



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

Master Degree Project in Knowledge-based Entrepreneurship

## **Rather Unique?**

A case study of the development company Ullersbro AB

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## Abstract

**Title.** Rather unique? -A case study of the development company Ullersbro AB

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**Issue of study.** Funding is needed in order for companies to develop and grow. However, some companies might never appeal to traditional funding alternatives. There could be several reasons for not achieving funding such as matching problems, that the expected financial return is not attractive enough etc. In some cases, advanced competence and funding are needed in order for the company to develop. This master thesis will investigate an alternative source of funding. A moderate amount of studies has been investigating the Swedish investment market, thus even less studies have contributed to the knowledge regarding investments limited to a specific geographical area in Sweden.

**Purpose.** The purpose of this master thesis is to investigate an undefined investment phenomenon. The master thesis will highlight the development company Ullersbro AB and how they operate. Thereby, gaining a greater understanding for local investment companies in Sweden and the environment where they act.

**Methodology.** The master thesis started with an initial literature review introducing the authors to understand other investment phenomena. Due to that the case company considers themselves to be unique the authors decided to use an explorative research approach. Further, a qualitative single case study was conducted. The initial literature review enabled the authors to identify concepts connected to investors. The interview guide was constructed based on these concepts. The authors made themselves familiar with the concepts and thereafter collected the empirical data. The data was collected using semi-structured interviews with members of the case company and stakeholders. The empirical data from the interviews were then transcribed and categorized according to the four topics. Later the authors acknowledged a fifth concept, legitimacy. The empirical evidence was analyzed topic by topic in relation to the literature. During the analysis, the five topics were reduced to three main concepts; Governance structure, Group Development and Network. The analysis was later used as a foundation for the

discussion, allowing the authors to answer the research question and sub-question arriving at a conclusion.

**Conclusion.** Ullersbro is a development company consisting of seven members. All members share the same goals and values, with a common urge to keep the local business environment within Lidköping and its surroundings alive. Their greatest assets are their seven individual brands, networks and competences stacked upon each other followed by its geographical anchoring. The group is built on friendship and trust where the joy of working together is central. Furthermore, Ullersbro rule under consensus and VETO, implying that all decisions are made autocratically. They do not have a predetermined exit plan and only invest in companies connected to their competence base. This due to that they prefer taking an active role engaging in board and operational work. They invest a moderate amount of money and gain control through a shareholder agreement. Their reputation within their network enables them to execute the financial strategy, using bank loans as their primary source of capital.

**Key-words.** Development Company, Local investors, Sweden, Governance Structure, Group dynamic, Network, Legitimacy

## *Preface*

First of all, we would like to thank each other for putting up with this long and effort draining project. We defeated both time, text and conflicts, and for that we are grateful. Secondly, we would like to thank our case company Ullersbro AB, and its seven members; Nils Engström, Stefan Karlsson, Anders Molinder, Wilhelm Klingspor, Lennart Hörling, Alf Almqvist and Thomas Fröjd for taking care of us, meeting us with curiosity and answering all our questions. Especially thanks to Thomas Fröjd who have been very supportive and engaged throughout this project, cheering from the sideline. Furthermore, we would like to thank Erling Håstrand, Mikael Madison, Anders Björnek and Fredrik Litmark for allocating their precious time, making our information gathering complete. Lastly, we would like to thank our supervisor Rögnvaldur Saemundsson, for all the support and wise discussions given throughout this master thesis project.

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**Rather unique? -A case study of the development company Ullersbro AB**

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# 1. Introduction

*This chapter introduces the research project. The section starts with an introduction of the research topic followed by a presentation of the case company. Further, the chapter describes the purpose of the research and states the research question. Finally, delimitations and the disposition of this master thesis is presented.*

## 1.1 Background

Small and medium-sized enterprises (SMEs) play an important role in the economic welfare of a country (De Clercq & Sapienza, 2006). However, these companies often face challenges impacting their ability to sustainability and growth (Mason & Harrison, 1995a). The commonly faced challenges are; lack of funding, lack of knowledge and/or experience in how to manage a business (De Clercq & Sapienza, 2001; Freel, 1999; Mosey & Wright, 2007). In the initial stage, entrepreneurs tend to fund their businesses through their own private money and loans from family and friends (Spinelli & Adams, 2012). As the entrepreneur has saturated family and friends he or she needs to find other financing options in order to continue develop the company (Wetzel, 1983, Lange et al, 2003; Maxwell et al, 2011; Prowse, 1998; Van Osnabrugge & Robinson, 2000). There are several options for funding at this point, however, the entrepreneur has to consider whether loans should be the source of finance or if one is willing to give ownership away. The first phenomenon is referred to as debt financing and implies that the entrepreneur takes on loans which have to be repaid with an interest. The latter is referred to as equity financing meaning that the entrepreneur raises capital by selling shares in the company. Investing in a startup is connected to risk, thus, financial intermediaries such as banks are reluctant to engage in activities connected to high risk. (SVCA, 2016a)

Private equity financing is referred to as investments in privately owned companies. Private equity stretches over a broad span, financing everything from startups to later development stages. Depending on what development stage the company is experience, different needs will be required. Frequently methods of private equity financing mentioned are Business Angels, Venture Capital and Buyout. These phenomena are means for growth and development and have been showed as a very important factor for entrepreneurial ventures. The different funding options are most often not competing, but rather complement each other. (ibid) In order for the

reader to get a common understanding of the environment, three private equity financing options will be described.

Business Angels (BA) are often referred to as a high-net-worth individual investing in small private companies using their own money (Wong et al, 2009; Prowse, 1998; Mason & Harrison, 1995b). The literature suggests BAs as a crucial investment phenomenon supporting companies positioned in a middle stage, post extracting family and friends but pre-venture capital (Wetzel, 1983, Lange et al, 2003; Maxwell et al, 2011; Prowse, 1998; Van Osnabrugge & Robinson, 2000). BAs are a heterogeneous group of people, regarding age, gender, experience and investment preferences (Wong et al, 2009; Prowse 1998). They are usually clustered and tied together through an informal network such as friends and other business associates (Wetzel, 1983). BAs can be either; wealthy individuals who lack business experience investing in businesses derived from friends and relatives, or individuals who invest based on previous knowledge, thereby helping and advising companies within a specific industry (Metrick & Yasuda, 2011).

A Business Angels can take an active or passive role when investing. (Ardichvili et al., 2002; Wong et al, 2009; Prowse, 1998). An active BA, monitor their investments by taking on a board position and advise the firm's (Wetzel, 1983; Mason, 2002; Prowse 1998). Their investments are often made in close proximity to the BAs home or working area, in order to facilitate for meetings, visits etc. (Wetzel, 1983) Furthermore, BAs can help companies to overcome the liability of smallness and newness by using its own legitimacy. Thereby enable additional funding, arrangement regarding top management teams and attract knowledgeable people to the board (Harding & Cowling, 2006; Prowse, 1998). Active BAs tend to be older and thereby more experienced regarding start-up and managing small companies or managing divisions within large organizations. These people can be anything from highly motivated ex-entrepreneurs who are skilled regarding selecting good ideas and management teams (Prowse, 1998) to local successful businessmen (Wong et al, 2009). Passive BA on the other hand, most often contribute with money without further monitor activities (Sapienza et al., 1996). Despite being active or passive, a BA usually has an investment horizon between 4 -7 years. (Freear et al., 2002; Mason & Harrison, 2002a).

Venture capitalists (VCs) primarily invest in young, high-technology companies that have a capacity for rapid growth. However, while many BAs invest in the startup phase of a company, VCs typically invest in a later stage (Avedeitchikova, 2008). Therefore, venture capital plays a



small role in the development of new businesses (Gorman and Sahlman, 1989). VCs are defined as a financial intermediary (Metrick & Yasuda, 2011), raising a fund using investor's capital and invest it directly in portfolio companies (Gorman & Sahlman, 1989). Furthermore, they only invest in privately owned companies where they can fund internal growth and take an active role helping and monitoring the company.

VCs perform three main functions. First, they screen potential investments and decide on what companies to invest in. Second, they monitor the companies and provide value-added services. Lastly, they exit the investments by selling the company or making an Initial Public Offering (IPO). It is important for the VC to take an active role in the portfolio company and therefore, takes at least one position on the board of directors in their portfolio firms. This allows the VC to provide advice and support at the highest level of the company. (Metrick & Yasuda, 2011) Because young companies often have a difficult time attracting high-quality talent and stakeholders a VCs can help and mitigate this problem by using their reputation and network. A VC who performs these value-added services could gain a competitive advantage over other investors. (Bygrave & Timmons 1992) Their primary goal it to make investments and maximize their financial return by making an exit through sale or IPO usually after 3-5 years. (Metrick & Yasuda, 2011)

When a company has experienced growth and development, they may be acquired by a specialized investment firm. Such investment is referred to as Buyout (BO). (Kaplan & Strömberg, 2009) BOs invest in a mature medium sized company. (SVCA, 2016b). They take a majority ownership in the company and work actively in order to improve the company's competitive advantages (SVCA, 2016b; Kaplan & Strömberg, 2008). A BO finances the investments by using a small amount of equity and a larger amount of money raised through a fund. The majority ownership and the mature nature of the company are what distinguish BOs from VCs. (Kaplan & Strömberg, 2008) The companies are often in need of expertise in order to continue its development. In order to enhance a company's competitive advantage, it is important that the new owners are experienced in making organizations more efficient, introducing new market or by other means facilitate for the company to reach a new level. It is further claimed that this phenomenon enables companies to become more efficient, profitable and productive as well as having a great impact on the whole industry enhancing productivity and growth. (SVCA, 2016b) BO funds tend to be rather industry specific and in order to achieve the best possible outcome they employ investment professional with industry specific

competence. The investment horizon is usually 5 - 8 years, and according to the history the most common exit is through selling to a strategic nonfinancial buyer. (Kaplan & Strömberg, 2008)

In many cases, project and companies remain unfunded. In response to this, a new funding alternative has emerged, crowdfunding. Crowdfunding is a merge of three different components; the crowd, outsourcing and the social web (Saxton et al. 2013). Crowdfunding is developed from the concept of crowdsourcing which refers to that the crowd comes together in order to create solutions, share ideas and give feedback etc. (Bayus, 2013; Howe, 2008; Kleemann et al., 2008). Crowdfunding is commonly based on a web platform, enabling people from all over the world to contribute. The phenomenon solves the problem of attracting big investors. The aim of crowdfunding is to bring the crowd together and extract small amounts of money which together becomes significant. The aggregate funding enables the idea provider to continue the development of the product or service. During this process, the idea provider also comes closer to potential customers who can contribute with feedback. More practically this imply that the idea provider is given the opportunity to tune the service or product according to customers preferences, thereby enhance the possibility of success. (Belleflamme, Lambert & Schwienbacher, 2014).

## 1.2 Problem discussion

It is clear that funding is needed in order for companies to develop and grow. However, some companies might never appeal to traditional funding options such as BAs, VCs or Buyout funds. There could be several reasons for not achieving funding; matching problem regarding industry, location or common goals or that the expected financial return is not attractive enough to only mention a few. Crowdfunding is a great option for companies which need seed money and feedback from customers. However, in some cases more advanced competence is needed in combination with extensive funding in order for the company to develop. Therefore, this master thesis will investigate an alternative source of funding.

There have been a lot of theoretical contributions regarding the more popular investment alternatives, Business Angels (Wong et al, 2009; Mason and Harrison, 1995b; Wetzel, 1983, Lange et al, 2003; Maxwell et al, 2011; Prowse, 1998; Van Osnabrugge and Robinson, 2000) and Venture Capital (Sahlman, 1990; Gompers, 1996; Gompers & Lerner, 2004; Metrick & Yasuda, 2011; Bygrave & Timmons, 1992). Research regarding Buyout (Kaplan & Strömberg,

2008; Opler & Titman, 1993; Kaplan & Stein, 1991; Cotter & Peck, 2001) and Crowdfunding (Saxton et al. 2013; Bayus, 2013; Howe, 2008; Kleemann et al., 2008; Belleflamme, Lambert & Schwienbacher, 2014) are also present in the literature. However, most of the studies take on an international perspective, thus, a moderate amount of studies has been investigating the Swedish investment market (Landström, 1992, 1993; Månsson & Landström, 2006; Politis & Landström, 2002; Avdeitchikova, 2008). To the authors' knowledge even less studies have contributed to the knowledge regarding investments limited to a specific geographical area in Sweden.

