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Sustainable value creation – a farm case on business model innovation

CASE STUDY

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Abstract

The agricultural sector in Sweden, as elsewhere, is affected by increased intensification and specialisation, leading to fewer and larger farms. The majority of agricultural firms acquire profits by pushing an economies of scale strategy, which is not always possible for small farms. However, there are alternative strategies. This teaching case focuses on a small farm in Sweden and offers students an opportunity to study the management of business model innovation in this context. The case explores the value creation strategy of a cattle farm and applies activities such as mapping a business model, developing suggestions for business model innovation, analysing existing and lacking managerial competences and pinpointing implications for agricultural policy. As a result, profitability, competitiveness and sustainability of the study farm should be achieved, together with acquisition of knowledge and skills by its owner. This educational case is suitable for agricultural students of different levels requiring knowledge of business and management.

Keywords: agribusiness, business model, strategy, competencies, management

JEL code: M14, M31, O30, Q13

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A teaching note has been prepared for this case study. Interested instructors at educational institutions may request the teaching note by contacting the author or IFAMA.

1. Introduction

Agriculture is of particular research interest given its environmental impacts and societal importance. Primary production and related activities make significant contributions to human health and economic growth, but also cause environmental impacts such as natural resource depletion and climate change (e.g. Campos, 2021; IPCC, 2021). Thus, development and uptake of more sustainable agricultural practices are needed.

At firm level, the majority of agri-food companies are primary producers driven by a resource efficiency logic that emphasises increasing production with fewer resources, complying with the economies of scale logic (Ulvenblad *et al.*, 2019). Hence, the agricultural sector has a strong production focus, with knowledge and innovations focusing on production-related issues rather than market developments (Spendrup and Fernqvist, 2019). Consequently, many agri-food companies focus on low-cost production to maintain profitability, which prevents them from developing more robust sustainable practices (Dobermann and Nelson, 2013; Ulvenblad, 2021; Ulvenblad *et al.*, 2016).

It is increasingly recognised that firms need to find ways to influence their revenue streams by getting more revenue per unit produced (Ulvenblad *et al.*, 2018). Agri-food companies need to take a more strategic and innovative perspective on value creation that enables them to enhance their profitability and contribute to a more sustainable agri-food sector. A central matter for those farmers seeking to renew their businesses is to develop knowledge and competences in areas such as management, marketing and strategic decision making.

This teaching case describes a Swedish agricultural firm going through the process of changing its business model. From having been a typical commodity producer of beef, the owner is now focusing on added value strategies, sustainability practices and new sales channels to improve the firm's competitiveness and create long-term business value. The case provides practical knowledge on business model innovation and illustrates the complexity in strategic, managerial decision making in small agricultural firms. In a broader perspective, it also pinpoints implications for agricultural policy. Food production in Sweden is recognised for its high standards of food safety, environmental protection and animal welfare, but also for challenges of low profitability in agri-food enterprises (OECD, 2018). This study case on a Swedish agricultural firm can therefore be relevant for students and practitioners in other countries. Specifically, the case draws on recent conceptual developments from business studies and innovation, which are applied to assist students and practitioners in exploring decision making challenges and to reveal opportunities for developing more sustainable value creation strategies in agri-business.

1.1 Business model innovation and value creation

There are numerous definitions and typologies of business models (BM). According to more recent and comprehensive definitions, BM are key business processes and structures of a firm that create value (Zott *et al.*, 2011), while allowing identification of unmet customer needs by characterising ways to address these (Teece, 2018). In other words, a BM describes value creation, delivery and capture by a firm, and firm architecture enabling this. A BM includes the activities undertaken by firms to create value, deliver value to market and capture (financial) value in return (Boons and Lüdeke-Freund, 2013). Business model innovation (BMI) refers to a change from one BM to another. For instance, a farm that is shifting its focus from cost cutting to new forms of value creation (e.g. added value) must rethink its BM and identify opportunities for BMI.

In the context of BM, achievement of competitive advantage by a firm is a leading driver. For this reason, many BM-related studies have explored innovations as a way to improve a business' and succeed in the market. As a result, BMI has become a prominent topic and it is proposed that BM can be innovated in three ways (Zott and Amit, 2010):

- by including new activities;
- by connecting activities in new ways;
- by replacing an actor who performs an activity.

