, both prospective and existing, may experience uncertainty. How can KBB use social media to create a sense of certainty and, ideally, move consumers toward a long-term relationship? (SLO 3)

THEORY DISCUSSION

Prior to undertaking this case, students will benefit from discussion of social network theory, uncertainty reduction theory, and uses and gratifications theory.

Social Network Theory

An understanding of social network theory can help students better understand how individuals, groups, and organizations interact with one another. Through discussion of this theory, students can prepare to design recommendations that would enable Kings Bluff Brewery to build and leverage social networks.

Social network theory considers the interconnected web of relationships between individuals and groups of individuals. In discussions and literature on social network theory, each individual (or group) is often referred to as an "actor". This theory supports the idea that social networks can determine social capital for the actors, and highlights how actors interact and work with each other. The theory also supports the notion that actors' relationships can be just as important as individual characteristics in determining behavior (Liu, Sidhu, Beacom & Valente, 2017). Freeman (1979) asserted that an increase in the number of social ties to an actor led to an increase in the number of opportunities to give and receive information, and therefore increased the likelihood of that actor becoming an opinion leader based on the actor's "degree" of centrality in the social network. Other important factors Freeman identified that influence network centrality include "betweenness" (actors who bridge a gap between other groups of actors, which affects the reach of information) and "closeness" (the distance between actors in a network, which affects the speed at which that actor can spread information to others).

Rooted in the sociological study of relationships and influence, social network theory has long supported the belief that personal influence grows stronger within more unified, interconnected social networks than less unified, interconnected ones (Friedkin, 1993). If a person feels close to their network, they will be more heavily influenced by individuals in that network and messages received from that network, especially with the knowledge that others in the network received the same message. This theory also supports the idea that the more

connected a consumer is to other consumers via social media, the more information is given and received quickly by that consumer, and it can even be expected that he or she is more likely to make specific purchases than consumers on the outer fringes of the network (Akar & Dalgic, 2018).

When considering the application of this theory to relationships that are supported via social media, modern researchers also explore the concept of weak and strong ties. Strong ties refer to the aforementioned close-knit web of relationships and serve actors by providing direct influence, and (typically) friendship. Weak ties are the friend-of-a-friend relationships that bridge the gap between groups (Granovetter, 1973). Social media has provided new means of reaching weak ties, and thus in many ways has increased their influence on the spread of information in communities and social networks (Liu, Sidhu, Beacom & Valente, 2017). As online consumers "re-tweet" or "share" content from their own weak online social ties, actors in their group of strong ties are increasingly exposed to more heterogeneous information and ideas. The information shared with strong ties may seem redundant and homogenous, while information coming from weak ties may be entirely new (Weng, Karsai, Perra, Menczer & Flammini, 2018). An analogy that students might appreciate on this topic is thinking about their nuclear family as their "strong ties" – are the dinner conversations, political views, and consumer behaviors fairly homogenous as the year goes by? When extended family comes to town for a holiday dinner, "weak ties" are added to the mix. Do family members who live far away introduce new ideas and ways of living? Which group has more influence overall? Which group provides more homogenous or heterogeneous ideas?

In the context of this case study, social network theory can help students understand how organizations can leverage a deeper understanding of social networks to create an effective strategy to communicate information about their brand and position their messages to reach larger groups (Chen, Lei & Hsu, 2019). Students should consider that consumers who connect with Kings Bluff Brewery online via social media also are connected to others in a personal social network. Reaching certain actors in a network can influence how broadly and quickly that information will spread to other actors (Freeman, 1979). The brewery would be well advised to connect with individuals online who hold a high degree of centrality in their networks and serve as opinion leaders for others. Since one primary function of social media is to share information, students should consider how this theory can be applied when making decisions about which content consumers (actors) who interact with Kings Bluff Brewery online via social media should be seeing. Students should also consider any consumers or groups of consumers who may not yet have been exposed to this content, and how they can potentially reach that group through the existing group's social network. This information can be leveraged when making decisions about spreading information about events, new products, and other announcements. Students are likely familiar with "influencer" social media posts used by national brands, but may not have considered how this concept can be applied by a local business on a mission to leverage social networks to build community and grow sales.

Uncertainty Reduction Theory

Uncertainty Reduction Theory explores the need for people to reduce uncertainty about others by obtaining information about them as they interact. People use this information to predict the other's behavior and actions, which the theory asserts is critical as the relationship develops. In recent decades, this theory has been expanded to include ideas about reducing uncertainty between not only individuals, but also organizations and brands. People turn to the

internet and social media to reduce uncertainty about people, organizations, and brands by gathering information that they perceive to be trustworthy from their online peers (Wan-Ying, Zhang, Song & Omori, 2016).

Developed in the 1970s, Uncertainty Reduction Theory is one of only a few communication theories that specifically considers the initial interaction between individuals, potentially even before verbal communication begins. People feel uncomfortable when they are uncertain about behavior or actions in a new relationship, so they tend to attempt to reduce uncertainty through interpersonal communication, affected by the following axioms: verbal output, nonverbal warmth, information seeking, self-disclosure, reciprocity, similarity, and liking (Berger & Calabrese, 1975). In modern times, many of these actions tend to occur in an online environment.

People attempt to reduce uncertainty as they initiate a personal relationship through either active strategies such as listening or initiating a conversation or passive strategies like observation (Berger & Calabrese, 1975). The same rings true for consumer-brand relationships. Organizations have found that brands that took steps to reduce consumer uncertainty (from either active or passive strategies) enjoyed higher satisfaction and loyalty among their consumers. Lower uncertainty from consumers also indicated a higher degree of perceived usefulness of products (Shin, Lee & Yang, 2017). Information reduces uncertainty by increasing the predictability of a relationship or interaction. Uncertainty is increased by deviation from social norms or previous interactions (Redmond, 2015). The less uncertainty (and more predictability) consumers feel about a brand, the more they are able to enjoy the product.

Through discussion of this theory, students can also learn more about ways brands can intentionally communicate via social media with the goal of reducing uncertainty for consumers. Hudson, Huang, Roth, and Madden (2016) found that uncertainty can be reduced and consumer-brand relationships deepened through repeated social media engagement and interactions that attribute human characteristics to the brand for consumers. One example is positioning a brand in a way that exemplifies human qualities such as dependability or creativity. Social media posts can support these attributes by providing a consistent message and content that aligns with the selected quality. The researchers concluded that brands which use this strategy often find that their consumers will apply social norms to their relationships with the brands and feel more emotionally connected to their brand – in some cases, almost as if the brand is an individual.

Brands can also carefully curate their social media content in other ways to reduce consumer uncertainty. Rich media (video, audio, interactive elements) are more effective for reducing uncertainty than lean media (text or photo only), as rich media is more engaging for the consumer and increases the frequency of visits to a brand's page (Lipowski & Bondos, 2018). While lean media may sometimes be appropriate and effective, brands should strive to post rich media when feasible to communicate with the goal of uncertainty reduction. Researchers have also reported that information gathering can result in a better and more useful consumer experience. Perrault and Silk (2015) found that consumers who gathered more information online about a medical professional (both personal information and information about the practice itself) before their appointment reduced their uncertainty and experienced a more productive consultation due to patients' increased disclosure of medical details. Consumers and brands can enjoy a symbiotic process of using online media to effectively reduce uncertainty.