With this said, the attention will be turned to the development company Ullersbro AB, a company with a local connection to the Swedish city Lidköping. Ullersbro AB is a company which invests in companies who have great potential but lacks expertise and funding in order reach its full potential. The company was founded in 2008 and consists of seven members with a connection to Lidköping. The members have different backgrounds and possess a diversity of competences, but what they all have in common is the extensive experience regarding startup and manage companies. The group act on a local basis, with an interest in the more traditional industries. The group does not see the financial returns as the primary goal to invest, the incentive is rather to develop companies and make them sustainable. This implies that the company does not have a fixed investment horizon. Ullersbro identifies knowledge as the most prominent factor, thus, the financial contribution should enable the activities for developing the companies and reach the company's goals. Furthermore, Ullersbro wants to be distinguished from other investment phenomenon, as they accordingly to themselves conduct their business differently. They, explicitly states that they are only interested in an investment where the members' experience and expertise will matter. Thereby not interested in solely finance an idea or business. Lastly, Ullersbro will exit their investments when the company has matured or when members' competence cannot contribute to the company's further development.

### **1.3 Purpose**

The purpose of this master thesis is to investigate an undefined investment phenomenon. The master thesis will highlight the development company Ullersbro AB and how they operate. Thereby, gaining a greater understanding for local investment companies in Sweden and the environment where they act. In order to fulfill this purpose this master thesis aim at answering the following questions:

*Research Question: How can the investment phenomenon Ullersbro be defined?*

*Sub-question: Why do Ullersbro want to be distinguished from other investment phenomena?*

## **1.4 Delimitations**

This thesis main objective is to examine a single company acting on a local basis in Sweden. The authors analyze how Ullersbro operates, thus, their governance structure, group development and network are examined. Further, the authors analyze why Ullersbro wish to be distinguished from other investment phenomenon. Due to a limited time frame, the focus has not been directed to the relationship with the portfolio companies and how the operational work unfolds. Furthermore, this research highlight two common investment phenomenon in Sweden, Venture Capital and Business Angels. This in order to answer the research question. The authors are therefore delimited to draw conclusions on other geographical markets and investment companies.

## 1.5 Disposition

The following figure aim at clarify the layout of this master thesis.

1	<b>Introduction</b>						
	Background	Problem discussion	Purpose	Delimitation	Thesis disposition		
2	<b>Literature review</b>						
	Governance structure	Group Development			Network		
3	<b>Methodology</b>						
	Research design	Research strategy	Data collection	Data analysis	Research quality	Ethical considerations	Limitations
4	<b>Empirical finding</b>						
	Compiled interview material with 11 respondents						
	Governance structure	Group Development			Network		
5	<b>Analysis</b>						
	Define the phenomenon						
	Governance structure	Group Development			Network		
	Summary of Findings						
6	<b>Discussion</b>						
	Answer the research question						
7	<b>Conclusion</b>						
	Practical implications	Theoretical contribution			Suggestions for further research		

Figure 1. Master thesis disposition

## 2. Literature review

*The aim of the literature review is to present concepts that can help to understand the development company Ullersbro AB and thereby answer the research question and sub-question.*

### 2.1 Governance structure

The definition of corporate governance is quite broad and stretches across a wide setting. According to Metrick and Yasuda (2011), corporate governance is the power-sharing relationship between shareholders and managers of a company. The Organization for Economic Co-Operation and Development (OECD), defines corporate governance as: *“a set of relationships between a company’s management, its board, its shareholders and other stakeholders”*, and thus *“provides the structure of through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”* (Organization for Economic Co-Operation and Development, 2004, p.11).

#### 2.1.1 Screening

Research has identified three characteristics for how individuals identify new business opportunities. The first characteristic, search, is when an individual consciously searches within his or her own network, newspaper and other publications for new business opportunities. Second, alertness emphasizes that the individual sometimes can identify business opportunities without actively searching for them. However, the individual possesses the appropriate knowledge, preparing him or her to identify the business opportunity as it emerges. Lastly, Prior knowledge is based on information gathered through life experience. This can help enhance an individual’s ability to recognize potential and profitable business opportunities connected to his or her specific area of interest or competence. These three characteristics along with access to appropriate information are key to opportunity recognition. (Baron, 2006) Furthermore, individuals can be trained to become proficient in discovering opportunities and acting on them merely by teaching them to be alert to opportunities and search actively for them in the best places with the right tools (Baron, 2006).

### 2.1.2 Monitoring

As mentioned above, the definition of what corporate governance is, differ among actors. However, the core characteristics of corporate governance are still the same. The key to corporate governance is to meet the interests of all stakeholders. This in order to reduce difficulties between financiers and managers, known as the agency problem. The agency problem, therefore, focus on separating ownership and control within the companies to overcome difficulties with moral hazard and adverse selection. (Shleifer and Vishny, 1997) The agency problem can occur when managers in a corporation do not act in the best interest of the company but rather has a self-interest and act thereafter. To reduce the agency problem, corporate governance mechanisms are used to adjust incentives between the board and managers by creating monitoring functions of the manager. This means that the board of directors works as a monitoring unit of the managers, safeguarding the shareholders interests. (Tirole, 2006)

The board of directors plays an important role in the strategic decision-making of a company. Their primary role is to work as a monitoring unit, advice and direct the company on a long-term basis. However, Tirole (2006) points out criticism toward the board efficiency and their actual control of the corporation. He argues that the relationship between the board and the CEO often is skewed. This due to that the CEO holds the control in the corporation and not the board of directors. (Tirole, 2006) Therefore, managers should be the most influential board members as they hold the most valuable information, specific to the company's activities (Fama and Jensen, 1983).

The general commitments of the board of directors are; business strategy, development of the company, forming executive management and monitor the company through risk management. In order to perform their obligations efficiently they need to withhold the following set of factors: power, motivation, information, knowledge and time. Power is required for the board to govern and monitor the company's top management. Motivation can be explained as a driving force to overcome the agency problem and align the interests of the board with other stakeholders. The board is heavily reliant on the information they retain (Conger et al., 2000), where information asymmetry or lack of information can limit the efficiency of the board members work (Jensen, 1993). Knowledge and experience are crucial for the board of directors in order to act as an advisory function and support strategic decision making. Companies work in complex environments, therefore, the board acquires a diverse knowledge and experience

base allowing them to complement each other. Thus, time for frequent board meetings is crucial for making an efficient and good decision. (Conger et al., 2000)

### 2.1.2.1 Organizational learning

Organizational learning depends to some extent on the knowledge and learning abilities of the working individuals (Carley, 1992). According to Argote & Ingram (2000) knowledge transfer is created when a member is affected by the knowledge and experience of another member. Researchers argue that organizations that are good at transferring knowledge between organizational units are more productive than other organizations less successful in their knowledge transfer (Almeida & Kogut, 1999; Argote, Beckman, & Epple, 1990; Baum & Ingram, 1997; Hansen, 2002; Kostova, 1999). Moreover, individuals with the same training and background have a higher success rate in knowledge transfer than individuals where background and training differ (Reagans & McEvily, 2003). External knowledge transferring between firms within the same network can lead to organizational benefits (Kotabe, Martin, and Domoto, 2003). Furthermore, knowledge generation and transfer is an essential source of company's' sustainable competitive advantage (Osterloh & Frey, 2000).

### 2.1.3 How Venture Capitalists and Business Angels govern their investments

#### *Venture Capital*

Venture Capital (VC) can be seen as a financial intermediary investing in privately owned companies (Metrick & Yasuda, 2011). They raise a fund using investor's capital and invest it directly in portfolio companies. VCs primarily invest in young, high-technology companies that have a capacity for rapid growth. Due to that VCs typically invest in later stage companies more money is required. (Gorman and Sahlman, 1989) Their activities can be broken into three stages.

#### *Screening*

VCS screen hundreds of prospects for new opportunities to invest in. Out of these hundred, a few is viewed on a more detailed level and even fewer are considered as potential investments. During the screening process, a VC use its ability to evaluate the prospect through due diligence. (Lerner et al., 2012) Due diligence, often involves external consultants and experts from specific industries along with legal and financial advisors. By thoroughly evaluate the prospect, VCS does not leave any information uncertain before making an investment



decision. (Cumming & Johan, 2014) The reputation of the VC is crucial when trying to establish new relationships. They often use their contacts and reputation to make introductions that could potentially lead to new partnerships, customers, and/or suppliers. (Metrick & Yasuda, 2011)

### *Monitoring*

Once an investment is made the VC monitors the company by taking a position as a board member. The VC manage the company through board meetings, monitoring, providing value-added-services and helping the company to improve and fund internal growth. Many VCs argue that monitoring the portfolio company provide the best opportunity to add value. It is the main source when gaining competitive advantage and becoming a successful VC (Gorman and Sahlman 1989; MacMillan et al. 1989). VCs typically takes at least one position on the board of directors of their portfolio firms. By demanding one board seat, the VC gains power and influence within the company. This enables the VC to provide advice and support the highest level of the company, as well as influence strategic decision-making. (Metrick & Yasuda, 2011) Working closely with the CEO gives the VC the opportunity to become personally familiar with the daily work in the portfolio company and understand how the CEO work and make decisions (Sapienza, Manigart and Vermeir, 1996). Although it could be to the company's advantage, one must be careful regarding this opportunity due to a VC not being qualified to give strategic advice across all sectors. As active owners and board members, VCs are often involved in issues connected to human resources within the portfolio company. This allow them to evaluate management during the investment phase and replace underperforming individuals and recruit new ones. (Metrick & Yasuda, 2011) Because young companies often have a difficult time attracting high-quality talent and stakeholders a VCs can help and mitigate this problem by using their reputation and network. A VC who performs these value-added services could gain a competitive advantage over other investors. (Bygrave and Timmons 1992).

### *Exit*

The VC make an exit through sale or IPO usually after 3-5 years. The exit process put high demands on knowledge and skills of the VC as their primary goal is to maximize their financial return on investment. The exit is planned in detail, usually in consultation with investment bankers. Looking back, historically IPOs has been the most profitable exits for VCs. (Metrick & Yasuda, 2011)

### *Business Angel*

Business Angels (BAs) operates as an independent individual, investing his or her own money. Therefore, the BA can decide exactly what to invest in and how much. This decision is very much dependent on the individual BAs own preferences and prior knowledge. However, it is most common that BAs invest in startups or infant firms, this is due to that most of the BAs have experienced the founding stage. (Prowse, 1998) A BA usually acts on a local basis, implying that the prospects often are derived from one's geographical proximity or through their personal network (Prowse, 1998; Harrison, Mason, and Robson 2003). As BAs most often invest in initial phase companies, most decisions tend to be based on limited information, derived from family, friends and networks etc. (Maxwell et al, 2011; Prowse, 1998).

### *Screening*

The most important feature when screening prospects tends to be that the entrepreneur is well known by the BA or by someone else in his or her network (Prowse, 1998) A well-executed business plan is also important. However, most of the times the business opportunity is turned down based on the poor connection between the BA and the entrepreneur (Mason and Stark, 2004; Prowse, 1998). BAs are estimated to conduct approximately one investment a year. An investment can imply everything between \$50 000 to \$1 million and typically mean that the BA require a board seat in the portfolio company.