The process of BMI can exemplify itself in either new models designed for a new organisation or in the reconfiguration of existing models. In a latter case, BMI involves challenges for a firm in terms of changes to internal organisational structure, managerial processes and external supply network (Mitchell and Coles, 2004). BMI requires a great deal of intelligence and creativity from a firm, as well as an understanding of its customers, suppliers and competitors. Managerial competence and knowledge are other key success factors in BMI processes.

The business model canvas (BMC), initially proposed by Osterwalder *et al.* (2005), is a commonly applied tool to map the BM of any particular firm, product or service. It consists of nine main blocks: customer segments; value propositions; channels; customer relationships; revenue streams; key resources; key activities; key partnerships; and cost structure. Using the BMC model, a firm's current BM can easily be depicted, while by creative elaboration (e.g. using notes on a board or a large white screen), alternative models or wanted states of the business can be constructed.

1.2 Competencies as key firm resources

Taking on new forms of value creation requires new knowledge and competencies, which are key resources of a firm. A firm is founded on a special set of knowledge and skills underpinning its practices and BM. A common definition of a competence includes: (1) an ability to perform a task in compliance with the required standards; and (2) dimensions of personal characteristics necessary to demonstrate competent performance (Moore *et al.*, 2002). Competitive advantages arise if there are certain competencies and knowledge in a firm which give it an advantageous market position (Barney, 1986a,b). In other words, firm-specific competencies are potential strategic assets that give a firm an advantage over its rivals. These unique resources should be valuable, rare, inimitable and embedded in the organisation. Lado *et al.* (1992) proposed the competencies of management and strategic focus and resource-based, output-based (e.g. marketing) and transformation-based competencies (i.e. the ability to transform inputs to outputs). More recently, Teece (2018) indicated the need for dynamic capabilities to sense (identify opportunities), seize (to design and refine business models and commit resources), and transform (i.e. realigning structure and culture), all supported by strategic competence. A significant task for e.g. a business advisor is to identify the different needs for capabilities and competencies, in order to help fill gaps, identify areas to improve and develop or find partners of various kinds that may provide with these competencies.

1.3 Developing routines for innovation management

Managing BM changes could be facilitated by adopting e.g. a standard process of innovation management (Tidd and Bessant, 2013). This means building new management routines, as changed practices are needed to realise the new BM. Key resources in this process can be drawn up in the BMC model and key areas for improvements can be located. The process of BM change may follow the steps of 'search-select-implement-capture' (Tidd and Bessant, 2013):

- Search – scanning the business environment (internal and external to the firm). Finding threats and opportunities for change.
- Select – deciding which signals to respond to, selecting what to change, developing a strategy.
- Implement – translating the idea into something new and launching it on the market. What knowledge, capabilities and resources are needed?
- Capture – sustaining continuous adoption and diffusion, learning from progressing, conducting organisational change, building a knowledge base, increasing revenues and profit, etc.

2. Market structure

In recent decades, Swedish agriculture has gone through a process of structural rationalisation. This has resulted in a move towards fewer and larger agricultural enterprises and changes associated with the processes of intensification, concentration and specialisation (Bowler, 1986; Swedish Board of Agriculture, 2017).

The meat industry in particular is a significant example of such development (Belk *et al.*, 2014; MacDonald *et al.*, 2000). The drivers of this transformation include technological innovations (which have resulted in increased productivity), changes in consumption patterns and the emergence of global markets for agricultural commodities (Dimitri *et al.*, 2005). Although these developments may have led to lower food prices for consumers, they have also exacerbated environmental problems (Bowler, 1986), which are now high on the global policy agenda (e.g. FAO, 2017). Lower prices for agricultural commodities have also contributed to relatively lower incomes for farmers and suppliers, and additional economic pressure has emerged as buying, food processing and retail have become increasingly concentrated to fewer actors (Howard, 2008). In addition, there has been increased vertical integration, where the retailer often exercises power upstream in the value chain, putting pressure on primary producers to cut prices and gain economies of scale at farm level (Murphy, 2008; Sexton, 2000).

