



Ernst & Young Entrepreneur of the Year Case Series

TEACHING NOTES

JERRY KENNELLY

STOCKBYTE

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These teaching notes were prepared by Breda O'Dwyer and Ann Sears* as the basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

The *Ernst & Young Entrepreneur of the Year Case Series* highlights the entrepreneurial pathways and strategies of successful Irish entrepreneurs. By platforming positive role models, the cases aim to foster entrepreneurial endeavour among students. The cases are based on the Ernst & Young Entrepreneur of the Year Award finalists and are edited by Dr. Colette Henry at the Centre for Entrepreneurship Research. This project is a joint initiative of Ernst & Young, the Centre for Entrepreneurship Research (DKIT) and InterTradeIreland. InterTradeIreland is responsible for the promotion of trade and business on an all-island and cross-border basis.

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CASE SYNOPSIS

This case provides a description of a successful Irish company operating in the global digitalised photo image sector. It presents an overview of the structure of the industry and the competition operating within same. Industry moves would seem to favour the buyout or, at a minimum, a partnership between the smaller players and the larger players such as Getty Images and Corbis. A review of the Stockbyte company and its products and processes is given to inform the reader on the background and basics of the evolution of this type of company and how it deals with change. The underlying theme throughout the case is based on the entrepreneurial skills of the owner – Jerry Kennelly - and the level of impact of his family business on the company's success. The case presents the reader with a need to decide on the best strategy forward for Stockbyte and whether or not it should sell to Getty Images.

TEACHING OBJECTIVES

- To provide the student with the opportunity to develop skills in the following areas through the case study approach:
 - Reading a case
 - Assessing a case
 - Analysing a case
 - Evaluating and Interpreting information
 - Working as a member of a group to solve a business problem
 - Report and present the group's alternative and preferred solutions.
- To present students with the strategic decisions faced by the owner of a progressive SME type company such as Stockbyte.
- To highlight the strategic and tactical difficulties faced by companies operating in competitively and technologically dynamic environments.
- To examine the competitive pressures experienced by companies engaged in global mass marketing
- To give participants experience at identifying and assessing the most appropriate research techniques available to a company such as Stockbyte
- To enhance course participant's conceptual and reasoning skills by asking them to develop an appropriate marketing response to the situation faced by Stockbyte.
- To allow students to consider the impact of belonging to a family business on the success of the entrepreneur.

- To explore and develop the participant's investigative skills through employing a variety of analytical discursive type approaches such as role plays, debates, simulated board room meetings etc.

CASE QUESTIONS (THIRD LEVEL)

1. Apply Porter's Generic Strategies to this case study.
2. Assess the research techniques used by Stockbyte.
3. Critically evaluate the entrepreneurial culture within Stockbyte.
4. Assess the viability of maintaining full ownership of a company as a future strategy in a highly competitive industry.
5. Explore and critique the relevance of the marketing mix to a company such as Stockbyte.
6. Evaluate the role of the family business and role models in the success of an entrepreneurial venture such as Stockbyte.

Analysis (Answers to the above questions)

1. Apply Porter's Generic Strategies to this case study.

Students can be asked to investigate which of the three strategies (cost leadership, differentiation or focus) is observed within Stockbyte, and to justify their answer. It is suggested that this takes place on an individual basis initially and then consensus is arrived at on a group level. One suggested outcome may be as follows:

Stockbyte follows a differentiation strategy as they have developed the best website for filtering images, making it easy for customers to find what they need amongst Stockbyte's themed collection of images. Stockbyte pioneered the use of search filtration, enabling customers to filter for price, people, gender, age, ethnicity, copy space, cut out, colour, orientation and indoor/outdoor, subfiltering within those categories is also possible. By enabling their customers with this technology they are saving their customers valuable and expensive business time.

Stockbyte offer a royalty-free stock photography library of over 85,000 high quality royalty free images. They create generic images for their B2B and B2C

customers, they refuse to compromise on their pictures and believe that their images are better than rivals.