### *Monitoring*

There are three different types of BAs according to Landström (1993). The first type is very active in board work and engages very much in the portfolio companies working actively with the daily operation. The second type is active, implying that the BA is active in the board work and provide consultancy services if needed. The last type is rather passive, engaging at a very low level in the portfolio company and attend stakeholder meetings. (ibid) It is further suggested that BAs behave differently depending on their financial sophistication (Prowse, 1998). Less sophisticated BAs conduct more ad hoc investments and have less experience in evaluating business opportunities. Further, their investments tend to be rather small. On the contrary, more sophisticated BAs tend to invest more frequently, make larger investments and engage actively in order to affect the outcome. (Landström, 1993)

When an investment decision is made, two issues have to be solved; the financial and the governance issue. The financial issue is connected to the size of the investment in relation to

ownership. The most preferable from a BAs point of view is if the entrepreneur owns a significant share of the company, creating an incentive for continuous performance. The governance issue relates to the expected rate of return; this will differ from BA to BA. Most often BAs do not rely on any advanced calculations or models, but rather use one's gut feeling and rough rules of thumb. (Prowse, 1998)

### *Exit*

The investment horizon for a BA is usually around 4-7 years and the most common exit is a sale to another company (Freear et al., 2002; Mason & Harrison, 2002a). However, return on investment might not always be the most prominent aspect for the BA. Many BAs want to gain nonfinancial rewards such as being satisfied with taking social responsibility or because the investment contributes to psychic income. (Wetzel 1983)

## **2.2 Group Development**

Group development aims at describing how and why groups develop over time. This is commonly explained looking at two parameters, level of conflicts and cohesion to the group. (Tuckman 1965; LaCoursiere, 1974; Spitz and Sadock 1973; Braaten 1975; Yalom,1970; Mann, 1967; Wheelan, 1990)

In 1965 Tuckman presented a study on group development. The study arrived in four different development stages namely; forming, storming, norming and performing. Tuckman was the first one presenting a four stage model and many researchers such as Gersick (1988), Hare (1976) and LaCoursiere (1980) have continued on the same track, using four stage models addressing the same topic. However, there were also researchers that believed that Tuckman's model was insufficient. Therefore, they created their own models explaining the group development adding a break-up stage (LaCoursiere, 1974; Spitz and Sadock 1973; Braaten 1975; Yalom,1970; Mann, 1967). In response to such critique, Tuckman revised his initial model together with Jensen. In 1977 they presented a five stage model keeping the four initial stages and adding the break-up stage.

Tuckman's model from 1965 is today one of the most frequently cited within the field of group development. However, more models have been developed over time. In 1990 Wheelan presented her first version of an integrated model, explaining the group development. The

model was based on the same logic as Tuckman's model from 1965 and the revised model (Tuckman and Jensen, 1977), describing the group development in five stages. However, she added a dimension explaining how the maturity of the group affected the group development, implying that the group will not just move from one stage to another.

Furthermore, there has been a lot of contradictory research conducted regarding how friendship affects group development (Berkowitz, 1954; Baron and Byrne, 1987; Schriesheim, 1980). In 1993 Shah and Jehn presented their result of how the performance differed between groups consisting of friends and groups consisting of acquaintances. The result showed that groups consisting of friends performed significantly better, thereby called high performing groups and that acquaintances performed worse thereby called low performing groups.

Thus, several models have been developed over the years and despite the research environment has differed, the aggregated result points in the same direction.

The *initial stage* of the group development can be referred to as an orientation stage (Tuckman, 1965; Tuckman and Jensen, 1977; Wheelan, 1990; McGrath, 1991; Fisher, 1970). This stage is according to the literature something that all groups experience. The first stage is characterized by that the members get to know each other and start to familiarize with the task (Fisher, 1970; Tuckman 1965). Due to that the group has never worked together this stage also becomes a testing phase in order to identify boundaries of task behaviors and interpersonal behaviors (Tuckman, 1965; Wheelan 1990). It is also during this phase the members try to identify their position within the group and establish relations with superior and peers (Tuckman, 1965). Wheelan (1990) also point out that the group is highly dependent on a leader who points out a direction. Furthermore, Fisher (1970) emphasize that during this stage no real rules or expectations exists within the group. It is therefore, important for the members to break the ice, in order for the communication to become as good as possible. Furthermore, similarities to stage one can also be found in the behavior of a low-performing group, as such group experience a lot of intrapersonal and emotional conflicts (Shah and Jehn, 1993).

The *second stage* is characterized by discords and disagreements (Tuckman, 1965; Wheelan, 1990; McGrath, 1991; Fisher, 1970). When a group reaches this stage the sense of group cohesion have increased and members start to feel comfortable in expressing their thoughts regarding the task. This implies that the members start to disagree regarding how the task should be performed and conflicts become inevitable. However, McGrath (1991) suggest

that a group does not necessarily have to pass this stage. It is however suggested that this stage of conflicts enable the group to achieve a better outcome (Fisher, 1970; Shah and Jehn, 1993). For example, Wheelan (1990) points out that this stage leads to enhanced trust among the group members. Differences among the members will be revealed during this stage. In order for the group to survive this stage, it is important to develop tolerance and patience (Tuckman, 1965). In line with a group in stage two, a low performing group tends to experience less task-related conflicts due to that the members are reluctant towards stepping on someone's toes. At the same time, such group experiences a high degree conflicts regarding the administrative issues such as responsibility and coordination. (Shah and Jehn, 1993)

The *third stage* is referred to as norming according to Tuckman (1965). In line with other researchers such as Wheelan (1990) and Fisher (1970) this stage implies a greater group cohesion. A common view of the task is developed as well as procedures of how to reach the goal. In this stage, the members start to trust each other and negotiations become more mature than previous (Wheelan, 1990). This is also explained by Fisher (1970) who claims that, as the group structure become more clear, power struggles become less frequent and members become less likely to defend their personal standpoint. A group in stage three become cooperative, members start to express personal feelings on a deeper level and the working relationship enhances. Furthermore, the group starts to redefine standards and roles (Tuckman, 1965).

During the *fourth stage* the group has overcome conflicts and issues in favor for putting all effort into the task (Tuckman, 1965, 1977; Wheelan, 1990; McGrath, 1991). This is also in line with the research found regarding a high performing group. Such group experiences a low degree of administrative and emotional conflicts, as such conflicts do seldom arise among friends. Instead, a high performing group only tend to engage in task conflicts that could enhance the outcome (Shah and Jehn, 1993). Furthermore, this is the time where roles within the group become flexible and fully functional. At this stage, members also take pride to be part of the group as well as pride in their achievements. Open communication is also common among the members as well as success for the group. (Tuckman, 1965)

The last and final step is connected to the break-up phase (Tuckman and Jensen, 1977; Wheelan, 1990; Lacoursiere, 1974; Spitz and Sadock 1973; Braaten 1975; Yalom,1970; Mann, 1967). During this stage, it is not uncommonly that disputes arise or that this procedure becomes very emotional as the members show appreciation towards each other (Wheelan, 1990).

## 2.3 Network

Networks create access to knowledge, resources and markets among its actors (Inkpen & Tsang, 2005). The benefits of a network are sometimes explained by using the concept of social capital (McKelvey and Lassen, 2013). According to Inkpen and Tsang (2005) Social capital is “the aggregation of resources embedded within, available through, and derived from the network of relationships possessed by an individual or organization”. It provides a base for describing the characteristics and relationship between companies (Koka & Prescott, 2002) and represents the ability for companies to gain benefits by being part of social networks and other social structures (Portes, 1998). Companies benefit from the social capital by getting exclusive access to knowledge and information, leading to new business opportunities, reputation, influence and network norms. Social capital can be distinguished in two categories, individual and organizational. The individual social capital is derived from one’s personal relationships and can be labeled as private goods. This implies that the persons involved have established their relationship. The organizational social capital, on the other hand, can be seen as public good. (Inkpen & Tsang, 2005) Meaning that an organization within a network can benefit from a relationship between the other members without being a part of developing it (Kostava & Roth, 2003).

Social capital helps entrepreneurs to cope with the liability of newness and smallness when developing a new business. (Aldrich, 1999; Shepherd et al., 2000; Starr & Bygrave, 1992; Stinchcombe, 1965). Many new businesses struggle with a limited track record and low legitimacy towards stakeholders leading to high failure rate. In order to overcome issues such a liability of newness and smallness, Politis (2005) suggest that new business developers should use social and business networks to gain legitimacy and reduce uncertainties for the stakeholders.

According to the literature social capital can be explained in three dimensions; *the structural dimension, the relational dimension and the cognitive dimension* (Chua, 2002; Huysman & De Wit, 2004; Inkpen & Tsang, 2005; Lang, 2004; Nahapiet & Goshal, 1998; Tsai & Goshal, 1998; Chow & Chan, 2008)

The structural dimension refers to the different social and network relationships. These relationships define who and how one can access information. (Chow & Chua, 2008)

The *structural dimension* is usually evaluated based on the network density, pattern, hierarchy and connectivity (Tichy, Tushman & Fombrun, 1979). There are three subcategories connected to this dimension; network ties, network configuration and network stability. The social network ties provide channels for knowledge exchange. In order for knowledge transfer to occur, there have to be strong ties between the members in the network (Inkpen & Dinur, 1998). Strong ties are developed through long relationships (Gulati, 1995) and promote the transfer of complex knowledge (Hansen, 1999). Without strong ties, members of the network may feel reluctant to share knowledge as the level of trust is too low (Inkpen and Tsang, 2005). The configuration of a network structure explains the linkage and patterns within the network. Structures, such as hierarchy and connectivity affect the knowledge transfer by determining the accessibility among network members (Krackhardt, 1992). Network stability can be explained as the replacement of members in a network. If the network is unstable, it may limit the opportunities to create social capital as this disappear when members leave the network (Inkpen & Beamish, 1997; Yan & Zeng, 1999).

The *relational dimension* focuses on the direct ties between actors and refers to the level of trust between people. There are several factors within this dimension such as norms, identification and trust (Chow & Chua, 2008). However, the literature written regarding this topic emphasize trust as the most important factor (Chow & Chua, 2008; Inkpen & Tsang, 2005; Tsai & Goshal, 1998; Requena, 2003). Trust is an important factor affecting knowledge transfer and creation (Dodgson, 1993). Trust is built on social judgments (Rousseau, et al., 1998) and is crucial for the willingness of network members to share knowledge (Powell et al., 1996). Trust contributes to the willingness of free exchange of knowledge between network members without having to protect themselves against opportunistic behavior (Jarillo, 1988). As the relationship evolves and the trust develops, opportunities for knowledge transfer should increase when the efforts to protect the knowledge decrease (Inkpen and Tsang, 2005). If members in a network compete over the same resources or market, the trust can be harmed and members can become suspicious leading to limited or nonknowledge transfer due to trust issues. By applying great transparency, such issues can be reduced. By developing mutual trust and reducing the fear of opportunism, members of the network will be willing to move forward, even though uncertainties in their relationship still exist (Nooteboom et al., 1997).

Lastly, *the cognitive dimension* stands from the shared meaning and understanding between network members (Nahapiet & Ghoshal, 1998) and is based on shared goals and shared culture.

Shared goals refer to members within the network sharing a common understanding to the achievement of network tasks and outcomes. A shared vision could help the network in the ongoing process of knowledge transfer and integration. (Inkpen and Tsang, 2005) Shared culture, consists of institutionalized norms and rules that set the stage for appropriate behavior within the network (Gulati et al., 2000). However, shared norms could create higher expectations of behavior, leading to problems such as free riding and reluctance towards experimenting beyond the network (Inkpen and Tsang, 2005).

### *Legitimacy*

By using its network efficient an organization or individual can gain trust and legitimacy. Legitimacy can be described as social norms, values and expectations (Oliver, 1996) and is perceived subjectively through social constructions (Berger & Luckman, 1966). A company is perceived as legitimate, if it exercises “socially acceptable goals in a socially acceptable manner” (Ashforth and Gibbs, 1990, p. 177). Legitimacy is crucial for a company's survival as it allows the company to gain continuous flows of resources and support (Weber, 1978). According to Suchman (1995, p. 574) legitimacy is defined as “A generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995). If legitimacy is lost, it is hard to retain, as it is difficult to enter the processes of social exchange due to reduced trust (Palazzo and Scherer, 2006).

### *Strategic and institutional approach*

Research show two different approaches on how to manage legitimacy; Strategic and institutional (Suchman, 1995). The institutional approach and organizational legitimacy stem from the organizational culture described as generally accepted norms, values and beliefs in society (Dowling and Pfeffer, 1975; DiMaggio and Powell, 1983; Oliver, 1996). The institutional legitimacy, therefore, is a continuous and unconscious adaptation process where the company reacts to the expectation of its surroundings, making their ability to manage their legitimacy, limited. (Suchman, 1995)

Strategic approach is connected to the company's operational resource (Suchman, 1995) directly managed by the organization (Ashforth and Gibbs, 1990). This implies that a company's legitimacy is built upon their ability to manipulate external factors. Both passive compliance and active manipulation contribute to a company's survival. This leads to



legitimacy in terms of the company being perceived as predictable, trustworthy and meaningful allowing them to allocate resources more effectively. (Suchman, 1995)

## 3. Methodology

*This section aims at describe and motivate the methodological considerations taken in order to conduct this master thesis.*

### 3.1 Research design

Before this master thesis was initiated, a meeting with the case company was held. The authors met two representatives from the case company who introduced themselves and the business. They described themselves as an investment company where knowledge is central and money is seen as an enabler. Several times during the meeting the representatives emphasized the group constellation and its uniqueness. The conversation raised a curiosity, whereas the authors decided to investigate the company further.