2.1 Cattle farming in Sweden

According to the Swedish Board of Agriculture and Statistics Sweden (2017), the total number of farms in Sweden decreased from 96,600 in 1990 to 64,600 in 2015. For the specific sector of beef production, the number of farms decreased by around 4% annually in the same period, from nearly 50,000 farms in 1990 to 17,500 in 2015 (Swedish Board of Agriculture, 2017). This structural change has been accompanied by the collapse of the former dominant (near monopoly) co-operative for meat producers, which after Sweden's entry to the European Union in 1995 was deeply affected by the low-price competition and unable to pay competitive prices to its members (Nilsson and Lind, 2015). Between 2002 and 2006, membership of the main meat co-operative in Sweden declined from 33,000 to 22,000, and in 2007 the former co-operative was sold to a foreign stock company (*ibid.*).

Many farmers have thus left meat production, with the smallest and least competitive leaving the business first. However, the change also affected those farms described by Porter (1991) as 'stuck in the middle', i.e. neither having the competitive advantage of economies of scale nor differentiated products motivating higher prices. Hence, as non-competitive firms have dropped out from the market, there has been a higher concentration of firms. With fewer and larger firms, the productivity per farm has also increased. As indicated in the available statistics from the Swedish Board of Agriculture (2017), covering 2002-2014, this development affected small, medium and large farms (Table 1). A large increase in market share was achieved by the smallest 25% of farms in the period, likely due to heavy dropout of even smaller farms rearing cattle, thus increasing the average size and market share of larger farms (Table 1).

Generally, large and medium-sized cattle farms are more profitable than smaller farms (Table 2). The Swedish Board of Agriculture (2017) studied the productivity and structure of Swedish farms and measures profitability using cost-revenue (CR) (the ratio between the cost of production and the production value) and private-cost-benefit (PCB) (including the alternative cost for own work and land rent), as described by Davidova *et al.* (2003) and Iraizoz *et al.* (2007). For the Swedish beef sector, Swedish Board of Agriculture (2017) calculated that 67.8% of farms were profitable in the period 2002-2014 based on CR ratio, while

Table 1. Average farm size (number of cattle per farm) in Sweden, 2002-2014.¹

	Number of cattle per farm				Market share (%)			
	2002	2006	2010	2014	2002	2006	2010	2014
Small (25%)	9	19	19	19	1	15	3	3
Medium (50%)	20	39	33	31	12	29	26	25
Large (25%)	70	117	94	103	86	56	71	72

¹ Values calculated by the Swedish Board of Agriculture (2017: 39). The three farm categories (small, medium, large) are ranked by size as the 25% smallest, the 25% largest, and the remaining 50% medium-sized farms. Market share is based on total production value. Based on a sample of n=2,122 farms.

Table 2. Average profitability and percentage of profitable beef cattle farms (in brackets) in Sweden 2002-2014, based on cost-revenue (CR) ratio and private-cost-benefit (PCB).¹

	CR	PCB
Average	0.93 (67.8)	1.62 (13.9)
Smallest farms (25%)	1.00 (68.8)	1.87 (2.4)
Medium Farms (50%)	0.97 (63.1)	1.77 (4.7)
Largest farms (25%)	0.88 (72.7)	1.33 (31.6)

¹ Swedish Board of Agriculture (2017: 41). The agency's own calculations.

only 13.9% of farms were profitable based on PCB. As most farms in Sweden are private firms, farmer salaries are not included in the accounts (but can be taken as withdrawals from capital), and thus the PCB measurement is probably a fairer indication of (real) profitability. The PCB values indicate that, in reality, most owners do not take out a reasonable salary, but subsidise their business with their own 'free work'. It is also common for owners to postpone their tax-paying to coming years, for the household to rely on the salary of a spouse or partner, or to increase the loans on the property (which generally increases in value) to manage their daily lives.