In the context of this case study, Uncertainty Reduction Theory can help students understand how social media content can be leveraged and curated to increase predictability and solidify opinions regarding brand image as consumers seek to make sense out of the information

they consume. Though students are likely familiar with the functions of social media, they may not realize that consumers seek to reduce uncertainty and therefore increase predictability - even with their favorite brands. Every time the brewery shares photos, stories, videos, etc. via social media they are helping the consumer feel greater certainty about who they are as an organization that seeks to build community. Students should consider that consumers who interact with Kings Bluff Brewery online via social media might be doing so for the first time, and therefore will be forming important initial impressions based on those interactions. Additionally, consumers who interact with Kings Bluff regularly online will expect a degree of consistency in content that increases the predictability and/or confirmation of what the consumer already believed to be true about the brand.

Uses and Gratifications Theory

        An understanding of Uses and Gratifications Theory can help marketers better understand the motivations driving consumer use of social media and the value they seek to gain when they use social media, which often includes following and/or engaging with brand pages. Through discussion of this theory, students can begin to develop a research-based perspective on the types of content that will both contribute to organizational fulfillment of social media objectives and increase the likelihood users will attain gratification.

        Consumers' basal needs such as the need for belonging and self-esteem are gratified through media use. Uses and gratifications theory outlines four primary needs consumers satisfy using media: surveillance (information seeking), personal identity (reinforcement of values or beliefs), personal relationships (bonds with fictional characters and real people; fodder for interactions that enable us to connect with people in our daily lives), and diversion (a way to pass time, an escape) (McQuail, Blumler, & Brown, 1972). This theory has faded in and out of popularity over the past several decades, with a resurgence occurring in the last ten years as researchers examine intentions and communication behaviors with regards to new media. The psychological viewpoint of the theory emphasizes individual use and choice rather than grouping consumers into homogenous segments. Since multiple media platforms are now available to most consumers at their fingertips, people have more options to choose from than ever before as they make decisions about which of those platforms will meet their needs in different situations (Ruggerio, 2000).

        In modern times, uses and gratifications theory has been applied as a framework to outline three main types of motivation for the usage of social media. These include utilitarian (perceived usefulness, goal-oriented), social (building connections and relationships), and hedonic (enjoyment) motivations (Salehan, Kim, & Kim, 2017). Other researchers expand the list to include specific motivations regarding self-presentation (Hsu, Chang, Lin, & Lin, 2015). Still other studies show the micro-motivations that urge individuals to join and sustain usage of social media platforms range from keeping in touch with friends (Raacke & Bonds-Raacke, 2008) to habitual use fueled by ungratified or insatiable social needs (Wang, Tchernev & Solloway, 2012), to meeting new people and professional advancement (Papacharissi & Mendelson, 2011). Since this theory depends on both individual needs and expectations of how the media will meet those needs, evolving functionality of social media begets new nuances in ways that consumers use social media to provide gratification (Rubin, 2008). Additionally, individuals' levels of gratification can be influenced by the amount of time spent using social media. Chen (2011) found that the more time an individual spends on social media, the more

they are able to gratify their need for an informal sense of camaraderie with other users and foster a sense of belonging.

In Hsu, Chang, Lin and Lin's (2015) study, these motivations are positioned as what enables consumers to use social media, and other factors that influence their perceptions of interactions that occur via social media were explored. Their results showed that entertainment, socialization, and self-presentation impacted human-to-human interaction significantly, while all four types of motivation influenced human-to-community interaction positively. Rubin (2008) adds that other factors that influence individual choice in media consumption include individual inclinations and dispositions, the environment, and interpersonal connections. Other researchers highlighted that the gratifications sought by individuals change over time in response to gratifications obtained (Johnson & Yang, 2009).

Ruggerio (2000) stated that social media "possess at least three attributes of data not commonly associated with traditional media: interactivity, demassification, and asynchroneity" (p. 15). Since interactivity gives users control over their participation in the conversation, demassification gives them control over the medium itself, and asynchroneity gives them control over the timeframe for communication, applications of uses and gratifications theory to social media usage are still evolving in usefulness and application as the platforms continue to evolve in technological capabilities and reach.

In the context of this case study, uses and gratifications theory can help students understand why consumers use social media and which needs they seek to gratify as they use it. Though students are likely familiar with the functions of social media, they may have varied levels of exposure to information that prompts them to consider appealing to consumers' psychological needs through social media marketing and engagement. Students should consider that consumers who interact with Kings Bluff Brewery online via social media could be doing so for a variety of reasons, including:

- Surveillance: What's on tap? What time does trivia begin tonight? Which food truck will serve lunch today?
- Personal identity: Participating in events and themed evenings that align with the consumer's own value system, such as paint your pet night, dropping off donations for tornado relief efforts, attending a celebration of women in brewing, etc.
- Personal relationships: Will my friends be there? What kind of personal relationship do I have with the employees at the brewery? How does my personal patronage of/association with the brewery affect my sense of community?
- Diversion: Checking social media to pass the time or out of habit.

Students should consider each of the psychological needs a consumer could seek to gratify as they make decisions concerning which social media platform(s) and which brand page(s) they frequent.

To access the discussion question guide and epilogue, email damront@apsu.edu or woodsk@apsu.edu.

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THE PASTOR'S DILEMMA

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INSTRUCTORS' NOTES

CASE DESCRIPTION

This illustrative case study can be used to can be used to show the difficulties of working with volunteers that serve on an organization's advisory board. The case focus is on root cause analysis and problem resolution. Survey design and issues in dealing with a strong-minded leader are also considered. Upon completion of case assignments, students will be able to identify the steps in root cause analysis. The case has a difficulty level of two to three and is designed to be taught in one class hour. Depending on the depth of detail the instructor intends to pursue, preparation time for the students will take from one to two hours.

CASE SYNOPSIS

A pastor is faced with a dilemma. Although his church is located in a growing area, the church's attendance, membership, and giving are stagnant. The church's advisory panel, led by an overbearing president, believe the solution is to combine the two Sunday services into one service. They are, however, basing their decision on questionable assumptions, a lack of data not recognized by the panel, poor analysis of data that is available, and pressure from the panel's president. This case explores the dynamics of working with a panel comprised of volunteers, working with a headstrong leader, considerations for the effective process of data gathering and problem-solving, and suggestions for investigating and instituting change in an organization not typically subject to change.

RECOMMENDATIONS FOR TEACHING APPROACHES

The case is designed to be used in an undergraduate business management course to help students understand the complexities of working with volunteer boards, assertive leadership, questionable assumptions, and flawed data collection and analysis.

Students should expect to spend one to two hours studying the case and accompanying questions. Discussion of the case can be conducted in small groups or as a class. If small group discussion is selected, it is recommended that the groups be brought together before the conclusion of the exercise to compare responses to the case.

Failure to adequately examine the situation led the church leadership to make assumptions that were likely incorrect leading to a difficult and somewhat contentious decision regarding the operation of the church, specifically the combination of two services into one. The instructor may choose to initiate discussion of the problem-solving process or simply go to the questions offered in the General Questions for Class Discussion section that follows.

Root Cause Analysis & Problem Resolution

    1.   What is the root problem?

It is offered in the case that attendance had become stagnant as are revenues, coupled with little growth in membership. Initially in the problem-solving process, the requirement is to separate fact from opinion or conjecture ("What is problem solving," n.d.). In this case, it is known that attendance, revenue, and membership have essentially become dormant. So, these could be considered as symptoms of a larger problem rather than the problem itself. Lower attendance will reasonably lead to lower revenue, and with lower attendance, it could also be assumed that membership growth would slow (it is not likely that someone would join a church without first attending). With both revenue and membership tied to attendance, the analysis then becomes what is causing the lower attendance.