The first phase consisted of an initial literature review introducing the authors to understand other investment phenomena. During this phase, the authors identified the research problem and decided upon an appropriate methodology. Due to that the case company considers themselves to be unique the authors decided to use an explorative research approach. Further, the authors decided on conducting a qualitative single case study.

The initial literature review paved the way for the second phase, identifying concepts connected to investors. These four topics were; governance structure, group dynamic, learning and network. The interview guide was later constructed based on these concepts. The authors made themselves familiar with the concepts and thereafter collected the empirical data. The data was collected using semi-structured interviews with both members of the case company and stakeholders. The data from the interviews were then transcribed and categorized according to the four topics.

The empirical data was briefly analyzed in the third phase. The authors compiled the material from all eleven interviews and combined it into one cohesive material. During this phase, the authors acknowledged a fifth concept, legitimacy. Legitimacy was added to the literature review, and the empirical data was divided into five concepts; governance structure, group development, learning, network and legitimacy.

Lastly, the empirical evidence was analyzed topic by topic in relation to the literature. During the analysis, the five topics were reduced to three main concepts; Governance structure, Group Development and Network. By conducting in-depth analysis the authors were able to find explanations and nuances to the researched phenomenon. The analysis of each topic was then summarized and used as a foundation for the discussion, allowing the authors to answer the research question and sub-question arriving at a conclusion.

## 3.2 Research strategy

### *Research philosophy*

Social science is a complex phenomenon of the dynamic nature where individuals interact. Therefore, this master thesis will take on the interpretive view, which implies that studies investigating the social world require a different logic than required for natural science. Interpretivism acknowledges differences between individuals and highlight the importance of the researcher to grasp the subjective meaning of the actions taken in the social setting. (Bryman & Bell, 2015)

### *Case study*

When choosing among research strategies it is important to consider what the study aim to answer. If the purpose of the research question is to answer “how” and “why” questions, case studies are preferable (Yin, 2003). If the purpose of the study is to understand the organizational context and the social phenomenon among a group of people a single case study is preferable (Bryman and Bell 2015). As this master thesis aims at investigating one organization, the authors decided to conduct a single case study and thereby gain deeper knowledge regarding the case company.

Some researchers argue that the result of case studies are too general. However, as long as the aim of the research is not to generalize the result, but rather understand the phenomenon, such critique is claimed to be irrelevant. (Yin, 2003) This is further a reason for choosing a single case study instead for a multiple case study that would contribute to a more generalizable result (Dyer and Wilkins, 1991).

### *Qualitative research strategy*

A case study can consist of a qualitative, quantitative or a mixed research strategy. Sampling information through words is made through a qualitative research, while sampling information

through numbers is referred to as quantitative research. Using a qualitative research method enable the researchers to conduct the empirical evidence focusing on; values, preferences, norms and actions and thereby gain a deeper understanding of the studied phenomenon. The quantitative research method explains the phenomenon based on numbers without considering the process around it. This master thesis is conducted using a qualitative research method. This decision is based on that the researchers want to focus on what Ullersbro is and how the members of Ullersbro, think, feel and experience their work. Another reason for choosing a qualitative approach is that this method is frequently used when the aim of the research is to dig deep into a phenomenon, and thereby find explanations that so far has been unrevealed. (Bryman and Bell, 2015)

Qualitative and quantitative research has been debated. Critique has been raised against the qualitative research method for having biased influences, due to personal interpretations. These accusations take departure in that it is very difficult to conduct a subjective research. This is due to that all preparations are made by the researcher, involving the researcher's own preferences, such as choosing theoretical framework, creating interview guides and selecting respondents etc. (ibid)

### *Research approach*

There are several perspectives to consider when conducting research. The two most common ones are deductive and inductive. A deductive approach refers to looking at a phenomenon in relation to existing theory. From there it is possible to drive conclusions and re-shape existing theory. The inductive viewpoint takes departure in the findings and constructs theory in accordance with the empirical findings. However, critique has been raised against the iterative design and the qualitative approach saying that it rarely generates theory.(Bryman and Bell, 2015)

An inductive approach is often referred as iterative and is commonly used when conducting a qualitative research. The research phenomenon was rather unexplored. Therefore, it was appropriate to adopt an inductive approach. The inductive approach enabled the authors to move back and forth between theory and data. Thus, draw conclusions and form a theoretical understanding regarding the phenomenon.

## **3.3 Data collection**

### **3.3.1 Secondary data**

Secondary data is referred to data which is collected and processed by someone else than the author. Relying on secondary sources implies that the data is not collected for the specific aim and that the reliability is difficult to establish. However, the advantage of using secondary data is connected to reduced costs and time saving. (Hollensen & Schmidt, 2006) In order to complement the primary data and gain a greater understanding of the phenomenon, secondary data was collected. The authors reviewed a vast amount of journal articles in order to understand what previously has been written within the field of research (Svenning, 2003), creating a literature review. These articles were retrieved for databases provided by the University of Gothenburg. Furthermore, the articles were selected due to relevance, citations and peer-reviews. Such statistics were derived from Google scholar and cross-referenced with Web of science.

In order for the authors to become familiar with the researched topic, a literature review was executed. To find appropriate secondary literature keywords such as; Investment, Business Angel, Venture Capital, Business Angel Syndication, Sweden, Governance Structure, Network, Group dynamic, Group Development, Knowledge transfer, Learning and Legitimacy, have been used.

### **3.3.2 Primary data**

Primary data is data collected for a specific research and conducted by the researcher him or herself. Common techniques used to collect primary data is through interviews, observations and questionnaires (Bryman, 2012).

#### **3.3.2.1 Semi structured interviews**

The data for this master thesis was conducted using semi-structured interviews. The decision was motivated due to the phenomenon being rather specific, allowing the authors to investigate it more thoroughly (Bryman and Bell, 2015).

The data was conducted using in-depth interviews with all seven members of the case company along with four stakeholders. These interviews were conducted using three different semi-

structured interview guides. The first interview guide was created for the members of Ullersbro (See Appendix 1), the second for the entrepreneurs conducting business together with Ullersbro (See Appendix 2) and the third for Almi and Sparbanken Lidköping, (See Appendix 3). Using semi-structured interviews with general open-ended questions, encouraged the respondents to speak freely, and incorporate personal thoughts (Eriksson & Kovalainen, 2008). Open-ended questions further allowed the interviewer to ask follow-up questions and dig deeper into interesting leads (Bryman and Bell, 2015).

An interview guide is should not leave no room for misinterpretations. In order to reduce the risk, pilot interviews were conducted, allowing the authors to test the questions in advance (Kvale & Brinkmann, 2009). The interview guide was sent out to the respondents a few days before the interview session, enabling them to prepare for the interviews. These precautions enabled the authors to gain valid information (Bryman and Bell, 2015). All interviews were recorded using two cellphones. As this master thesis have two researchers one conducted the interview and the other one observed, in order to grasp nonverbal communication. This is a common method used in order to validate the outcome, as people tend to say what you want to hear instead of what they actually feel. Hesitations and inconsistencies can often be detected by observing a person's body language and the tone of voice. (Bryman, 2012)

The interviews with the seven members of Ullersbro were held face to face covering the topics; governance structure, group development, learning and network. The remaining four interviews were conducted over the phone. During these sessions, questions connected to how they collaborate with Ullersbro were covered. Since this is an explorative case study flexibility was important during every interview session. This in order to follow up interesting leads, rather than being too tied to the original questions. (Bryman & Bell, 2015)

### 3.3.2.2 Selection of respondents

The respondents were selected according to relevance for this case study. First, it was decided upon that all seven members of Ullersbro would be interviewed. Thereby enabling the authors to gain a holistic view of the company. Furthermore, the authors decided to interview four stakeholders adding value to this research. The stakeholders were chosen based on criteria's that they work or collaborate directly with Ullersbro. During the interviews, all members of Ullersbro recognized their relationship with the local bank and Almi. This made the former CEO for Sparbanken Lidköping and their contact person at Almi two obvious candidates.

Furthermore, two entrepreneurs from two of Ullersbro's portfolio companies were interviewed. These two respondents were selected due to that they initiated the contact with Ullersbro and wanted them as co-investors.

#### *Nils Engström*

Nils Engström is the initiator and chairman of the development company Ullersbro. He holds a business degree from School of Business, Economics and Law at the University of Gothenburg. Engström started his career as a business trainee at the ABB Group with an international orientation and going abroad. Engström continued his career at Sandvik, leaving a more economy based work moving towards business strategy and marketing. Eventually, he ended up at the finish group Hackman, governing brands such as Rörstrand and Arabia. At that time, Rörstrand performed poorly and extensive work in the company eventually became the reason for moving to Lidköping. He ended his career within the export industry with the position as CEO of Hackman Designor. After Hackman Engström went into the management consultancy business at the company Ohde & Co. and worked there for ten years, meanwhile gaining experience in board work during his spare time. Since the year of 2007 Engström's main occupation is being part-owner of companies and conducting board work, as he is a member of five external boards.

#### *Anders Molinder*

Anders Molinder has a background as trained officer and holds a degree from Chalmers University of technology in mechanical engineering. He also spent one semester at the University of Kyoto, Japan. In the early 1980's, Molinder was one of the first persons to introduce the Japanese phenomenon, lean production in Sweden and has been prominent in the field of production and operations management in Sweden ever since. Molinder has a solid background as a production manager and consultant for over thirty years within the field of operation management. He has been a partner in two consultancy firms, together with Engström, Ohde & Co and JMAC Scandinavia. He has worked in many large corporations in Sweden such as Ikea, Electrolux, Volvo, Saab, General Motors, Skanska, ASKO, SKF, Ericsson to only mention a few. As a consultant, he has had the opportunity to gain experience and knowledge from diverse industries. Today Molinder is self-employed working as a consultant.

### *Stefan Karlsson*

Stefan Karlsson holds a degree from Chalmers University of Technology in civil engineering. He started his career with two years at a trainee program in engineering at VOLVO. He later became a consultant within logistic dealing with flows, supplies and rationalization of capital. This occupation led to a project at Sandvik where he met Engström for the first time. During Engström's time at Hackman, Karlsson was hired as head of logistic for the china department in Lidköping. He later became site manager for the production in Lidköping and eventually the CEO for the Swedish division. After Hackman, Karlsson worked for several years with business development at ASG, later on becoming integration controller at DANSAS. Thereafter, Karlsson changed industry and moved into fast moving consumer goods and became the CEO for Dagab and ÖoB. Due to Karlsson's previous experience within logistic and business, he was selected to assist the government with the de-regulation of the pharmacies. His involvement with the de-regulation introduced Ullersbro to the industry, enabling them to conduct their first investment. Today, he is supply chain manager at Gunnar Dafgård AB.

### *Lennart Hörling*

Hörling holds a long and genuine career within the newspaper industry. He started his career at the family-owned newspaper in the 1960's, later becoming the single owner in the 1980's. Today he owns the family business Lidköpingspress AB, together with his two children. Apart from being the owner and CEO of the family business, Hörling is also a partner in the company, Stampen, located in Gothenburg. There he has worked as chairman for several years, and today he holds a seat as one of the board members. Additionally, he is the chairman of Scandinavia's largest printing company, V-TAB AB. Hörling was also responsible for developing the first co-printing company in Europe. Furthermore, he has been the chairman of every newspaper on the Swedish west coast. Engström and Hörling have known each other for many years as Engström worked as a CEO at the newspaper, Bohuslänningen, where Hörling at that time was a partner and possessed the role as chairman.

### *Wilhelm Klingspor*

Klingspor holds a degree in forest management. An education relevant to his present occupation as he manages the old family property outside of Lidköping together with his wife. He is also active in Kinnevik, a company listed on the stock market where he has been a board member for the past fourteen years. Kinnevik are part owners in several Swedish companies, which implies that Klingspor has worked simultaneously on other boards. As he was a friend of



Engström and had extensive experience with board work and family businesses in combination with a strong financial position he was an obvious candidate for Ullersbro.