2.2 The Swedish market for meat – distribution and consumption

Swedish production of beef reached 132,100 tonnes in 2017, of which 20,000 tonnes were exported. Total consumption was estimated to be 246,900 tonnes, giving domestically produced beef a market share of 53.5% in 2017 (Svenskt Kött, 2021). Overall, meat consumption per capita in Sweden has increased over a number of years. Between 1980 and 2020, total consumption of meat increased from 64.0 kg per person and year to 78.6 kg per year in 2020, with a peak in 2016 of 88.4 kg per person and year (Swedish Board of Agriculture & Statistics Sweden, 2021). Hence, meat consumption appears to be in decline in more recent years. Consumption of beef increased from 18.3 kg per person and year 1980 to 22.5 kg per person in 2020, again with a peak around 2015 of 26.2 kg beef per person and year (*ibid.*).

The conventional Swedish distribution chain for cattle goes through one of the main abattoirs and then further to either retailers (directly) or to wholesalers (e.g. for distribution to the restaurant and catering sector). In Swedish official statistics, slaughtered cattle include animals from milk production, whereas calves represent a separate category. In 2020, 420,000 animals (beef and milk cattle) were slaughtered at around 100 certified abattoirs (including smaller farm abattoirs) (Swedish Board of Agriculture, 2021). The largest actor, HKScan Sweden AB, represents around 25% of the market. Smaller abattoirs (e.g. farm abattoirs) are not reported with numbers in the official statistics due to their exposed position in relation to the main actors, but on average each handles around 150 cattle annually. Table 3 lists the five main abattoirs in 2020 and their market share

Table 3. The five largest abattoirs in Sweden and their market share in 2020.¹

Abattoir	Cattle (beef and milk), no. of animals	Calves, no. of animals	Market share
HKScan Sweden AB	103,198	5,351	25%
KLS Ugglarps AB, Kalmar	57,394	26	13%
KLS Ugglarps AB, Hörby	50,476	1,481	12%
Skövde slakteri	40,597	1,806	10%
Dalsjöfors kontrollslakteri	32,514	844	8%
Remaining 94 abattoirs	136,013	3,958	32%
Total	420,192	13,466	100%

¹ Swedish Board of Agriculture (2021), Statistics on approved slaughtered animals in Sweden, 2020.

as regards cattle (including slaughtered milk cattle and calves). In 2020, the average carcass price for heifers in Sweden was €394 per 100 kg, compared with €303 in Denmark and €272 in Germany, whereas the EU average was €323 per 100 kg (EU statistics¹, processed by the Swedish Board of Agriculture²; using weekly exchange rates from the Swedish National Bank). This indicates a price premium on Swedish meat on the Swedish market of around 22%. Heifers normally receive a price premium of around 20-25% compared with cows, and meat from the Limousin breed typically receives an additional premium due to its higher quality.

On the retail side, Swedish food retail has an exceptionally high market concentration to three main retail chains. In 2020, the largest (ICA) had a market share of 52.3% of the total food retail market, followed by Axfood (18.5%) and Coop (18.8%), and then Bergendahls (5.3%) and Lidl (5.1%). Since 2020, Axfood has acquired parts of Bergendahls, further increasing its market concentration. The total value of the Swedish food retail market was around €27 billion in 2020 (DLF and Delfi, 2021). The restaurant and catering sector had an estimated value of around €14 billion in 2019, according to Statistics Sweden (2021). No statistics are available on sales through alternative channels, bypassing the conventional system. The latest estimate of sales in non-retail (e.g. independent convenience stores, ethnic food stores, food markets, independent box schemes etc.), made in 2010, indicated that 4% of food sales were made in such channels (Statistics Sweden, 2011). However, given the increasing interest in e.g. farmers' markets, box schemes and other alternative food networks, this may be a growing market. Internationally, there are also strong indications of the importance of growing alternative food networks (e.g. Hashem *et al.*, 2017; Miralles *et al.*, 2017; Zoll *et al.*, 2017).

3. The farm case

We visited the case farm on a day in late autumn. The drive there, around an hour from the Swedish University of Agricultural Sciences in Alnarp, took us through a pastoral landscape where farmers have worked the land for more than a thousand years. Here and there lie small villages with stone houses, long avenues with old trees leading to a farm or estate, open fields, rolling hills and small copses with emblematic beeches. Above us a red kite, a typical bird of the landscape, followed our trip with great interest. Near the case farm there is a famous restaurant, with a Michelin star, making the area a culinary hotspot. In wintertime the area is sparsely populated, but in summer life blossoms when owners of summer houses (often from Stockholm) and tourists flock to the area to enjoy the rural surroundings, the nearby mile-long beaches and the particular 'northern light' that is said to characterise this part of Sweden. The region is sometimes called 'the Swedish Provence', but this epithet may only be applicable in summer time.