If this linkage is not apparent to students, a simple "why analysis" may help students see the connection. The intent of root cause analysis is to continue to ask "why" until you reach a person, process or policy ("The art of root cause analysis," n.d.). The instructor can lead the students through the "why" process and record the responses on a chalkboard or whiteboard in the classroom or an electronic whiteboard if teaching virtually. The first question would then be "why are revenues down?" and the response would be "because attendance is down." The same question then applies for "why is membership down?" and the response would be the same as before – "because attendance is down."

In terms of revenue, one might make a case that attendance would not impact electronic giving and contributions that are mailed in, which would be an insightful observation, but in this case, revenues from outside sources were negligible and had no material affect on church revenues. Affected revenue was generated through contributions during church services. Other astute students may question the revenue generated by the children's daycare noted in the case. As the daycare was primarily used by the community during the workweek, its use remained steady and, as such, neither an increase nor decrease in revenue was experienced during this time.

Since attendance is the common factor to both lower revenue and membership, the next "why" is then "why is attendance down?" One additional "why" question would then result in a response of "because people are going elsewhere" or some similar statement. The next "why" could be answered with "the customer isn't getting what he or she wants," and the process continues with "why" until we reach a point when we ask "what changed?"

The use of Change Analysis will assist in determining the root cause. Change Analysis is "applicable to situations where a system's performance has shifted significantly. It explores changes made in people, equipment, information, and more that may have contributed to the change in performance" ("What is root cause analysis (RCA)?," n.d.). A review of the case will reveal that other than a change in pastors, no other change occurred during the time under review. Graphically, this could be represented as follows:

Figure 1

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                        ┌─────────────────┐
                        │   Decrease in   │
                        │     Revenue     │
                        └─────────────────┘
        Why?              /           \            Why?
        ┌──────────────┐      Why?      ┌──────────────┐
        │  Decrease in │───────────────→│  Decrease in │
        │  Attendance  │                │  Membership  │
        └──────────────┘                └──────────────┘
        Why?         \                    /        Why?
                      ┌─────────────────┐
                      │   People Are    │
                      │ Going Elsewhere │
                      └─────────────────┘
                              │     Why?
                      ┌─────────────────┐
                      │  Not Delivering │
                      │    What The     │
                      │  Customer Wants │
                      └─────────────────┘
        Why?            /     │ Why?    \     Why?
┌──────────────┐  ┌──────────────┐  ┌──────────────┐
│   Change In  │  │     Road     │  │   Change In  │
│Facilities Where│ │ Construction │  │  Service Or  │
│Services Offered│ │ Obstructions │  │   Product    │
└──────────────┘  └──────────────┘  └──────────────┘
       │                 │                 │
┌──────────────┐  ┌──────────────┐  ┌──────────────┐
│      No      │  │      No      │  │     Yes      │
└──────────────┘  └──────────────┘  └──────────────┘
                                           │
                                    ┌──────────────┐
                                    │Different Pastor│
                                    │  Delivering  │
                                    │   Service    │
                                    └──────────────┘
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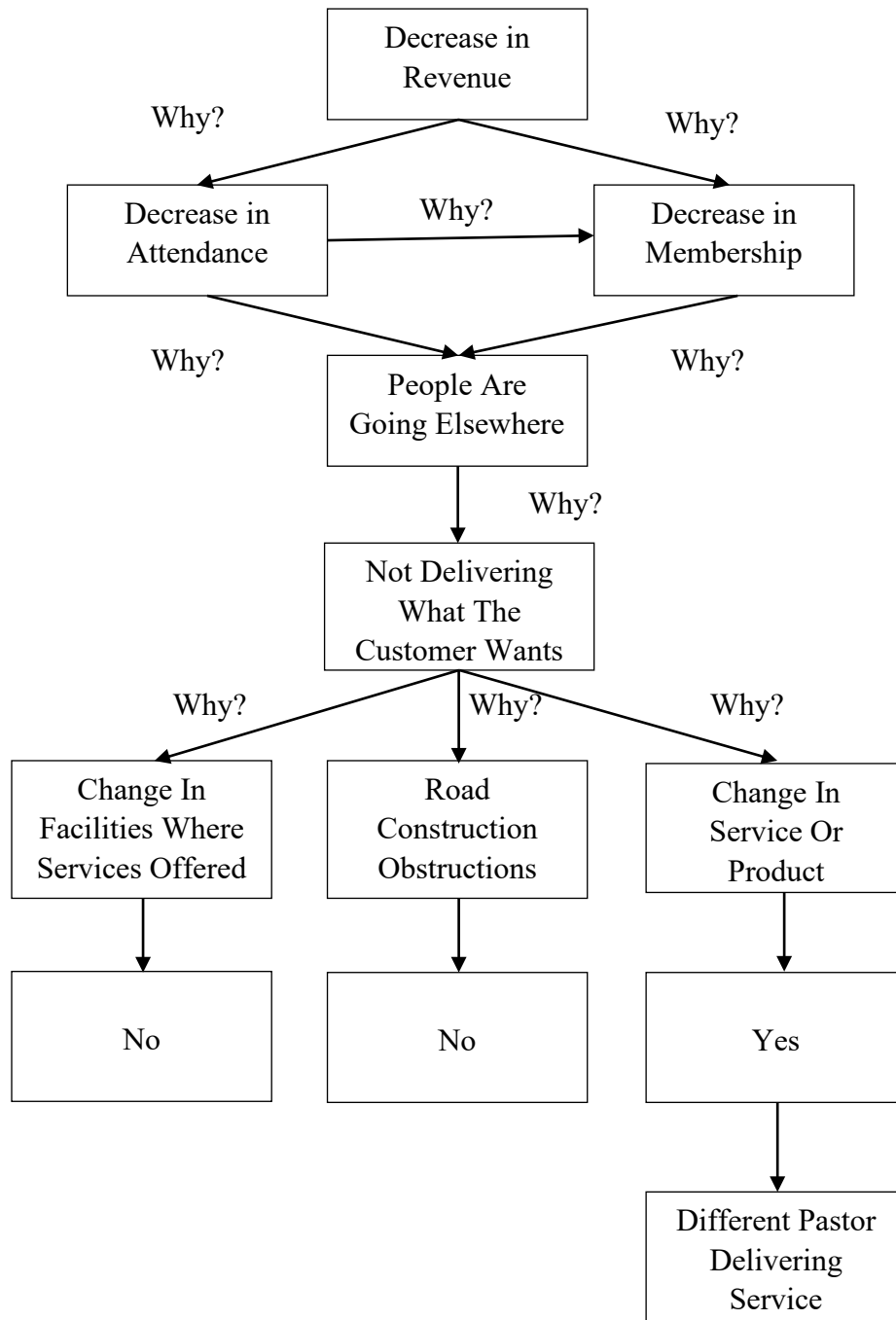
In the listing of "Not Getting What The Customer Wants," there could be additional points such as "Inclement Weather For Extended Period" or something of that nature, but the list was annotated for brevity. Note that at no time did the church council or President Paul Forthright conduct a root cause analysis ("why") or investigate changes that may have occurred

prior to and during the time of decreased attendance and membership, and lower revenues, possibly leading to an erroneous conclusion, notwithstanding the problems associated with reorienting early service parishioners to a new time and type of service.