#### *Thomas Fröjd*

Fröjd is a self-made entrepreneur with deep roots in the local community of Lidköping. After two years at the mechanical engineering program at the local high-school, Fröjd had two shorter employments. He started his first company in a very simple setting together with a partner thirty years ago. From the garage, Thomas has developed a more sophisticated business and today he is a successful entrepreneur managing and owning industrial companies within the manufacturing sector. As the company has grown Fröjd is now active on several boards. Fröjd and Engström have had a business relationship for many years and Fröjd himself believe that he is one of the members due to his entrepreneurial spirit and prior achievements.

#### *Alf Almqvist*

Almqvist is another successful self-made entrepreneur from Lidköping. He started his business Fyrkantens Ventilation, at the age of 30. The company operates within the ventilation industry and has expanded to own real estates in Lidköping. Thereby, Almqvist has gained solid experience and competence from these industries. Furthermore, he has a genuine experience from board work. Alf recognizes himself as one of the more passive members of Ullersbro as he only takes part in board work, but not working actively within the portfolio companies.

	Ullersbro	Porslinsfabriken i Lidköping AB	Apotek Vita hästen AB	SWE Bostad AB	Chrisma AB
Nils Engström	x	x	x	x	x
Anders Molinder	x	x	x	x	x
Stefan Karlsson	x		x	x	
Lennart Hörling	x				
Wilhelm Klingspor	x			x	
Thomas Fröjd	x				x
Alf Almqvist	x				

Figure 2. Occupation chart

#### *Erling Håstrand*

Håstrand has until recently possessed the position as CEO at Sparbanken Lidköping, the bank which is contracted as Ullersbro's main bank.

#### *Mikael Madison*

Madison works as a financial advisor at Almi Företagspartner, which is an important collaboration partner for Ullersbro. Almi was chosen due to that they previously mediated one of the portfolio companies.

#### *Fredrik Litmark*

Litmark is the entrepreneur and majority owner in one of Ullersbro's portfolio companies Chrisma AB. Chrisma AB is Ullersbro's latest acquisition. Litmark was chosen as a respondent due to that him initiating the contact with Ullersbro.

*Anders Björnek*

Björnek is the entrepreneur and majority owner in one of Ullersbro's portfolio companies, SWE Bostad AB. He was chosen as one of the respondents due to SWE Bostad being frequently mentioned during the interviews with the members of Ullersbro. Furthermore, he was an interesting respondent due to him initiating the contact.

### **3.4 Data Analysis**

The data was collected through semi-structured interviews during a three-week period. Due to the interviews being spread out, the authors could transcribe the interviews as they were conducted. The authors began conducting single face-to-face interviews with all seven members of Ullersbro. These interviews followed the same interview guide, however, the interviews gradually shifted focus, from being general to specific. The development allowed the authors to detect nuances and follow-up interesting leads. After interviewing Ullersbro the authors conducted four interviews with stakeholders. Two separate interview guides were used, one for the entrepreneurs and one for the Sparbanken, Lidköping and Almi. The interviews followed the same structures and were conducted over the phone.

The interviews were as previously explained, recorded and transcribed word by word. During this phase, the authors decided to keep the data material in the original language Swedish. After transcribing all the interviews, the material was printed out on paper. Each interview was reviewed by both authors. Thereafter, markers were used to categorize the interviews according to the following topics; governance structure, group development and network. During this stage, the authors removed data, not relevant in order to answer the research question. However, this material was kept, if needed at a later stage.

In the following phase, the categorized data was compiled into one cohesive material. During this stage, the analysis took shape, as different opinions and thoughts became evident. Further, the authors identified a fifth concept, legitimacy. Lastly, the material was translated into English. The English version of the empirical evidence was then used in the analysis. The empirical evidence was analyzed according to the five main concepts; Governance Structure, Group Development Learning, Network and Legitimacy. These concepts were later reduced into three main topics; Governance Structure, Group Development and Network, based on

relevance. These concepts help define Ullersbro and answer the research question and sub-question.

As mentioned in section 3.3.2.1 Semi-structured interviews with the members of Ullersbro were conducted, where both authors were present. One of the authors led the interview while the other observed, allowing the authors to grasp nonverbal communication and other contradictories. These observations did however not lead to any contradictory result. Lastly, the authors do believe that the empirical evidence conducted was sufficient in order to understand Ullersbro. This due to that all interviews pointed in the same directions both with the members and stakeholders.

### 3.5 Research quality

When conducting a study, it is important to gain trustworthiness, known as credibility. Credibility can be divided into two concepts, validity and reliability. Validity is connected to the accuracy of the study, while reliability focuses on the replicability. (Silverman, 2006)

#### *Reliability*

Critique has been raised towards qualitative research, accusing it of being subjective and heavily reliant on the researcher's point of view (Bryman and Bell, 2015).

Reliability aims at making a study replicable. The research should be stable over time, allowing other researchers to conduct the same study and arrive at the same result. Reliability can be divided into internal reliability and external reliability. (Bryman & Bell, 2015)

External reliability can be described as “the degree to which a study can be replicated” (Bryman & Bell, 2015, pp. 395), however, it is impossible in a social setting to freeze the circumstances (Bryman and Bell, 2015). To make the study replicable, the authors have described and motivated each and every step of the research. Thus, all seven respondents from the case company obtained the same questions asked in the same sequence. The stakeholder respondents were divided into two groups. These two groups were asked questions based on two different interview guides. However, these questions were also asked in the same sequence, this in order to enhance the reliability of the research and thesis (Bryman & Bell, 2015).

Internal reliability is established by the researchers conducting the study. It is based on what the research team agrees upon and what they see and hear. When conducting a qualitative study, there is a possibility that perceptions and own preferences could affect the result and inhibit replicability (Bryman, 2012). Activities such as recording, translating data, observing etc. consist of a great deal of judgment. Furthermore, open-ended questions create a risk of inconsistency in the decision-making (Bryman & Bell, 2015). In order to gain reliability and reduce the risk of involving the author's own preferences and perceptions, a pilot interview was created. The pilot interview helped to create and adjust the questions, making sure that they were perceived as intended. (Bryman & Bell, 2015) To reduce the risk of biased interpretations of the result, the interviews were recorded and later transcribed, cross-checked and agreed upon between the two researchers and the respondents (Silverman, 2006). Furthermore, the authors conducted the study in collaboration to increase the internal reliability. The authors are further aware of that they can affect the answers given by the respondents, by using leading questions and body language. (Svenning, 2003) Furthermore, both researchers have been present and involved throughout the whole research process. Decisions and actions have been taken mutually in order to reflect reality as authentic as possible.

### *Validity*

Validity in qualitative research can be hard to establish. "Validity refers to whether you are observing, identifying, or "measuring" what you say you are" (Bryman and Bell, 2015. pp 395). The subjectivity aspect makes it difficult for researchers to prove that the results have been critically reviewed and analyzed. (Bryman and Bell, 2015) There is always a risk of not receiving the "true" information when conducting qualitative studies (Bryman, 2012). The authors have therefore been aware of the possibility that the respondents might have presented the company and its constellations in a better daylight than what it is in reality.

Validity can be divided into internal and external validity. External validity aims to express to which degree, the research can be generalizable across social settings. There is a concern connected to single case studies and its limited amount of respondents inhibiting the possibility of making general conclusions. (Bryman & Bell, 2015) In this case, the aim is not to generalize the findings, making them applicable for a whole population, but rather conducting an in-depth study focusing on identifying explanations to Ullersbro and its dynamic nature.

Internal validity is crucial for qualitative research as it aims to ensure that reality and empirical findings are cohesive. Internal validity becomes important in qualitative research, as the

researchers collect and analyze the data, allowing them to make their own interpretations and conclusions of the study. Thus, could affect the objectivity of the research. (Bryman & Bell, 2015) In order to reduce the risk of subjectivism, the data was transcribed and verified with the respondent and thereafter analyzed. Later, the authors cross-checked the data increasing the validity of the research as well as reduce the subjectivism (Silverman, 2005).

### **3.6 Ethical considerations**

When conducting business or management research it is important for researchers to reflect upon what impact the study will have (Bryman and Bell, 2015). This master thesis aims at describing Ullersbro as a phenomenon. Ullersbro consists of seven members with several other commitments. Therefore, it is of great importance to ensure that the participants and organization is not harmed by the research. In order to mitigate such problem, the following precautions were taken; Before entering this collaboration with Ullersbro a no closure agreement was discussed. However, it was claimed by the company to be unnecessary. The respondents were informed that their anonymity could be challenged. However, this was not considered as an issue by the members as they accepted to be mentioned by name. During some interview sessions sensitive information was revealed, thus, the information is not presented in this master thesis. Furthermore, the empirical evidence was sent out to the respondents before publishing, whereas the respondents had the possibility to detect details that might not be appropriate to publish. The interviews with external stakeholders followed the same procedures and precautions.

It is of relevance to point out that one of the authors had a pre-established relationship with one of the members within Ullersbro. It has been of great importance for the authors to prevent potential biased result due to their relationship throughout the thesis. In order to conduct the work as objective as possible, the authors decided to sample all information regarding the case company and its stakeholders together. This implies that all interviews were conducted with both researchers present, one leading and the other one observing. The transcriptions were divided among the two authors and treated according to the same procedure. Both authors confirmed the final version. It is further worth noting that the author with the pre-established

relationship with one of the members did not lead or transcribed the interview with this specific member. This in order for this relationship to have the lowest possible impact.

Furthermore, the authors are aware of that the relationship between the researcher and one of the members might affect the final outcome. This due to that there is a possibility of that the other members do not dare to express their true feelings and thoughts. However, this personal relationship is not only an obstacle. Thus, the phenomenon would probably not have been under investigation if the personal relationship and pre-knowledge did not exist.

### **3.7 Limitations of the chosen methodology**

Choosing a qualitative approach implies the risk of subjectivism, where the authors own preferences could affect the outcome. A quantitative research would not have allowed to gain a deep understanding regarding the social context of the case company investigated. However, a multiple case study would enable more general conclusions through cross-case comparison. The authors would like to debate the most beneficial research approach would be a combination of semi-structured interviews and ethnography. This, in order for the authors to compare actions with words, and thereby enhance the research quality. Due to the circumstances of that Ullersbro only meet approximately five times a year and that the work in between the meetings is irregular, a micro-ethnography was not feasible. Furthermore, qualitative studies inhibit replicability. In order for another researcher to replicate this study, the authors have put great emphasize towards thoroughly describing each step of the research. However, there is inevitable to not leave room for own interpretations, thus putting a limitation of the replicability. (Bryman & Bell, 2015) Lastly, the data was collected and transcribed in Swedish. Thereafter, the empirical evidence was translated into English by the authors. The process of translating the data, allow the authors to influence the empirical evidence due to own perceptions and interpretations, enhancing the subjectivism.

## 4. Empirical Findings

*This chapter presents the empirical findings of the study. The chapter starts with a brief presentation of the case company, followed by the empirical findings divided according to into three concepts: Governance structure, Group Development and Network.*

### 4.1 The Case Company

The origin of the development company Ullersbro AB was derived from a thought of the initiator Nils Engström. At that time, the old china factory Rörstrand, in Lidköping, owned by the Finnish company Hackman was performing poorly. Therefore, the manufacturing business was about to leave the local area in favor for a low-cost production country. In this situation, an opportunity arose and Engström realized the importance of keeping the local heritage alive and at the same time save job opportunities. Engström, the initiator contacted a few like-minded people in his network with a local connection to Lidköping and asked if they wanted to be a part of the project. More specifically he contacted individuals with different set of skills who all could contribute to this project, both financial and operational. Together they developed a business strategy of how to turn the unprofitable business around. Eventually, this offer was turned down by Hackman. During the time spent together, the members realized that they enjoyed working together. Several years later Engström left his job as a management consultant. This allowed him to allocate time for other projects. Therefore, he wanted to initiate this group once and for all, based on the same idea:

*“To keep local businesses which are about to disappear”*

- *Nils Engström*

According to the members, Ullersbro is a rather unique constellation; they make large investments without investing a significant amount of their own money. If someone were to dig deeper into Ullersbro, they would be surprised as the company on paper has limited amount of assets and no employees. One has to look into each individual portfolio company in order to gain a greater understanding of how they operate and perform.