On reaching the farm, we could see the original farm buildings around a typical farmyard. Slightly farther away are the cattle sheds and the site of a new animal house currently under construction. We were greeted by the owner of the farm, Marten, and invited into his kitchen for a chat over coffee and sandwiches. His neighbour, Kjell, who had previously worked with marketing, also joined our conversation. He and Marten got to know each other when Kjell purchased a nearby house for his retirement. He now actively participates in discussions with Marten about his business and gives advice whenever needed. Marten has a Bachelor of Agriculture degree from the Swedish University of Agricultural Sciences and previously worked professionally with horses. He has a great interest in animal breeding and has also worked as an animal inspector and at an agricultural college for a couple of years. Marten took over the farm from his parents a few years ago.

The farm has approximately 60 suckler cows, mainly of the Limousin breed, producing 60 calves a year, which are fattened on the farm. Approximately 10 new cows are recruited annually. Following the typology provided in Table 1, the farm is considered a large-sized farm in the Swedish context, although the perception among customers and visitors is that it is rather small. The farm owns around 85 hectares of land and additional pasture (10 ha) is leased. The land is used as pasture for grazing, but also for producing feed for the winter.

¹ https://ec.europa.eu/agriculture/market-observatory/meat/beef/weekly-carcass-prices_en

² <https://jordbruksverket.se/mat-och-drycker/handel-och-marknad/priser-och-marknadsinformation-for-livsmedel>

Marten is currently the only person working on the farm, but he pays for some extra help when needed. Surplus heifers (around 30 a year) and a few of the younger cows are slaughtered at a neighbouring farm abattoir. The meat is taken back from the abattoir by Marten and packaged into boxes that are sold as 'natural pasture meat'. The bulls (which are not castrated) are sold through a middleman and not re-purchased by Marten. They are slaughtered at another local abattoir and further sold to local retailers under the label 'Limousin meat'. The rest of the cows are sold to a larger conventional abattoir at current market prices.

The new animal house that is under construction will allow Marten to increase the stock of cows to 80 animals. This will permit a better and more effective work flow, but also (hopefully) higher revenues. Marten notes that 'I use all the houses, which were originally built for piglet production. There is no room there for the production size I need. This will be like a one-time rationalisation with a larger volume'. His neighbour adds that 'these 20 more animals will give you a salary [...] and will give you limited extra work. The alternative is to decrease to 30 animals and take an ordinary job'. The animals today are located in different buildings, requiring complex logistics. Marten also claims that 'as I use all the spaces I have, it is difficult to maintain good animal welfare. I want it to work with natural breeding, calving, grouping [...] This opens up new opportunities'. Marten also considers natural breeding as a possible added value. The new building qualified for some EU subsidies.

We discussed Marten's use of his working time and how the change in production logistics may give him more time for his new way to sell his meat. He responded:

That's right, I work mostly by myself, but Kjell sometimes helps me with the sales so that I can focus. But I also have in mind that it will be simpler for me to employ someone extra when needed. Then I can work specifically only with sales and marketing a day or so per week.

Marten described the three different ways in which he sells his animals (or rather the meat):

1. The heifers are locally slaughtered at the neighbouring farm abattoir. After slaughter, the carcasses are hung for 13-14 days, cut and packaged into meat boxes and returned to Marten, who sells the boxes personally to customers in the region. The meat boxes normally contain 26 kg of beef meat in different fine-cut pieces and minced meat at a price of around €15 per kilo. Marten transports the animals to the abattoir himself, two at a time. The meat is sold under the farm's own brand. Some of the added values are that it is locally produced, free-range meat and free from antibiotics. The meat has uniformly high quality (in particular as it is meat from heifers). No specific certification scheme is followed, but through his direct contact with the customers Marten can tell them about the production and personally guarantee how the meat has been produced:

Well, I have had some questions, and it is always about whether it is organic meat. I don't think it matters for the consumer, those we sell to. Very few react [negatively] when you tell them about the production, I feel that the rearing of the animals, and their welfare, is much more important [for the customers] than if it is certified as 'organic'.