General Questions for Class Discussion

During class, the instructor can stimulate discussion by offering the following questions and observations:

2. What should have Martin done before the vote to combine services?

In an ideal situation, Martin should have known the attendance, membership, and giving had become stagnant and, just as important, that the advisory panel was concerned enough to consider taking action. We do not know the level of communications that Martin had with Paul or the council. Martin should have had a constant dialogue with the panel so there would be adequate time to thoughtfully consider options for improving the areas of concern. As a leader, Martin should have approached the council with this information and his concerns. This situation should have entailed a plea to the congregation in general for advice. An open forum meeting or listening session, for example, informing the congregation of the benefit of voicing their opinions would likely lead to a more productive meeting ("7 keys to planning a successful church business meeting," 2018). While this may not have brought clear resolution to the situation, it would have given the council an opportunity to hear from the congregation and, in particular, those that may be adversely affected by the panel's decision.

3. What should Martin do now?

There are no clear answers to this question. Ideally, Martin should have a good working relationship with Paul as well as each member of the panel. While no one, including Martin, questioned the validity of comparing Lent's church attendance with the previous six weeks, it is an issue that could still be addressed. Church attendance typically increases during the season of Lent (Wikipedia, 2021). By comparing the current six-week period with the prior six-week period, the panel is not making a valid comparison. Assuming the church secretary has kept accurate and complete records, it would be a simple process to gather the records of attendance, membership, and giving for the same time last year. While not definitive, it would lead to a conclusion that either Paul and the advisory panel were moving in the right direction or call into question the assumptions that Paul and the council have made. At this point, Martin can either reluctantly go along with the council's recommendations or contact Paul to hold the email until the analysis could occur. It should be remembered that even this will not necessarily lead to a definitive conclusion. Regardless of the outcome of the study, it only produces additional insight.

4. What are the potential causes of stagnant church attendance and giving when the surrounding area is growing?

Depending on an individual's background, they may or may not be drawn to the beliefs of that particular church. Others, with young families, may be looking for "mega-churches" that can provide a wide array of activities (Bird, 2009). It is possible that for some potential parishioners,

the services don't "feel right." In other words, they may be in a church that does not offer the sermon content that they desire (Saad, 2017).

Note that while this question specifically deals with the church and its parishioners, the instructor could draw an analogy with any service or retail business and how it attempts to serve its customers. In order for a business to be successful, it must satisfy the needs of its customers. To satisfy that need, the business owner/operator must identify the needs and wants of the business's customers ("Identifying customer needs," 2016).

5. Did Paul and the advisory panel adequately explore those potential causes?

No. Paul and the advisory council assumed (possibly erroneously) that the cause of the stagnation was relatively low attendance at each of the services. The meager attendance led to a lack of participation which was followed by smaller monetary contributions. They did not consider other causes of the low attendance but quickly concluded that the proper action would be to combine the services. They did not survey the parishioners before any action to uncover possible factors impacting attendance and membership. At no time did any members of the panel consider the possibility that the pastor may not be adequately meeting the needs of the congregation. An anonymous survey utilizing email, postal mail, and direct deposit questionnaires with open-ended questions would likely give insight into the issue (Askopinion.com, n.d.).

6. Does Paul's vision for the church differ from the other council members' vision?

Possibly. We don't have a definitive answer to this question. Paul states that he would "turn this church into something to be proud of," indicating that there are some facets of the church, at least from his viewpoint, that are in need of improvement. The fact that church council members did not make any overt efforts to challenge Paul's actions may be subtle agreement with Paul's assessment and actions or it may be that no one on the panel was willing to challenge Paul's authority ("10 Reasons why small churches stay small," 2013).

The complicity with Paul's actions may be indicative of peer pressure that each council member felt to not raise objections to Paul's directives, or the reluctance of the members to disrupt the apparent harmonious nature of the council. Two phenomena may be occurring during this time. Groupthink, particularly self-censorship, may be causing council members to remain silent during discussions of Paul's vision and methods of improving church attendance (Cherry, n.d.). The need to conform, as illustrated by the Solomon Asch experiments, may have induced peer pressure among the members to comply with the majority wishes, even though their views may have contradicted the opinions of others in the group (Mcleod, n.d.). These actions may have also impacted the discussions regarding the combination of services. In the case of Paul's vision and the council meeting on combining the services, council members may have either been reluctant to voice disagreement with Paul or other council members, or believed it was important to remain unified in the face of significant changes and decided to suppress their true attitude toward the topics being discussed.

7. What leadership characteristics should the church advisory panel consider when electing a president?

First, it should be someone that is a member of the church, providing an indication that they are committed to the church, and willing to assume the leadership position. They must also be willing to dedicate the time necessary to actively participate in all aspects of panel activities (Grisham, 2020). Ideally, that person would have served on the church council for a period of time so that they understand the goals of the council and has developed the relationships with its members which will foster communication among panel members. Effective church leaders will be team players and work well with others to get things done (Patricia, 2018). As the president is charged with leading the council, it would seem that formal or informal training in management and leadership coupled with some understanding of business concepts would be needed ("Is business training for church staff necessary?" n.d.).

It is important that the leader of the council have good communication skills ("Great leaders have strong interpersonal skills," 2019). This includes listening as well as engaging other organizational members in conversations rather than a top-down distribution of information (Groysberg & Slind, 2012). With the improved flow of communication, trust will build between the council president and council members ("Leadership communication: How to build trust in the workplace," n.d.), likely fostering more robust discussions and avoiding Groupthink and peer pressure to conform. Prior to the election of a council president, members should evaluate the leadership skills that the candidate will bring to the position. While it may be difficult to assess a candidate's skills, the exercise should at least give the council's members pause to consider the working relationship they will have with their newly elected leader. While it is not known if Groupthink or the need for conformity played a part in the council's decision-making process, or if Paul had forced the council to accept his recommendations, it is important that the council consider the ability of the leader to adjust his or her leadership style to accommodate the council members' personalities. Identifying a candidate as an authentic leader or as someone that will intimidate others (Schneider, n.d.) will play an important part in setting a positive working relationship between the council leader and members.

8. Could Chris or Martin have taken action to avoid the situation?

Team building for the council may have helped members be more thorough in their approach to church issues. Due to Chris's upbeat personality and lack of significant problems during his tenure as the church pastor, there was little need for introspection on the church council. This inaction could be viewed as a partial failure of his leadership in not ensuring the panel was ready to navigate adverse situations, regardless of who was leading the church. Ongoing team building for the council may have helped the members proceed with a comprehensive investigation of the drop in attendance and revenues rather than relying on the more vocal members. After assuming the position of pastor, Martin should have become aware that the council had not undergone any team building instruction. At that point, he could have successfully implemented the training (Watkins 2016).

9. Based on your coursework, what else could have been done to either prevent the situation from occurring or minimize its effects once implemented.

Each class will have different responses to this question. Based on the courses completed and practical experience, students could be expected to note the need for open and honest communication between members of the advisory board, its president, and the pastor. This should include recognition that while leadership of the council is necessary, each member should be provided the opportunity to voice his/her opinion without peer pressure for a particular course of action. Also, it should be noted that the role of the pastor is key to the success of the advisory board by setting expectations of behavior and church goals.

Some students oriented toward a leadership view may recognize Paul Forthright's value as a leader in a different capacity. While he may be viewed as "bullying" the advisory board's members into decisions that may or may not be in the church's best interest, his personality type may be useful in specifically defined areas such as negotiating contracts for landscaping services or building renovations.