## 4.2 Governance structure

Board meetings are held five times a year and each member has committed to ten days a year of unpaid board work. However, these ten days a year have become slightly more over time. Each of the seven members has prior experience from board work, leading to professional, structured and effective meetings. The structure of the meeting is presented in an agenda. Where both current portfolio companies and new potential investments are being covered and discussed. Throughout the years, the allocation of time spent on each portfolio company and new prospects has shifted. Today, less time is spent on screening prospects in favor of current portfolio companies. The group acts under the rule, one for all and all for one as well as maintain symmetry among the members. This refers to that everyone should contribute both with ideas and finding prospects as well as contributing to the board work that comes with such responsibility. According to Klingspor it is important that everyone knows what is going on in the different portfolio companies, otherwise, it would not be possible to take the next step and start to look at new prospects. The members are assigned different task to be managed at the end of every meeting and is responsible for presenting the results at the following meeting.

All members have signed a shareholder agreement. This agreement is built upon symmetry, where all members have the same obligations and rights. This implies that the shares of Ullersbro are evenly distributed among the members and that all decision have to be made unanimously etc. Legally this also implies that if someone decide to leave the group, the shares can not be sold to someone outside the group. Instead, the other members have to be offered to buy the shares, to a low valuation principle.

Ullersbro is rather strict in their decision-making. Each member has to brief the material before attending a board meeting. The main principle states that every decision should be made autocratically in board meetings concerning everything from financial compensation to who is working with what and for how long. Furthermore, the principle of consensus means that everyone has VETO. If one member neglects a project, the group will not invest. However, the reason has to be clearly motivated. Most of the time, the group is united in their decision-making. Since the group rule under the principle, what has been decided cannot be dissolved; they put a strong emphasis in expressing their opinion in board meetings.

The majority of work conducted is connected to investigating prospect which does not lead to an investment, this work is not financially compensated.

*“Much of our work consists of looking into companies that we don't buy. Let's say that we look at ten companies and buys one company. There is a lot of work with the nine companies that we don't buy”*

- Anders Molinder

In some unique cases, financial compensation could be appropriate. However, the group has to make an autocratic decision about such financial compensation. Once a company acquisition has been made, the portfolio company financially compensates the member of Ullersbro who is working actively in the portfolio company as a consultant.

*“The thought is that we should not be financially compensated by each other's money [...] we should work with the money from the companies where we invest [...] For example, Apoteket (Vita Hästen), if I go in and work there, then it is Apoteket (Vita Hästen) that pays [...] It would be unfortunate if Ullersbro ran out of money due to internal consulting fees”*

- Anders Molinder

#### *Investment capital*

Initially, the members put in an equal amount of stake money in Ullersbro. When investing in a company, Ullersbro finance the investment using a small amount of stake money and finance the rest through bank loans. There is also a possibility for the members to lend out money to Ullersbro in return for a three percent interest rate, creating two kinds of receivables in the company. One consists of company shares and the other one is the loan, which could be considered as a pure investment of capital. All members have lent out money to Ullersbro, however, the amount varies. If the bank or other financiers reject the project or provides poor conditions, Ullersbro has to reject the project due to lack of financing

*“We put in some money of our own, we borrow money to the rest of the investment and then we let the portfolio company earn the money and pay back the loan gradually to us and the bank. When we are done we have a portfolio company which is worth five or ten times our original stake”*

- Anders Molinder

According to Klingspor, they are not far from reaching their limits concerning their stake money in Ullersbro. In order to add portfolio companies, Ullersbro would have to consider putting in more stake money, as well as debate on how much more time each individual could allocate to additional projects. However, such decisions have to be made autocratically in a board meeting. So far financing has not been a problem for Ullersbro as they have very beneficial bank agreements with Sparbanken Lidköping, due to the members being recognized by the bank as successful businessmen with strong independent brands.

*“I believe that they (the bank) sees a greater safety when they are lending us money. This since these strong names stand behind Ullersbro. In fact, Ullersbro has nothing real on paper to show”*

- Wilhelm Klingspor

### *Screening*

As all members have Ullersbro as a secondary employment, most of the members run into potential investments related to their field of expertise. However, there are some members who encounter less potential prospects, due to their working environment. There is no requirement on how many prospects each member has to bring to the board. Until today, Karlsson is the one who has brought in the most prospects to Ullersbro. The current investments have been found through Ullersbro's network; brokers, banks and friends. Karlsson points out that there is potential for improvement in order for Ullersbro to become more active in finding new prospects. Furthermore, he claims that it would be more time efficient if Ullersbro improved their marketing skills leading to prospects seeking Ullersbro, instead of Ullersbro searching actively for prospects.

When someone brings a case to the table, everyone asks questions from their own perspective, based on their knowledge and previous experiences. This is very beneficial for the group, investigating a case both altitude and latitude wise. However, Fröjd pushes the importance, that it is up to each individual themselves to search for additional facts and dissolve un-clarities in order to become confident in the investment decisions. Ullersbro rejects a potential investment if one or more members lack confidence in the project, if the requirements stated above is not fulfilled or if they lack a strategic fit with Ullersbro. Another reason for not investing is that the company is too large and connected with high risk.

*“We have the freedom to choose when to invest and when not to invest, we decide to a 100 percent, we don't have anyone above us deciding, we pay the money and we make the decisions”*

- *Anders Molinder*

Karlsson would like to see that the group had separate meetings where they discuss different prospects as they have missed investment opportunities due to lack of time and energy in board meetings. This means that some prospects have been neglected even though they have had huge potential. Fröjd mentions one investment that he believes all members regret not following through. The prospect came up late on a board meeting and Karlsson who brought the prospect was very excited and wanted the group to listen. However, the members were too tired to listen and rejected the prospect. Today the company is a success. However, Karlsson has a great understanding for why the other members turned down the opportunity. Investing in a startup implies a great risk, as they are very likely to fail.

### *Project groups*

When it is decided that a prospect becomes a case worth looking at, project groups are announced. The process of choosing what member most suitable for investigating the prospect and eventually monitoring it starts with Engström. Engström determines who is most suitable and has the best competence and experience for the specific project. These groups usually consist of one to three members. If the chosen member(s) are interested and have time for the project the candidate or candidates are presented during a board meeting. In some cases, there might not be an obvious person entering the investment due to similar expertise or lack of time etc.

*“You can often feel the vibe around the table, who are interested in this project. If you ask too many questions than you just got yourself onboard”*

- *Wilhelm Klingspor*

The group vote, and most of the time they agree with Engström's choice of candidate(s). If an additional member feels that he has time and can contribute to the project, he will be included in the project. That someone would oppose to Engström's suggestion is highly unlikely. In

some cases, additional members join a specific project for a limited period of time, when his competence is most applicable. However, such decision is made by the board of Ullersbro. When investigating an acquisition, the decision process can be fast. The small project group goes over the material and make up a plan on how Ullersbro can contribute and become active in a company.

*“These meetings are very intense, it is similar to the role of consulting [...] those type of meetings are different and creates a closeness between people [...] after a while you become the very merged together”*

- Nils Engström

The project group is responsible for the investigation and have to learn everything regarding the prospect; the organization, the entrepreneur, stakeholder and business environment to only mention a few. Engström and Molinder who have competences stretching over many industries are often teamed up together with someone who masters the specific industry. People who are not assigned to the project groups are still obligated to contribute during the briefings held at board meetings by thinking and asking questions in order move the project forward. According to all members, there is an underlying perception that it is each individual's own responsibility to become active in a portfolio investment. However, it has to be initiated by the individual offering his time and knowledge.

As previously mentioned, the board work in Ullersbro is unpaid, however, if they were to invest in a company, the members who have been working with the acquisitions are paid for their work up to the investment point. If Ullersbro chooses not to invest in the company investigated, the project group is left without financial compensation.

There are contradictory views in the group regarding how efficient the group utilizes the different competences, however, they all agree on that the group could become better. This means that some members are engaged in almost every project, while other members become involved in the projects that are connected to their area of expertise. However, there are superior competences within the group which have not been utilized yet as few members have not started to work actively in any portfolio companies.

Furthermore, it is a common understanding among the members that they need to step forward and taking on a larger portion of responsibility. It is not likely that Engström would take on the position as the CEO. Thus, remain the key member in the group contributing to Ullersbro's cohesion, taking an active role in all projects and thereby remaining the point of balance in the group. If Engström would come to a point where he leaves Ullersbro, it would imply some difficulties. However, Klingspor is sure of that one or a few members would adopt Engström's position and continue the operation. So far this is not something that Ullersbro has discussed, thus, all members refer to Engström as extremely important.

### *Investment process*

It took several years before Ullersbro made their first investment. They looked at several prospects but decided not to invest in them. However, there has been other reasons for not proceeding with an investment, some reasons mentioned by Klingspor are that the negotiations did not reach an agreement, the price was too high or that it was not a perfect fit. Furthermore, they wanted to be careful, keeping the risk level as low as possible.

*“As time has passed by we have learned how to make investments [...] today we have four investments, but I think that we have been looking at approximately 100 prospects [...] most of the time we only look at prospects and conduct meetings in order to see if this can become something, [...] we have been careful”.*

- Stefan Karlsson

One of Ullersbro's strategies is to invest in industries they understand. They only invest in projects where their competence matters more than the financial injection. Money is an enabler, and by taking the lead in the company's board they are able to influence the company. Money is a big part of an investment; thus, their knowledge should be valued higher. Ullersbro would not like to become majority owners of a portfolio company, however, they take a lot of control through a shareholder agreement.

There is an underlying perception among the members that turnovers and key figures are not the primary interest. Instead, all members are interested in conducting the best work possible and thereby the result will come. For Fröjd, there is no doubt that it is important that the outcome should be good, both for Ullersbro and the investment company. Furthermore, it is equally important that the society benefits from the existence of Ullersbro. However, the incentive for

Ullersbro is to invest in companies which need their competence, and where their knowledge enables the company to develop. Investing money without supplying their competence is therefore not of interest for Ullersbro.

### *Monitoring*

The main idea of Ullersbro is to invest in companies where they can make a difference.

*“By investing money in a company we can make a difference, however it is very important to point out that our competence should be more important than the invested amount of money”*

- *Stefan Karlsson*

Karlsson, states that the main feature of Ullersbro is the different competencies that every member possess. These can be combined in order to answer the right question or solve specific problems. This also goes hand in hand with the mission to develop companies, but not invest as passive owners. The idea of Ullersbro is to invest and gain a big enough share in order to take the lead in the company, thus being able to add their expertise and influence strategic decision making. According to their own opinion, Ullersbro has succeeded with the idea of having a strong influence in all portfolio companies, so far. The idea of Ullersbro is to invest in companies with a moderate amount of equity, financing the rest of the shares through loans. They gain control through a shareholder agreement based on their contribution regarding knowledge and expertise.

*“I believe stakeholders contact us based on our competences, not because of the money, since we don't have any. Everything about this group is built upon the competences; since we act locally the reputation is very strong here in Lidköping. People recognize this throughout the county, which is of great importance for us”.*

- *Lennart Hörling*

As long as no one works full time with Ullersbro, the majority of the members believe that it is suitable to engage in maximum four to five companies. However, there are a few members with a slightly different view, hoping that Ullersbro can engage in twice as many companies without changing their way of working. A problem might be that more investments require more board work, both for Ullersbro and in the portfolio companies. In the future, and if the company grow

larger, all members believe that it would be necessary for one of the members to take on the role as a CEO working full time in the company.

*“There is limited possibility for me to involve, I have to run my own companies as well, and the 24 hours a day might not be enough, this problem is also applicable for the others”*

- Thomas Fröjd

#### *Exit*

According to the members in Ullersbro, there is not a fixed exit plan when investing in a company. Therefore, the investment horizon might differ among their investments

*“If we go into a company that needs some kind of development, make adjustments and make the company twice as large, it will take 4-5 years for sure. So perhaps for that reason, that is as long as we engage ourselves in a company [...] then the company need to be sellable, and that could take an additional 2-3 years”.*

- Nils Engström

### **4.3 Group dynamic**

At the time Ullersbro was initiated all members had a lot of experience regarding change management derived from their previous careers. However, very limited experience of how to run and govern a development company as well as conducting work together. This was explained by Engström during his interview

*“When we started I think all seven members had different imaginations of how this would be, [...] there was no common view of Ullersbro. This implied that the differences were more prominent. As we made our first investment we suddenly got specific questions to work with. These made us more focused and our separate views started to merge. Today we have conducted several investments and thereby our work has become more objective, as the work mainly focus on our portfolio investments, rather than potential prospects”*

- Nils Engström



Furthermore, this implies that the group dynamic has improved over time, as the work has become more efficient due to that processes and procedures have been developed along the way.