Customers are also always welcome to visit the farm and see the animals with their own eyes. Marten believes that the name of the local abattoir works as a type of 'guarantee' and signal of quality. He has gradually been able to increase the price of his products (at first, he set the price at around €9 per kilo), but is not sure if he can increase the price even more for his customers.

2. The bulls are purchased by a middleman that takes the animals to slaughter at another local abattoir. The meat is later sold to retailers as 'Limousin meat' by the middleman. Marten actually does not get a much higher price for the young bulls through this channel than he would receive from selling direct to the conventional slaughterhouse, but he dislikes seeing his animals being treated just as 'commodities':

The animals just disappear in the same bulk as all the other animals when you send them there [...] they [the conventional abattoirs] may have the formal grading [system], but my animals... they have had another, better life [...] but when they lie there in the trays on the shelves in the supermarket, it does not matter if they had a better life....

He just feels better when he knows that the meat will be sold as high-quality meat and that it can justify his production philosophy, with a high level of animal welfare.

3. The older cows are sold through the conventional slaughterhouse, at current market prices. However, Marten recently slaughtered a cow at the farm abattoir instead, to see if it would be possible to sell meat that way instead. Given that a cow weighs around 150-200 kg more than a heifer, Marten believes that this could be a profitable thing to do.

In the two latter channels, the animals are just sold to the abattoir and Marten has no further involvement in later stages of the distribution chain or in the marketing of the products sold through these channels.

The main part of the business is the personal sales of meat boxes, where Marten takes care of both marketing and distribution himself. The customers purchasing the meat boxes are mainly families in and around the city of Lund in the southern Swedish region of Scania. The families often live in small or semi-detached houses where they have freezer storage capacity for the meat. Lund is a small thriving city of around 100,000 citizens, where the main employers are Lund University, the university hospital, and knowledge-intensive industries in technology, electronics, biomedicine and food technology. Although there are other farmers selling their produce in this way, Marten has experienced no direct competition from them. He delivers the meat boxes himself with his car, a trip of around 60 km from the farm to Lund. In the beginning, he was nervous about having this type of direct contact with the customers, but the experience was more positive than he could ever imagine. He likes the positive response, but also that he can discuss his products directly with the buyer, who gives him feedback on what is better about his products compared with the alternatives. Some of the meat is also sold directly on the farm (a small farm shop). In summer, more sales take place directly in the farm shop and Marten sees good potential. Last summer, he reported:

Suddenly, people began to phone every day and ask what they could have for a barbecue in the evening. Do you have meat for the barbecue? We must have it for the evening... tonight... You have this feeling that you could sell much meat for the barbecue, but it is challenging because then they only want what is suitable for barbecue cooking. Hamburgers as an alternative could be something.

He has also sold at specialist farmers' markets in the past, but no longer does so as it was not rewarding enough. Marten also sells a part of the meat to a specialist butcher/meat shop in central Malmö. In addition, he collaborates with a local restaurant, where the main product is minced meat for hamburgers. This meat is also brought back from the local farm abattoir before being sold to the restaurant.

Marten finds the marketing part the most difficult, as it takes time and it cannot always be prioritised, except in his direct meeting when delivering the meat boxes. He sees himself as a 'producer' rather than a 'salesperson' or a 'marketer'. However, he receives good advice from the neighbour, who previously worked in marketing and advertising. Communication with customers is mainly handled through a website.³ Marten has made great efforts to promote the image of the farm he wants the customers to have. The website has plenty of photographs of cows and nature and a logo that encapsulates these symbols and values. He also participates in a collaboration with other small-scale producers, restaurants and activities along the main car route in the region. Other types of activities include the public release of the cows to pasture in the spring and family events on the farm, such as barbecues, with the aim of attracting visitors to the farm and marketing the products. The neighbour, Kjell, explained:

³ The farm's webpage can be found here: <http://www.tranaslund.se> (only in Swedish).

Well, if you look at the website, we have this picture where you walk with a bucket and twenty cows follow you down to the meadow [...] That is the real brand, the animal care, the local place. The whole website builds on photos from the meadow where the animals walk between stone walls, trees... We also try to symbolise that through the logo.