Stockbyte use their customer sales information as a form of marketing research. They know what images their customers are purchasing and, more importantly, they know what images are not being sold. Stockbyte keeps abreast of fashion trends, international magazines, a variety of TV shows and media in general, these provide a source of new product ideas and helps to anticipate the future needs of the marketplace.

Stockbyte has also developed competencies in focus and cost leadership categories. Their new product 'Stockdisc' follows a cost leadership strategy, which focuses on creating aggressively priced, carefully researched stock photography on CD and online.

2. Assess the research techniques used by Stockbyte.

Students would be asked to draw on their knowledge of different research techniques and their appropriateness to Stockbyte. This may be used as a group activity highlighting the ability of the group to assign individual tasks and reporting schedules.

Stockbyte currently employs very effective research techniques that enables them to anticipate the future needs of the market place. They pride themselves on knowing what the customer wants before the customer looks for a product. Stockbyte uses data mining to the optimum, they continuously monitor customer buying behaviour to see what their various customers are purchasing and what they are not buying. They can track sales of any customer so they know who is buying what and how often.

Stockbyte monitors the market place, market trends and competitors. They have a 'Customer Service Hotline' to help customers should they have any queries. This information can be passed on and adjustments can be made to their processes, if required. This service also develops customer relationships for the company.

An area where Stockbyte could obtain further information is by having an on-line survey for customers, if they feel it would provide them with additional, relevant needed information.

3. *Critically evaluate the entrepreneurial culture within Stockbyte.*

Students would be required to draw on their entrepreneurial theory and to explore same in a group environment within a company such as Stockbyte.

Jerry Kennelly displays an entrepreneurial flair towards business. He noticed a gap in the market and founded Stockbyte. Since its conception, the company has been creative and innovative in their processes, technologies and products and services offered to their customers.

The company was innovative in developing a filtering system for the images available on their website making it easy for a customer to source a specific image.

Creativity is at the forefront during the planning stage of the production process. Each image that is shot on location is thought through during the first two months of the process in the Tralee location.

The company has won numerous awards for the business that has been developed. These can be attributed to the fact that the culture within the company is flexible, innovative and adaptable. They need to respond to change quickly, and they do.

Their mission statement alludes to intrapreneurship, as follows:

- Exceed expectations.
- Be ourselves – passionately creative.
- Craft the most relevant images to the highest standard.
- Leverage the best technology online and off.
- Enjoy the ride.

(Source: Stockbyte)

4. Assess the viability of maintaining full ownership of a company as a future strategy in a highly competitive industry.

Students would look at the PROs and CONs of full ownership versus shared ownership. Lecturers could simulate a board room set up and convene a board room meeting. Certain students would be chosen to act as observers, others as note takers, others as board members and others as reporters of the outcome. The students would need to call the meeting and design the brief for the agenda of the meeting. It is proposed that a 'brain storming' session would be applied, implemented, recorded and reported on accordingly.

Full Ownership:

PROs:

- ✓ Undiluted interest(s)
- ✓ Maximum control
- ✓ Minimum conflict
- ✓ Centralisation of knowledge and expertise
- ✓ Possible 'entry' barrier
- ✓ Benefits of the experience and learning curve
- ✓ Economies of scale.

CONs:

- ✓ Possible 'myopic' vision
- ✓ Limited resources
- ✓ Reduced negotiating for future VC funding
- ✓ Restricted product portfolio.

Shared ownership:

PROs:

- ✓ Greater Objectivity in decision making
- ✓ Access to increased resources
- ✓ Increased negotiating power
- ✓ Added vested interest
- ✓ Immediate access to a greater spread of expertise
- ✓ Spread of legal liabilities.

CONs:

- ✓ Potential conflict – delay in decisions
- ✓ Loss of focus.

5. *Explore and critique the relevance of the marketing mix to a company such as Stockbyte:*

The students would be asked to initially identify the marketing mix as being:

- Product
- Price
- Promotion
- People
- Process
- Place
- Physical Evidence.