Those students focused on strategy may point out the need for a comprehensive view of the services offered by the church and a prioritization of those services based on importance and urgency ("Time Management Matrix by Stephen Covey - Urgent vs Important" 2009). Other students, possibly those with an interest in the field of human resources, may draw attention to the need for an "onboarding" process for new advisory committee members. This will ensure that new members will have exposure to the board's expectations and norms of behavior.

10. Do we know for certain that the combination of services is the sole reason for the increase in attendance?

No. Combining the services during one of the periods when church attendance typically increases may lead to a "false positive." In other words, the panel has decided to implement a change when it is difficult to determine the true cause of the change (Weems, 2016). No mention was made as to whether the combined total attendance for this year was compared to the total attendance of both services for last year at the same time (Lent). This comparison would likely give a better indication as to whether the combination of services is responsible for the increase in attendance rather than making the comparison with the preceding six weeks (Wikipedia contributors, 2021).

Survey Issue Questions for Class Discussion

11. Were there any potential issues with the survey and the method to distribute the survey?

Yes. Distributing the survey only by email is problematic for several reasons. First, the church office used the email addresses of those parishioners that it had on file. There are no assurances that the church office had email addresses for all of its parishioners. For survey purposes, results may be skewed if households are surveyed rather than individuals (Hubrich & Wittwer, 2014). While the church office has email addresses of some of its parishioners, the

email address may be for a household rather than an individual. As a result, the advisory council may get one response from a family rather than multiple responses representing every member of the group, which could vary significantly. Also, visitors and potential members may not have provided the church office with an email address. As a result, the church council may be missing those attendees that are evaluating the church and could provide a fresh opinion of the church service. The survey did not offer open-ended questions to allow respondents to voice their opinions on topics but rather the degree of their satisfaction toward the question's focus. The panel did not consider that the parishioners may be able to offer insight into areas for improvement without Paul's significant influence.

12. How could the survey be improved?

No questions were asked regarding the message or content of the services. Paul and the council assumed that the pastor and the content were meeting the parishioners' expectations. As noted in the epilogue, this may have been an erroneous assumption. Since neither Paul nor anyone on the council had knowledge of proper survey design nor root cause analysis, they made erroneous assumptions and neglected to ask basic open-ended questions such as "What could be done to improve the services?" and "What do you see as the critical need of this church?" (Dawer, n.d.). By making these assumptions and bypassing fundamental questions regarding the church and its services, the council missed the opportunity to identify the likely reason(s) for the decline in attendance – the pastor was not able to engage the congregation. The council, moreover, did not start the process by querying the congregation when it was evident that attendance was slipping. While students may assume that that the advisory council would be knowledgeable of the feelings and attitudes of the congregation, Paul's assertive personality may have moved the council to start with the assumption that the pastor's personality and his sermon delivery were acceptable to the congregation, and it must be something else that is the cause of the decrease in attendance. Note that Paul's survey does not comprehensively address specific elements of the church service. It does, however, include a brief assessment of the physical attributes and environment of the church. As a result, no information was gathered on other segments of the service that could be improved.

ADDITIONAL INFORMATION

Although it was not addressed by Paul or the council members, the elimination of the early church service created significant change to the routines of the church members. In order to facilitate a successful transition, rather than distributing an email or making an announcement from the pulpit informing the congregation of the revised schedule, the president and council should have initiated a process for introducing the change to the congregation. This would likely have reduced the resistance to the elimination of the early service and helped pave the way for any future schedule revisions. The use of Kotter's 8-step process for leading change ("The 8-Step Process for Leading Change," 2016) would increase the likelihood that members of the congregation were "on board" with the change in church service offerings rather than having the change dictated to them by a group whose primary function was to represent the congregation.

The instructor may choose to introduce another facet of Paul Forthright's actions. During the council's vote regarding the combination of church services, Paul held a vote by a show of

hands. A visible sign of voting has been shown to affect others through peer pressure (Crossman, n.d.). Paul, with a domineering personality, may have reinforced that effect thereby resulting in a biased vote by the council. Instructors interested in the effect of peer pressure are directed to the film "12 Angry Men" starring Henry Fonda which, among other topics, includes the power that one person has to elicit change.

EPILOGUE

After the combining services, the church experienced minor growth in attendance, membership, and giving. Not long after the implementation, however, Martin transferred to another church. The new pastor was energetic and excited about his new assignment. During his tenure, attendance, membership, and giving increased significantly to the point that within a year of the new pastor's arrival, Paul and the advisory panel reinstated the 8:30 AM service. Paul was convinced that he had solved the problem by combining the services and his actions got the church through the difficult period. As a comprehensive analysis of the attendance and membership was never conducted, including the previous period of Lent, the root cause will never be known.

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HARIBO AND THE GUMMI BEAR BUSINESS:
A STICKY SITUTATION

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INSTRUCTORS' NOTES

CASE DESRIPTION

The primary subject matter of this case concerns decisions about business and international strategy in an industry with slowing growth, increasing competition, and customer power. Secondary issues examined include the strengths and weaknesses of internal operations, the role of company culture and history, and leadership.

This case is appropriate for advanced undergraduate and graduate level students who have had exposure to strategic analysis and strategy formulation. The case can be used at different stages in a strategy course by focusing on different strategy concepts brought out in the case.

Students should expect to spend two hours preparing for the case discussion. The case can be discussed in the classroom in one to one and a half hours depending on instructor preferences and discussion style.

CASE SYNOPSIS

HARIBO is a storied German confectionery company founded in 1920 by Hans Riegel, Sr. and is the creator and manufacturer of the famous Goldbears, a bear-shaped gummy candy sold around the world. Over its 100-year history this small family business grew into a key player in the international sugar confectionery industry.

Hans Guido has led the third generation of this family business since 2013. Since then, HARIBO has been in a tremendous process of change responding to current shifts in the industry and in consumer tastes and trends. Global competition is impacting growth in an already slow-growing industry, and those competitors are innovating their product offerings in response to market demands. Customers, the retail giants, and online grocers, are consolidating and gaining more power. More and more consumers are focusing on the content of the foods they eat and the health impacts.

High turnover in key management positions has been an issue as new executives could not adapt to the business culture. A move to new headquarters in 2018, including the introduction of a new ERP system, did not go smoothly as production problems during implementation resulted in empty store shelves negatively impacting sales for HARIBO and their

customers. Adding to the internal turmoil, unfair and unethical practices by some of HARIBO's suppliers were exposed in a televised documentary on German public broadcasting, casting a shadow on the company's storied image.

The company is making minor changes around the edges as its competitors are using product innovation to meet shifting customer tastes in both domestic and global markets. The question remains if HARIBO can change rapidly enough to hold onto market share, profitability, and margins.

LEARNING OBJECTIVES

This case study aims to present a complex and dynamic international corporation in the ultra-competitive sugar confectionary space. The challenges discussed in the case provide students with the opportunity to analyze a complex system of issues and develop their own unique evaluations. This family offers a learning lens onto business and international strategy levels in an industry with slowing growth, increasing competition, and customer power.

TEACHING PLANS

The HARIBO case offers insights on how the global sugar confectionary industry has evolved and the challenges that the German family company, HARIBO faces in this industry. The case covers business strategies and international strategies.