Marten also communicates through Facebook and Instagram, which are important channels for feedback from customers. However, he is concerned that the communication takes time and he would prefer to spend more time with his family. E-mail works quite poorly, he finds, as it takes so much time and he would prefer better and more simple solutions:

We have this e-mail for everything. When I opened the mail, there were like 1000 unread messages in the inbox, which had not been opened in the last year. That is not sustainable.

Kjell adds that it would be possible to have some form of customer handling system, so that things are more structured.

With his degree in agricultural science, Marten has very good knowledge about the production system. He is aware that some processes are currently too time-consuming and sees the construction of a new cattle shed as a way to improve efficiency and increase the production scale. The production environment is not optimally organised. For example, there are several different buildings, requiring much transportation between them, which makes the work flow more complicated. Marten is also unsure about how long different tasks take. When the new shed is ready, he knows that additional investments will be necessary for making the production more efficient, including new machinery and storage capacity. He feels satisfied and comfortable with his relationship with his bank. He is also a member of the local farmers' association and the Limousin association,⁴ where he can take part in discussions on breeding, participate in animal auctions and find colleagues with similar interests.

There are many work tasks on the farm. Marten does most of the work himself, but sometimes uses help if needed. Planning his time is a challenge and he believes that better competence in leadership and organisation would be a help. He gets help from his neighbour when it comes to discussing marketing and strategic issues and how to communicate with his customers. The local slaughterhouse is an important partner, but not as flexible as he would like:

Well, if I choose to slaughter a heifer and cut it into eights and sell it, then it would be just perfect, because the whole animal is sold. But with these small volumes we have, and when we sell some meat on the farm as well, we are locked-in with the cuttings the abattoir offers. We cannot always receive eights and we cannot just take out just individual parts. Well, it would be fantastic if we could elaborate some and make special cuttings sometimes.

He pointed out that the abattoir has its standard procedures for cutting up meat, and that new types of meat cuts are not so simple to obtain. An alternative he mentioned is to do some of the cutting himself. Nevertheless, by personally selling the meat to consumers he can influence his revenues in a different way than he could through the conventional channels. He does not feel that he gets paid for the added values when only selling the animals to the abattoir and believes that his animals are worth more than being just a commodity.

The firm currently has low profitability, as shown in Table 4. If Marten took out a full salary (including taxes and fees), he would actually operate at a loss. However, sales are increasing year on year, as are profits (before salary). With a larger production quantity, he will probably make an overall profit, and in recent years the economic results have significantly improved. Marten's main goal is to reach reasonable profitability in three years' time, when the expansion is complete. He realises that he needs to work on his organisation and

⁴ The Limousin association web-page: <https://www.limousin-se.info> (only in Swedish).

Table 4. Economic data for the case farm 2013-2016 (amounts in €).

The firm	2013	2014	2015	2016
Turnover	128,181	137,615	159,467	138,536
Result (profit/loss) ¹	-14,145	-9,291	495	2,045
Invested capital (assets book value)	550,774	521,376	604,138	583,006
Solidity (prudent valuation of assets)				58%

¹ The owners 'own salary' is not included in the results. In this type of company, the owner can make a direct withdrawal from the business. The withdrawal must be reported for fees and tax purposes. A withdrawal of e.g. €3,000 would give the owner around €1,600 after fees and taxes (standard tax). The average monthly salary before tax in Sweden is around €3,600 (SCB, 2021).

often feels frustrated when he wants to do more than time permits. When his family goes to the beach in the summer he needs to stay and work on the farm, but he would like to have more time with them. He fears it will take several generations to realise all his ideas and he would appreciate any good ideas to improve his situation and bind the different parts of his business together better.

4. Guiding tasks and questions

Apply the 'Business Model Canvas' as a tool for making an overview of the firm's business model. Fill out a business model canvas of the current situation.

Identify three weaknesses in this current business you think should be addressed (areas for improvement/change).

Update the Canvas with the improved business model. What would be needed to change the business accordingly?

Based on your updated canvas:

- Should Marten scale up or down?
- How should Marten market his beef?
- Should Marten hire help and if so what kind?

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Conflict of interest

None of the authors has any conflicts of interest to report.

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