### *Group constellation*

It is the width of competences that according to its members makes Ullersbro unique. All members have Ullersbro as a secondary employment, implying that all members have limited time to allocate to the work in Ullersbro. Therefore, Engström made sure to cover as many knowledge areas as possible, creating a broad spectrum of expertise. Today the members' competences can be divided into two different categories, people with competences stretching over many industries and people with solid competences regarding one or a few industries. Having such a diverse team enables Ullersbro to conduct businesses in several industries. However, there is a common agreement among the members that one should only invest in companies that they understand.

The group has consisted of the same seven members since the group was initiated. Due to that all seven members have strong personalities, the challenge of keeping the group together over time have been emphasized by several members. All members highlight Engström as the point of balance, mediating among the members in order to avoid conflicts. He is also responsible to decrease the information asymmetry among the members.

*“If one or a few members are skeptical about an investment this is often due to information asymmetry, in this case I becomes responsible for presenting more information until the person in question feel comfortable with the situation”.*

- Nils Engström

Engström's engagement in Ullersbro is according to the remaining six members the main driving force for the group's continued existence. This is not only based on Engström's ability to act as a mediator but also due to the fact that he is an exceptional organizer with a well-developed sense for both operational processes and reports. This is a role which will be difficult to replace the day Engström decide to leave according to the other members. Engström, on the other hand, is confident with that the group will survive.

All members agree on that adding an eight member could imply more problems than benefits. First of all, the new member has to be a perfect fit the other members. Secondly, as Ullersbro's

performance has increased since the start, becoming the eight shareholder would require a significant amount of stake money. Thirdly, some members point out that it might create an inefficient problem. As adding additional members would imply that additional opinions need to be considered. There have been situations where adding an eight member to the constellation have been considered. However, the group came to the conclusion that it was not appropriate. It is therefore, more likely that Ullersbro will search for a co-investor with the right competence, rather than invite additional members. It is important for Ullersbro that the group consists of enough members in order to exchange sufficient thoughts and ideas with the other members, this in order to arrive at the right decision.

*“It is very exciting when you feel that the others around the table have the same belief in one idea as yourself, this contribute to that you feel more confident when making decisions”*

- Stefan Karlsson

The trust among the members is according to all members very good as it would be impossible to conduct business together without trust. The trust also incorporates the faith in that the others are prepared and briefed for the meetings in order to make decisions based on facts. This trust continues to stretch over other areas as well.

*“Sometimes we have arrived in situations where I have to rely on other members’ competences, however I am confident in that the others are competent if they say so and that the work conducted is beneficial for everyone”*

- Lennart Hörling

As mentioned earlier, the group development is built upon symmetry. How this affect the group dynamic is explained by all members, as the group rules under consensus. More specific this means that a member who does not share the same thoughts as the other members can turn down a decision by using its VETO. For the members individually this implies that you never have to put your reputation or money at risk only because the majority of the group think that this is the right decision. It has rarely happened that someone used its VETO. However, Engström has been clear from the beginning that it is important to speak up for your thoughts, as when a decision is made it can not be repealed.

*“If disagreements occur and one or more reject a project, the group values the group dynamic and their friendship more, rather than dragging an issue to its limits, that is the principle of the group”*

- Anders Molinder

#### *Work allocation*

Today the members possess different positions within Ullersbro. A few of the members only take part in the board meetings and act passive in between, while others are working actively with the portfolio companies. The uneven work allocation does not seem to be an issue according to the members since one can contribute to the work in Ullersbro in different ways. Not least all members are needed in order for the group to become well balanced. Engström is the one who engage in Ullersbro the most. Karlsson and Molinder are also very active. Fröjd and Klingspor possess one board seat each and are engaged in investigating prospects as long as their specific competences are needed. Almquist and Hörling both have significant experience and expertise within their fields respectively. However, these competences have not yet been utilized. How much the members engage in different projects varies. It depends on what competence is needed and how much time one can allocate. For the future, some members point out that more engagement among the members would enable Ullersbro to take it to the next level.

#### *Common values*

A good group dynamic is fundamental for Ullersbro as it affects the group's efficiency. This means that the group can focus on the core activities rather than wasting time and effort on solving problems that are not work related. There are several aspects of why these members collaborate and enjoy working together. The first one pointed out is that all members are having fun while working together. This is explained during one of the interviews:

*“Ullersbro is a significant amount of fun with board meetings, work and an incoming flow of business opportunities. Being a part of Ullersbro is due to the 70 percent of fun and the 30 percent business, I would say”.*

- Thomas Fröjd

The second aspect is the importance of that all members share the same values,

*“All members share the same values regarding people, everyone should be treated equally. A member with a different view of humanity would not be appreciated by the other members [...] It would be impossible to run such an organization if our values were contradicting”.*

- Lennart Hörling

The third aspect is that all members have great respect for each other and for the money. The members of Ullersbro are very different from each other, implying that thoughts differ among the members. This is according to all members a strength rather than a weakness, as long as the differences are respected by the members. Furthermore, it is important that share the same value regarding money, as Ullersbro's core business is built upon investing money which primarily belong to someone else.

### *Friendship*

When the constellation was initiated the relationship among the members differed. Some were closer friends than others, however, they all had a personal relationship with Engström. Over time, the friendship has evolved and today the members are having a closer relationship than before. The different personal relationships among the members do however not affect the group dynamic, due to that all members are very professional and experienced working together with different people.

There is no secret that the group dynamic to a large extent is built upon the members' friendship. This brings both positive and negative aspects to the table. A positive aspect that all members have emphasized is that Ullersbro enables the members to work and conduct businesses together. Klingspor experience benefits conducting businesses together with friends as this implies that one can discuss business outside the boardroom. Another benefit of having a personal relationship to the other members is that the environment becomes more casual. However, all members claim that the work conducted is strictly professional. This does not inhibit the members from having fun together, as they are trying to perform different teambuilding activities. Fröjd is prominent of emphasizing: *“We do not mix friendship and board work. Of course, we can reach disagreements during a meeting, however, these are solved and kept in the boardroom”*. The most negative aspect of conducting business together

with friends is according to the members that the friendship could be adventured due to disagreements.

*“It would be devastating if one of us had a setback or if a conflict arose which meant that the friendship was damaged. However, I believe that all the members value our friendship and it is therefore unlikely that someone would put severe conflict in motion”.*

- Wilhelm Klingspor

In order to avoid disagreements that could harm the relationship, the group has most often decided to not proceed with decisions or projects, that would contribute to conflicts.

*“Most often we let it go than dig deeper into it [...] no question has been big enough to have a fight about”.*

- Nils Engström

Furthermore, there are contradictory views wheatear the friendship could affect the work productivity or not. Some believe that the friendship might imply that you avoid questioning the quality of the work. Others believe that the friendship contributes to everyone do their best in order to not disappoint the group.

## 4.4 Network

There are many positive aspects of acting together as a group in comparison to acting alone. According to the members and Håstrand, one of the benefits is the extensive network that comes with the seven members. All members have experienced a long and solid career within their field of expertise, meaning that they all have gained a broad network.

*“We all have different networks, this is one of the success factors for this constellation, utilize a network that are seven times bigger than your own”.*

- Wilhelm Klingspor

*“If we add together, all seven members network, there are not many people connected to the business environment left that we don’t know in Lidköping and its geographical proximity [...] we cover every sports club, cultural society and other clubs as well”.*

- Anders Molinder

Ullersbro as a business entity is rather anonymous both for the industry and the local arena of Lidköping. However, the majority of the members have a strong connection to Lidköping where they are acknowledged as successful businessmen. This implies that each member has built a personal brand and over time gained legitimacy. The strong individual brands are according to all members important in order to enhance the brand of Ullersbro.

*“At this point Ullersbro as a brand lack legitimacy. Instead stakeholders look at the members of this constellation and what they have achieved separately in their own operations”*

- Stefan Karlsson.

The members believe that Ullersbro could make more efficient use of their personal networks. Some members suggest that each member should present a few ideas within a 2-3 years’ period, thereby enhancing the possibility of finding good prospects.

### *Legitimacy*

*“As all our investments have succeeded the group have gained more legitimacy”*

- Lennart Hörling

This implies that many potential collaboration partners have become aware of Ullersbro, opening up for new possibilities. Sparbanken Lidköping is one of the most important collaboration partners for Ullersbro. Håstrand, the former CEO of Sparbanken Lidköping claims that the bank has great trust in Ullersbro, whereas they feel comfortable to recommend them. This trust is derived from all members having a track record of being successful businessmen. But also due to that Ullersbro have extensive competences within different areas and a sense for selecting the right investments. Furthermore, Håstrand points out that Ullersbro

is an exceptional constellation, possessing both funding and competence. By having faith in the group and its members, Sparbanken Lidköping has provided Ullersbro with beneficial bank agreements as well as helped them to achieve beneficial bank agreements outside of Lidköping.

Almi, is a state-owned organization working with complementary funding (Madison, 2016). Madison describes his role at Almi as responsible for that the money lent out is being repaid. He further claims that he feels very confident collaborating with a company backed up by Ullersbro. This since, Ullersbro are familiar with developing and executing the business plan accordingly. Further, Madison points out that his perception of Ullersbro is that they are not aiming for quick fixes but rather want to enable long-term survival.

*“I believe that Almi see us as a competent group consisting of seven competences stacked upon each other [...] here you can find network, you can find competence [...] the reason for contacting Ullersbro is because you know that we are stable, we would never enter something if we knew that we cannot help”*

- Nils Engström

The group has also continued to working on their legitimacy toward entrepreneurs. Fröjd points out communication as the most prominent tool in order for the entrepreneur to feel comfortable and choose them as investors.

*“By being able to communicate in a language that the entrepreneur understands [...] We create a relationship based on trust towards the entrepreneur. If someone from the larger cities would show up and use a bunch of those flashy investment terms in English, people out here would be terrified”.*

- Thomas Fröjd

Ullersbro's reputation is highly connected to the the individual member's reputation. Implying that all members have to act professional and fair in order to not hurt the organizational brand nor the individuals' reputation.

*“Companies are approaching Ullersbro because the good reputation of each individual and the security to connect with people from the local area.”*

- Alf Almqvist

## 5. Analysis

*This master thesis aims to investigate if Ullersbro possibly could be positioned as Business Angels or Venture Capitalists or if they are a rather unique phenomenon. In this chapter the different investment phenomenon will be compared and analyzed through three different categories; Governance Structure, Group Development and Network.*

### 5.1 Governance structure

Corporate governance is the power-sharing relationship between shareholders and managers of a company (Metric and Yasuda, 2011). Corporate governance should, therefore, provide incentives for the board of directors and management to work towards the same goals that lie in the best interest of the company (Organization for Economic Co-Operation and Development, 2004).

Ullersbro is a flat organization with short and quick decision paths. Thus, they act under consensus, meaning that every decision has to be made autocratically. This implies that the decision-making process can become rather slow at times as they all need to agree upon a decision before moving forward. However, most of the time they are rather united in their decision-making, making the slow factor, so far, a non-issue. The authors debate Ullersbro's decision-making process and its effects in comparison to BA and VCs. BAs decision-making process is shorter due to single-handed decisions (Prowse, 1998). VCs on the other hand use models and developed processes, in order to evaluate prospects before making a decision (Cumming & Johan, 2014). It can be discussed, which strategy that is the most successful. However, the authors believe that the slowing down effect of consensus and VETO has so far been beneficial for Ullersbro, as it mitigates the risk of taking rushed and non-contemplate decisions.

#### *Investment Capital*

In comparison to VCs who raise money through a fund (Gorman and Sahlman, 1989) and BAs, who invest private equity (Prowse, 1998), Ullersbro, build their investments primarily on bank loans and using private equity if needed. This is possible, due to them having a good relationship with the bank, allowing them to gain beneficial bank loans with the local bank, Sparbanken



Lidköping. Furthermore, it is possible, due to all seven members being well known as successful businessmen with strong independent brands. Each individual brand is argued to be one of Ullersbros greatest assets. Here they are able to stack seven brands upon each other, presented as one entity. This creates legitimacy, as well as trust and security towards stakeholders on their local arena. However, the authors believe this could make them vulnerable, as they might not be able to gain such beneficial bank loans elsewhere. This puts a restraint on their ability to invest in other geographical areas other than their close geographical proximity. Therefore, the authors argue that two of their greatest assets are their seven individual brands stacked upon each other and their local geographical anchoring.