This case can be used in many dimensions as it covers aspects of both domestic and global market strategic moves. However, the case primarily covers the topics from a Business Strategy point of view. The HARIBO case can also be used to demonstrate how a family business with can grow to be a leader in its industry. By learning from its mistakes, a business can experiment with new forms and ways of doing business.

In a capstone Strategic Management course, the case can be taught toward the end of the semester. Students can do a comprehensive assessment of the organization beginning with assessing strengths and weaknesses and culminating in determining a strategy for the company. The case is useful in bridging the importance of understanding how changes in an industry require changes to even the most successful organizations. The case also allows students to perform a comprehensive internal analysis using the value chain and relate it to whether the company can gain or maintain a competitive advantage.

APPROPRIATE CLASS LEVEL

We believe that this case works best in the International Strategy lesson of a Strategic Management course; the case can also be used with a variety of other courses. This case can be used in International Business class, Globalization class, or Competitive Business Strategy class.

Course: Strategic Management, International Business, Corporate Entrepreneurship, and Family Business (undergraduate and graduate candidates). A prerequisite knowledge of an understanding of the Porter's 5-Forces and Generic Strategies may be useful for the readers.

LEVEL OF DIFFICULTY

The authors wrote the case in a style that overviews the situation, but intentionally avoids guiding students through specific application questions or any analytical framework. Subject style enables the instructor to adjust class discussion to accommodate students with a broad range of abilities. Specifically, instructors can invite graduate and undergraduate students to reason through a situation where uncertainty exists, and speculation may be required.

AMOUNT OF CLASS TIME REQUIRED FOR PREPARATION AND DISCUSSION

The case is designed to be taught in one to one and a half class hours and is expected to require one to two hours of outside preparation by students for reading and analysis. Each instructor may differ regarding the depth of discussion and detail in which aspects of the environment and firm strategy are discussed.

ASSIGNMENT QUESTIONS

As noted in the "Learning Objectives" section, the opportunity exists in the case to engage in speculation. The authors of this case believe that students will respond to this uncertainty and see an opportunity to exercise their ability to reason logically in the face of uncertainty. The questions presented below cannot be fully answered without some degree of speculation. In the answers provided for each question, the authors provide their interpretation. Each instructor using this case is encouraged to do the analysis as well.

Summary of Questions

1. *What business level strategy has HARIBO followed?*

2. *What are the internal strengths and weaknesses of HARIBO?*

3. *Determine whether the internal resources give HARIBO a competitive advantage. If so, is it sustainable?*

4. *What international strategy has HARIBO followed?*

5. *Identify the current problems facing HARIBO, and discuss the causes and reasons for the onset of these problems? Discuss the role Hans Riegel Jr. played in this context? Identify HARIBO's current strategic focus and discuss whether you think this is the right path to take, or not the right path.*

6. *Do you think HARIBO has been too concentrated in one product area? Explain your answer in terms of the impact of that decision on the company's future.*

Discussion Questions and Responses:

1. ***What business level strategy has HARIBO followed?***

During *strategic analysis*, the leader in the organization does "advance work" to anticipate unforeseen environmental developments, identify unanticipated resource constraints, assess changes in his or her preferences for how to manage. During *strategy formulation,* the organization addresses the issue of how to compete in a given business to attain competitive advantage. Strategies are formulated at the business, corporate, and international levels. Entrepreneurial initiatives may also play a role. In *strategy implementation*, the leader must ensure proper strategic controls and organizational design and establish effective means to coordinate and integrate activities within the firm, as well as with suppliers, customers and possible alliance partners.

A *business-level strategy* is a strategy designed for firm or a division of the firm that competes within a single business. Within the firm's industry environment *generic strategies* include basic types of business level strategies based on breadth of target market (industrywide versus narrow market segment) and type of competitive advantage (low-cost versus uniqueness).

Here are the three *generic strategies* that are used to overcome industry forces and achieve a competitive advantage:

- Overall cost leadership
    - Low-cost-position relative to a firm's peers.
    - Manage relationships throughout the entire value chain.
- Differentiation
    - Create products and/or services that are unique and valued.
    - Non-price attributes for which customers will pay a premium.
- Focus strategy
    - Narrow product lines, buyer segments, or targeted geographic markets.
    - Attain advantages either through differentiation or cost leadership.

Generic strategies are plotted on two dimensions: competitive advantage and strategic target. The overall cost leadership and differentiation strategies strive to attain advantages industry wide, while focusers have a narrow target market in mind.

Both casual observation and research supports the notion that firms that identify with one or more of the forms of competitive advantage outperform those that do not. To achieve a sustainable competitive advantage, Haribo must assess its ability to contend with other confectionery manufacturers, especially its main rivals, the national competitors in the sugar confectionery like Katjes and Storck in Germany, as well as global players Mars Inc. and

Mondelez International. Ask the students which strategy they think Haribo should pursue, and why.

Students should identify differentiation as the business level strategy. This is evidenced by the focus on marketing and sales of the brand, HARIBO, across the globe. With sales offices placed strategically in 27 countries they are able to establish relationships with their customers and provide excellent customer service. They use customer feedback and data when developing new products and flavors. Using their marketing prowess, the company is attempting to set themselves apart by convincing the consumer that their product is of premium quality and is unique in comparison to competing products. While efficiencies are important in order to maintain a level of competitive parity in the industry, cost leadership is not a strategy this company pursues.

2. What are the internal strengths and weaknesses of HARIBO?

Identifying internal strengths and weaknesses is the first step in building a resource base to achieve a competitive advantage. Building on the strengths and working to improve the weaknesses that are necessary for success is how skilled managers build a capable organization. It is part of the decision-making on resource allocation. Students should be able to identify the following for HARIBO:

Strengths	Weaknesses
Imbedded history and storied image	High turnover in key management positions
Strong presence in international markets for production and sales	Poor implementation of a new ERP system
Strong brand recognition: Goldbears are a registered trademark	Poor implementation of move to a new headquarters impacting distribution
Acumen for acquisition of local brands and integrating them into the organization	Inadequate management of the supply chain left the company vulnerable to damage to their storied image due to unethical and unfair supplier practices
New product development: Hans Jr invented approximately 200 candies	Company leaders are slow to recognize the need to change and are making small incremental changes in a rapidly changing industry
Product diversification within the industry segment	Management looked upn as old-fashioned and patriarcal
Strong focus on and understandig of children, what appeals to them, and the type of advertising that will draw them to the product	Family in-fighting over control
Localization of products to the varied international markets (Could also be see as a weakness)	Too much variation in products across markets
Packaging for different types of consumption	Too much variation in packaging

3. Determine whether the internal resources give HARIBO a competitive advantage. If so, is it sustainable?

How firms compete and how they attain and sustain competitive advantages go to the heart of strategic management. In short, the key issue becomes: why do some firms outperform others and enjoy such advantages over time? The viability of a firm's success is driven by both the internal operations of the firm and the desires and preferences of the market. Firms that succeed have the appropriate resources and cost structure to meet the needs of the industry and general environment.

When one firm attempts to outperform others, it is important to figure out how this could be done. The answer may lie in how that firm arranges its activities and creates unique bundles of resources that allow it to attain and sustain a competitive advantage. Students should assess the relationships between the elements in Haribo's *value chain*.

Remember, value-chain analysis is a strategic analysis of an organization that uses value-creating activities. Value is the amount that buyers are willing to pay for what a firm provides them and is measured by total revenue, a reflection of the price a firm's product commands, and the quantity it can sell. A firm is profitable when the value it receives exceeds the total costs involved in creating its product or service. Creating value for buyers that exceeds the costs of production (i.e. margin) is a key concept used in analyzing a firm's competitive position.