A decision would need to be taken on the prioritising of these elements through achieving a consensus in the class. Seven groups should be formed to represent the different P's, or possibly fewer groups by amalgamating some of the P's (e.g. Process and Physical evidence) as agreed by the class. Each group would then be asked to discuss the relevance of their 'P' to Stockbyte, and to prepare a presentation and to defend the prioritisation of their marketing mix element accordingly.

Points to be included under each P could be as follows:

- ✓ Product
 - Description of the product
 - Breadth of portfolio
 - Branding
 - Product extensions
 - Product Development.
- ✓ Price
 - Is it the industry price sensitive?
 - What is the most suitable pricing strategy?
 - The potential pricing conflict between the two brands.
 - The relationship to the positioning strategy.
- ✓ Promotion
 - The most appropriate and effective promotional mix to employ.
 - The value of the web site as a promotional tool
 - The lack of need for personal sales representatives
 - The value and 'knock-on' effect of positive PR
 - The value of net working in the B2B sector
 - The best spend of the promotional budget.
- ✓ People
 - An asset or a liability?
 - The need for effective recruitment.
 - The portfolio of skillset

- Management of a global workforce
- Centralisation of key skills .
- ✓ Process
 - A description of the process supporting the core competency of the six month life cycle.
 - An evaluation of this process.
- ✓ Place
 - The success possible with a virtual distributions strategy.
 - An evaluation of the functional website supporting this business
 - The cross functionality between this marketing mix element and technology in developing and maintaining the search engine technology so critical to Stockbyte.
 - The need for a HQ.
- ✓ Physical Evidence
 - What is it?
 - The importance or non-importance of this to the future success of this business.

6. *Evaluate the role of the family business and role models in the success of an entrepreneurial venture such as Stockbyte.*

Students would be asked to role play the different family influences in order to begin to appreciate their impact on the entrepreneur. This should then be followed by a debate type discussion on the issues such as:

- ✓ Place of the entrepreneur in the family
- ✓ Educational support in the family
- ✓ Age of involvement in the family business
- ✓ The different involvement played in the family business (Strategic Vs Tactical)
- ✓ The ability to influence key decisions.
- ✓ The ability to separate or not to separate the family from the business
- ✓ The importance of the role models as a parent/sibling and business partner.
- ✓ The sacrifices and willingness or not to make these sacrifices in the family all for the sake of the business
- ✓ The informal training versus formal training
- ✓ The ability to lead
- ✓ Succession planning
- ✓ The inheritance plan
- ✓ The ability to leave the family business and set up independently.

CASE QUESTIONS (SECOND LEVEL)

1. What makes an entrepreneur such as Jerry Kennelly so successful? Please provide evidence from the case study to support your answer.
2. Explain sources of funding available to Stockbyte.
3. Discuss the advantages and disadvantages of starting and developing a family business.

Analysis (Answers to the above questions)

1. *What makes an entrepreneur such as Jerry Kennelly so successful? Please provide evidence from the case study to support your answer.*

- ✓ Innovator
- ✓ Calculated risk-taker
- ✓ Organiser of resources
- ✓ Creativity
- ✓ Ability to spot opportunity
- ✓ Organiser of factors of production
- ✓ Need for autonomy
- ✓ Vision
- ✓ McClelland's need for achievement.

2. *Explain sources of funding available to Stockbyte.*

- ✓ Venture Capital
- ✓ Owners' Own Capital
- ✓ Family and Friends
- ✓ Grants
- ✓ Stock market
- ✓ Banks and/or other financial institutions
- ✓ Strategic Partners
- ✓ Business Angels.

3. *Discuss the advantages and disadvantages of starting and developing a family business.*

Advantages:

- ✓ Family Support
- ✓ Advice
- ✓ Exposure to Business
- ✓ Adoption of long term view of the organisation
- ✓ Learning from past experiences increases the store of knowledge and know-how
- ✓ Family members instil loyalty.

Disadvantages:

- ✓ Succession Planning
- ✓ Insularity
- ✓ Family conflict and governance
- ✓ Nepotism – where the family may tolerate inept or less able family members in senior positions
- ✓ Sibling Rivalry
- ✓ Politics within family factions
- ✓ Delayed decision –making.

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