Based on the relationships between these elements, Haribo can decide how to sustain a competitive advantage.

Haribo's *value chain* is captured visually in the diagram below:

Value chain activity	How does Haribo create value for the customer?
Primary:	
Inbound logistics (distribution facilities, material control systems, warehouse layouts)	Hard to assess. Need information on inbound raw material supplies (sugar, gelatin, etc.).
Operations (efficient workflow design, quality control systems)	Anecdotal reports that Paul Riegel was a knowledgeable engineer, constructed machines for greater efficiency and was very concerned for quality.
Outbound logistics (consolidation of goods, efficient scheduling, finished goods processing)	Focused on short distribution ways – builds factories in the local market.
Marketing and Sales (motivated salespeople, innovative advertising & promotion, effective pricing, proper ID of customer segments & distribution channels)	Sales offices around the globe in 27 countries; innovate marketing, well-known slogan, local campaigns, and customer engagement; effective promotions like the single flavored Goldbears;
Service (ability to solicit customer feedback & respond)	Haribo is highly engaged with local customers and is frequently asking them for opinions on new products and feedback.

Secondary (or support):	
Procurement (win-win relationships with suppliers, reduced dependence on single supplier)	Since Haribo is accused with worrisome conditions at its suppliers, the relationship and control-system in place doesn't seem to work well
Technology development (state of the art hardware & software, innovative culture & qualified personnel)	Paul's creation of machinery and technologies meant ability to help grow the business; new SAP system state of the art software
Human resource management (effective recruitment, incentive & retention mechanisms)	Hard to asses. Need information on Human resource management.
General Administration (effective planning systems to establish goals & strategies, access to capital, effective top management communication, relationships with diverse stakeholders)	Hans Riegel Jr. was credited to be an effective yet patriarchic leader, great innovator and genius marketer; Paul Riegel was credited as the technology head; Recently the company's management is revamped, and a lot of top executives left only after a couple of months.

Primary Activities

In terms of primary activities, the key to Haribo's ability to differentiate itself in the market appeared to reside in its operations, marketing and sales, and service. In all three areas there appeared to be a consistent focus on quality and innovation.

SUPPORT ACTIVITIES

With regards to support activities, a competitive advantage can be achieved by developing a strong general administration that is built around visionary leadership and a culture that pushes for technological innovation. Hans Riegel appeared to be able to inspire excellent performance from his company. He also realized that the relationship with customers is a key for success and showed commitment to local engagement opportunities. His brother Paul appeared to realize that fostering quality and technological research is important. His own engineering knack helped to find innovative solutions.

In addition, see the concept of the *resource-based view of the firm*, and the three key types of resources: *tangible resources, intangible resources*, and *organizational capabilities.* A firm's strengths and capabilities – no matter how unique or impressive – do NOT necessarily lead to a competitive advantage. The resource-based view of the firm takes the perspective that firms' competitive advantages are due to their endowment of strategic resources that are valuable, rare, costly to imitate, and costly to substitute. Without these unique resources, the firm can only attain competitive parity. RBV goes beyond a SWOT analysis to integrate internal and external perspectives in a broader competitive context. RBV can reveal how core competencies embedded in a firm can help it exploit new product and market opportunities.

An important issue to focus on here is the importance of intangible resources like innovation and reputation. Especially in mature brands, sustaining reputation is essential. Look at resources that are controlled by Haribo that might enable it to develop and implement value-creating strategies. Based on their reading of the case, students might identify those resources to include:

One of basic questions strategic management tries to answer is: *How do organizations create competitive advantages in the marketplace that are not only unique and valuable, but also are difficult for competitors to copy or substitute?*

Tangible Resources:

Financial: Even if there is no financial report, the case suggests that HARIBO is financially sound. All expansion efforts and acquisitions have been funded from within the company. It has always been family run and was never in need for outside investments.

Physical: Owned significant manufacturing capacity – 16 production sites. Just moved their headquarters to a new production facility with state-of-the-art equipment and software.

Technology and R&D: Goldbear is a trademark. Machinery developed by Paul Riegel is proprietary. Recipes for their products are kept secret.

Organizational: Effective communication and synergies between its subsidiaries (e.g. using the same slogan, sharing TV campaign around English speaking countries) indicate it has the resources here to make good organizational decisions. However, recent organizational changes indicate that there is need for improvement.

Intangible Resources:

Human: Hans Jr. and Paul Riegel had been visionary leaders with complementary skill sets, each a subject expert in their respective roles. In addition, HARIBO seems to have a high number of long-time employees and promotions happen within the firm.

Innovation and creativity: Appears to be a great strength based on the continual expansion of products and flavors, as well as the creative marketing.

Reputation: Brand name seems to be an important factor. Brand recognition of HARIBO in Germany for example is 98%. Engagement and customer interaction (digital, local, educational). "Quality above all" was not only a slogan for Paul Riegel but he was adamant the company deliver.

Brand reputation will have suffered due to the recent reports about the conditions of workers in Brazil and pigs in Germany at HARIBO's suppliers.

Students should use the resource-based view of the firm to analyze the resources as valuable, rare, difficult to imitate, and easy to organize across the company. What is important to note is that the continued success and growth of the company, now run by Paul's son Hans Guido Riegel, was based on the foundation built by the brothers, Hans and Paul Riegel. Specifically, uniformly high-quality standards for its products, the development of new product ideas, the innovation and development of production equipment and technology, and the marketing strategy developed by the brothers.

Looking at HARIBO's successful past, the more intangible resources such as reputation and recognition could be the reason for their competitive advantage. It is difficult to assert that these intangible assets will provide a sustainable competitive advantage given the changes in the nature of the industry and increased globalization.

Another important point is that while much of the success is attributable to the brothers, this can be a problem for future sustainability. The corporate structure, culture and management was aligned to and concentrated on their ideas and leadership. When success of a company is imbedded in a few top leaders, a typical problem of family-owned businesses, once they are gone it is difficult to carry on in the same way. HARIBO's future success will rely on Hans Guido Riegel's ability to revamp the organization to be more contemporary, while keeping focus on superior quality and stringent product development.

3. What international strategy has HARIBO followed?

The two opposing pressures that come with international expansion are pressure for cost reduction and pressure for local responsiveness. There are four global strategies to consider that companies use to compete in the global marketplace: international, global, multi-domestic, and transnational. The strategy firms select depends on the degree of pressure that it is facing for cost reductions and/or for adapting to local markets.

Students should argue that HARIBO is pursuing a multi-domestic strategy or transnational strategy (or something in between). Students should explain why they think it is one or the other (or something in between).

Some possible arguments

Pressure for Local Responsiveness:

HARIBO's business strategy is based on convincing consumers to pay a premium for its products. Differentiation is their key to success as mentioned throughout the case. HARIBO's regional subsidiaries are very independent. Countries' best-seller lists differ greatly because HARIBO is tailoring its products to the local customer preferences – remember, even the secret recipe for its Goldbears differs.

Pressure for Cost Reduction

Pressures to lower cost are always apparent, but HARIBO is producing low-cost sugar products that it sells for a premium price. HARIBO's primary emphasis is not on cost reduction. In addition, the various global markets do not require cost reductions for this product to be affordable for the local customer. Therefore, pressure to lower cost is rather low.

On the other side, students might argue that a transnational strategy strives to optimize the trade-offs associated with efficiency, local adaptation, and learning. HARIBO uses its individual sales, marketing, and production facilities to meet consumer demands. The company also uses corporate wide systems and knowledge to enhance local business. For example, the slogan: Developed for the German market (and in German language). Being a great success, it was adopted for local markets and translated into 22 different languages. In many of the support functions they can achieve cost efficiencies. The company has always driven efficiencies in production beginning with the engineering skills of Paul Riegel and his machine designs that focused on both efficiency and quality.

4. *Identify the current problems facing HARIBO, and discuss the causes and reasons for the onset of these problems? Discuss the role Hans Riegel Jr. played in this context?*

Implementation of ERP was not executed well and cause supply chain pressure that led to customers not having their orders fulfilled timely. Reports of sharp declines in sales, in its home market, Germany. Sales of Goldbears fell - 25% from 2018-2019. Overall sales decline 10% in the same period. High turnover in top management positions. Changes in culture with a growing consumer focus on health and nutrition did not align with the core product. Increased competition from large diversified global competitors was changing the economics of the industry. Ethical issues with their suppliers surfaced that dampened their reputation. Hans' controlling nature did not allow for the preparation of other family members to take the reins of the company when he could no longer lead.

All in all, the declining situation can be viewed as leadership being wedded to the past and approaching the business as if it were not changing. Often, we see in private, and in family run, businesses that leadership pays little attention to what is changing outside of their organizations. Issues of cultural change in the external environment and industry competitive changes did not seem to be a focus of this company. Once growth and profitability began to wane, the neglect of top management in addressing these issues became apparent.

5. *Identify HARIBO's current strategic focus and discuss whether you think this is the right path to take.*

This is a more open question. The first part should be relatively easy, and the recent focus should be identifiable by all students. The second part of the question is up for some speculation and the answer should be based on argumentation. Below is information and arguments to consider. However, students may argue in a different way if they give viable reasons.

Current focus
- International Expansion Outside of Europe
    - The case mentions that Hans Guido Riegel said they want to expand outside Europe.
    - HARIBO is planning to open a large factory in Wisconsin, USA.
    - In Case Appendix 1, look at recent years, HARIBO established offices in the Asian and Middle Eastern markets, as well as the first factory outside Europe in Brazil.

Considerations for future success of that plan

There seems to be some patterns that back up HARIBO's choice to invest in foreign markets. However, there are also risks that should be addressed.

Enormous Potential in North America:
- The North American market is the third biggest sugar confectionery market in the world (see case Exhibit 3)
- HARIBO's sales have steadily increased over the last five years to become its second biggest market in terms of total sales (see case Exhibit 1)
- However, there is also fierce competition in the American market and some of the key global players are headquartered there.
- In addition, health trends are becoming increasingly apparent in North America.

Asia as biggest market
- Asia Pacific is the biggest market for sugar confectionery around the globe (case Exhibit 2)
- Customer preferences in this market are becoming increasingly like that of western cultures.
- Purchasing power has been increasing for several years.
- After opening an office in Shanghai in 2013, HARIBO had increasing sales for several years (case Exhibit 1)

South America
- The South American market is relatively small.
- Students may argue that the new factory in Brazil does not make much sense when comparing the market sizes.
- In addition, sugar confectionery and gum take a relatively big share of the market in comparison to North America, and Eastern and Western Union, where chocolate is favored.
- Labor is relatively cheap compared to other production locations.

While many of the above points indicate that HARIBO's international strategy is the right path to take, it is important that students remember that this should not be done by sacrificing its major markets or compromising its business-level strategy. Instead, HARIBO should address the problems in its mature markets to sustain its market share and foster overall growth through international expansion.

5. ***Do you think HARIBO has been too concentrated in one product area? Explain your answer in terms of the impact of that decision on the company's future.***

This is a more advanced question. Students will have to thoroughly understand the big picture, combining the recent developments of Goldbears sales, international sales, as well as HARIBO's strategy.

The case does not give an explicit answer to the question, however, keeping everything about HARIBO's successful past in mind and it can be argued that this statement is not true. Here a few things to consider when answering that question:
- Sales abroad have been growing over several years.
- Goldbears is the world's most selling fruit gummy bear, and 5th top non-chocolate candy in the world.

- Goldbears are HARIBO's brand anchor, brand recognition is mainly based on the Goldbears rather than any of the other products. In a fragmented market with an easy to imitate product it is vital that your brand appeals to the customers as premium, so the focus is appropriate and necessary.
- By diversifying the product-line they risk losing sight of the Goldbears' importance for the company and concentrating resources on less valuable products
- New product development should not be ignored and following trends (sugar free, vegan, etc.) is important, but the focus of their strategy around the Goldbears is important to the brand.
- The case is also deliberately leaving out information that HARIBO did notice that and adjusted their marketing efforts accordingly – sales for Goldbears did rise again almost immediately to the end of 2019 (while sales for other products did not fall as a result)[i]

Grading Rubric

	Advanced level understanding of the concept	Mid-level understanding of the concept	Minimal understanding of the concept	Does not understand the concept
Evaluation of Business Level Strategy	Student identifies differentiation as the strategy. Student identifies brand as the differentiating factor. Student gives evidence of marketing and sales efforts to build the brand.	Student identifies differentiation as the strategy. Student identifies brand as the differentiating factor.	Student identifies differentiation as the strategy.	Student is not able to identify a business level strategy or cites cost leadership as the strategy
Evaluation of Strengths and Weaknesses	Student identifies the major strengths and weaknesses identified in the TN.	Student identifies the strengths of brand, international market presence, and product development. Student identifies weaknesses in management and implementation of new initiatives.	Student identifies some strengths, but identifies comparatively few weaknesses.	Student identifies strengths and weaknesses that are general and not specific to the case.
Assessing Competitive Advantage	Student uses the value chain presenting both primary and secondary activities. Student uses RBV and distinguishes between tangible and intangible resources.	Student uses either value chain or RBV to assess competitive advantage.	Student uses variables from either value chain or RBV, but does not identify them using the concepts.	Student lists strengths or positive aspects of the company with no support from the concepts.
Identify the International Strategy	Student argues for Multi-domestic Strategy and gives the arguments of high Pressure for Local Responsiveness and low Pressure for Cost Reduction. Student can also argue for Transnational Strategy that combines localization to meet customer demands and efficiencies with	Student argues for either Multi-domestic or Transnational Strategy, but gives little supporting evidence from the concepts.	Student describes what they do, but does not directly identify a specific strategy.	Student does not identify or describe any International Strategy or identifies a Corporate or Business Strategy.

	production and engineering.			
Problem Identification	Student clearly articulates the problems using evidence from prior analyses: the analysis of weaknesses (ERP, management) the decline in sales both domestically and overall, and changing consumer tastes and cultures.	Student clearly articulates the problems, but gives minimal evidence from the analyses.	Student lists issues the company faces, but does not develop reasoning based in the analyses.	Student cannot clearly identify the problems put forward in the case.

[i] Kapalschinski, Christoph, and Katrin Terpitz. 2019. "Andreas Patz und Holger Lackhoff: Haribo-Chefs im Interview: „Wir haben den Goldbären aus den Augen verloren"." *Handelsblatt*, November 26, 2019. https://www.handelsblatt.com/unternehmen/handel-konsumgueter/andreas-patz-und-holger-lackhoff-haribo-chefs-im-interview-wir-haben-den-goldbaeren-aus-den-augen-verloren-/25265242.html.