Ullersbro act under the rule of symmetry, meaning that all members have invested the same amount of stake money into the company and thereby have the same obligations and rights. Thus, the rule of symmetry, as well as consensus, distinguishes them from other investors found in the literature. Furthermore, all members have lent out money to the company in various amounts to a return rate of three percent. The money has been used to repay bank loans more rapidly, as one investment required Ullersbro to accept a loan to a high-interest rate. There is a great benefit for Ullersbro that the owners are financially strong. Due to that Ullersbro do not conduct investments requiring less capital than a VC investment, the group has the aggregated ability to conduct investments, even though the bank cannot offer them as beneficial conditions. In theory, Ullersbro, therefore, have the possibility to invest in business opportunities without being solely dependent on the conditions provided by the bank. Furthermore, it is important to point out that this is the author's own thoughts, however, it explains unique advantages within this group constellation.

Initially, all members invested a fixed amount of stake money in Ullersbro. Being limited to the fixed amount of stake money implies that, there is a limit on how many companies Ullersbro can invest in using its equity. The members mentioned expansion of the company and its growth potential. However, an expansion would require the members to invest more stake money. Such decision has to be considered and approved by all members. The result shows that time seems to be the limited factor. In order for the company expanded further, it would require one or a few members working full time with Ullersbro. Therefore, the authors draw the assumption that adding more stake money into the operation would not have a direct effect leading to expansion, however, time could. It is therefore, important that Ullersbro finds the right balance between

time and money, as the group states that adding an additional member is not applicable at the moment.

### *Screening*

The literature suggests one can be trained to easier acknowledge and act on business opportunities as they emerge, through, search, alertness and prior knowledge (Baron, 2006). By being aware that opportunities can occur the chance of finding new prospects is enhanced. Thus, there has to be an inherent desire to find prospects in order for it to be effective.

Until today, Ullersbro has found their investments through their extensive network. So far one of the members has been especially skilled in finding new prospects. By using search, alertness in combination with the aggregated knowledge of the group Karlsson has found two prospects leading to investments. The empirical evidence indicates that the propensity to search for new prospects differs among the members. In order for Ullersbro to not be reliant on one or a few members' ability to find prospects, they need to find alternative options. An appropriate solution would be to add a further dimension, marketing. This approach would make Ullersbro less reliant on the individual's' abilities to find prospects and at the same time enhance their brand awareness. Such action could be managed within the group, due to that the team possesses extensive marketing skills.

The group owns the company, and all members hold a seat on the board. Therefore, they do not have to answer or report back to anyone else, but themselves. As the group rule under consensus, they as one entity can decide to 100 percent what investments they want to make. When finding potential investments, Ullersbro benefits from their width of competence among the members. The different competences enable them to investigate the prospect both latitude and longitude. However, if one or member lacks confidence in the project, the group will neglect it. This approach helps Ullersbro to maintain a low-risk level when deciding on where to make an investment.

Before making an investment, VCs execute a thorough investigation, called due diligence involving experts as well as evaluate their decision through well-established models and processes (Lerner et al., 2012). Thus does not leave any information uncertain before making a decision (Cumming & Johan, 2014). Contradictory, BAs base their investment decision on gut feeling and rule of thumb rather than models and well-established processes. (Prowse, 1998)

Due to that the members possess different working experiences, the members make their decisions on different grounds. Some evaluate prospects by looking at numbers and figures, while others rely on gut feeling. This mix place Ullersbro in between BAs and VCs where the best of two worlds merge. Thereby an investment will be made when both numbers and gut feeling support the decision.

Some members point out that, Ullersbro has missed good business opportunities in the past. This can be explained by that board meetings are held five times a year. The meetings thereby tend to become long, creating a limitation on how long the members can stay focused. Some members point out that separate meetings for investigating prospects could be appropriate. Such meetings would demand more time and energy as well as unpaid duty. Thus demanding the members to allocate more time towards Ullersbro. However, additional meetings could be difficult to manage as the members have highlighted time as a limitation factor. The willingness of expansion does not correspond with the members possibility to allocate time towards Ullersbro. Therefore, the members need to consider their ability to both devote more time for investigating prospects as well as working actively within the portfolio companies. Lastly, the members also need to consider the alternative cost of shifting their limited time from current portfolio companies towards new ones.

### *Project groups*

Ullersbro has a well-established model for how to choose what member or members that should work with a specific portfolio company. It is pointed out that Engström always is involved in all projects, together with the members that he believes is the most suitable for the project. The members claim that they trust Engströms decision, and so far no one has opposed to his suggestion of candidates. In some cases, there is not a strategic fit for a member to be involved throughout the whole process, he will, therefore, be invited to participate when or if his competence is needed. The participation is determined by the limited amount of time, as this implies time away from the primary occupation. This way of working distinguishes from other investors, as the literature suggests that VCs have investments as their primary occupation. Furthermore, BAs and smaller VCs tend to invest more industry specific. Ullersbro, however, has the possibility to invest in a wide span of industries, without utilizing external competences. This due to that their team consists of seven different individuals and each member possess an industry specific knowledge.

The work allocation is skewed among them, members. It is skewed as some member's work actively and uncompensated in order to find new prospects, while others do not. However, the current work allocation seems to be accepted among the members. If Ullersbro aims at expanding their business, further, the authors believe they have to adjust the work allocation, making sure to spread it more equally among members.

Some members point out that they are insecure regarding where and when they are expected to step in, and express that their knowledge sometimes is not valued or fully utilized. Contradictory, the member state that communication among them is not an issue. Today the majority of communication is managed through Engström. Thus, there is an underlying perception that Engström should delegate tasks and areas of responsibility. Throughout the interviews, all members come with ideas, suggestions or thoughts of how the work could be conducted and distributed among the members. However, these expectations do not seem to be clearly communicated. The authors believe that the communication issue can be seen from two different perspectives. On the one hand, it could be an issue of poor or unclear communication regarding personal expectations, as well as one person expectations of others. On the other hand, it could stem from insecurity among the other members, not knowing how much time or resources one member is prepared to allocate towards the portfolio companies in Ullersbro. This implies areas of improvements regarding communication within the group. Thus, the members have to clearly express their expectations as well as when and to what extent one can make himself available.

### *Investment process*

The main strategy of Ullersbro is to invest in companies where their competence matters and where they can help and make a significant difference within the company. Ullersbro argues that knowledge is their most important asset and money should be seen as an enabler. This is in line with Osterloh and Frey (2000), which states that knowledge transfer is an essential source of sustainable competitive advantage. By transferring Ullersbro's knowledge into their portfolio companies they enable the creation of competitive advantage. However, the investment and its industry does not have to match all members knowledge base but be appealing to several members thus they want to engage in the project.

The members of Ullersbro state that power and control are important in order to execute their work most efficiently. They gain control by investing maximum 30 percent in a company and

then through a shareholder agreement they acquire the majority of the control. A further requirement for making an investment is that the companies should be, sellable, scalable, located within their geographical proximity with an entrepreneur as a driving force. These are the requirements, however, the group has made investments apart from the requirements as opportunities have arisen, impossible for them to neglect. As members have expressed an urge to expand the company, time and more money is needed. Further, members highlight time as a limited factor. Therefore, the authors debate whether it is possible for Ullersbro to remain a development company restricted to above-mentioned conditions and still keep an active and operational approach within their portfolio companies.

### *Monitoring*

The literature highlights the agency problem when governing an investment. In order to mitigate such risk, investors often choose to manage the portfolio company (Shleifer and Vishny, 1997), through power, monitoring, motivation, information, knowledge and time (Conger et al., 2000). Furthermore, it is crucial that the board and the CEO have a good relationship as the CEO often holds most of the information connected to the company activities and valuable information. This relationship is often rather skewed. (Tirole, 2006) In the case of Ullersbro, they manage this problem by actively taking part in the operational work and through shareholder agreements. Through shareholder agreements, Ullersbro gains a high degree of power and control. This way they can efficiently monitor the company and its management and overcome moral hazard and adverse selection making sure that they and the entrepreneur work in the company's best interest and towards the same goals.

Monitoring its investments through board work and taking part in the strategic decision making is something that Ullersbro has in common with both BAs and VCs. If needed, BAs and VCs engage in the operational work within their portfolio companies. However, Ullersbro would not invest in a company where operational work was not needed. This due to their primary incentive being to supply their portfolio companies with their knowledge and thereby enable development.

In order for any board of directors to act as an advisory function, it is important for them to have a solid knowledge and experience foundation. Ullersbro invests in companies connected to its knowledge base and thereby provide valuable knowledge to the portfolio company and gain competitive advantage. Many VCs argue that monitoring their portfolio companies enables them to affect their investments and gain competitive advantage through value added services

and taking part in strategic decisions. However, one need to be careful as a VC sometimes lack competence in some areas. (Gorman and Sahlman 1989; MacMillan et al. 1989). Ullersbro, on the other hand, holds a wide spectrum of competences among the members. This enables them to make adequate decisions over a wider spectrum of activities, enhancing their value added services and thereby gain possible competitive advantage.

### *Exit*

Different investors have different investment horizons. Some enter their investments with a predetermined exit plan, while others do not. VCs primary goal is to maximize their return on investment and therefore estimate their investment horizon to be between 3-5 years, usually making an exit through a sale or an IPO. (Metrick & Yasuda, 2011) BAs on the other hand usually invest with the intention to stay in their portfolio companies for 4-7 years and thereafter make an exit by selling the company (Freear et al., 2002; Mason & Harrison, 2002a)

Ullersbro has not yet sold any of their portfolio companies, thereby, their investment horizon is undetermined. Thus, they estimate their investment horizon to be between 5-10 years or depending on when the portfolio company is self-sustainable. This implies that Ullersbro primary goal is not to maximize their return on investment, but to develop companies in their close geographical proximity and as an effect, gain return on investment.

The investment horizon distinguishes Ullersbro from other investors. They differ by not entering an investment with a predetermined exit plan, but with the intention to sell the company when their knowledge contribution has reached a saturated stage. Such approach can be critical, where the effectiveness can be discussed and where the determination of saturation is subjective. By holding a predetermined exit plan, investors are forced to perform within a time frame, increasing their effectiveness.

## **5.2 Group Development**

The group development of Ullersbro is built upon friendship and the common urge to maintain a business environment in the local surroundings of Lidköping. All members agree that it is fun and beneficial to conduct businesses together with friends. However, some of the members do think that their friendship affects their work negatively. The group has experienced very few

conflicts and according to the members, this can be explained by them valuing their friendship. In other words, this means that some disagreements are left untouched. Contradictory, the members' express confidence in speaking up for their own opinions but are reluctant to start conflicts. In some cases, the interviewees have expressed that the friendship sometimes inhibits the work efficiency of the group, as one rather not express the true opinion. The authors claim that the group has moved beyond the first phase, transformed into the third phase. This implies that the group has become cohesive and cooperative. This has been natural from the beginning. Furthermore, groups at stage three should share deeper personal feelings, which also was initiated from the beginning. It seems like Ullersbro only has touched upon the second level. Something that might affect the future dynamic of the group.

Why the group has not encountered the second phase could be explained by that all members share the same values. By having a common foundation to build the organization on regarding friendship and values, potential conflicts can arise. Most often these are task related issues rather than intragroup conflicts. This is very much in line with the answers given during the interviews. Most importantly the members seem to have found their position in the group and do not feel any doubts about their group cohesion. The group expresses more task conflicts, which can be explained by the member's evaluating decisions from their own perspective. Further, all seven perspectives have to be considered when making a decision. The consensus also makes the area for conflicts more narrow. This can be explained as that one's idea will not gain attention if the rest of the group is united. Thereby, it will be useless to bringing conflicts to its extreme.

Another reason for why the group only have experienced a moderate amount of conflicts can be associated with Engström. There is a common opinion among the members that Engström is the leader of the group. More operationally this implies that he allocates more time to Ullersbro than the remaining members. Being the point of balance in the group implies that he denominates squareness among the members in order for the group to become more dynamic. This includes tasks such as keeping the other members informed, mediate in conflicts etc. Engström is also responsible for suggesting project groups when investigating prospects, all together pointing at him as the most influential member. There are members of the group who have doubts about whether or not the group will continue operating as smoothly if Engström was to leave the group. However, Engström himself is sure that there will be people taking on his position.

Engström's dominant position indicates that the group is of a more infant nature. Such group is very dependent on its leader waiting for him to point out a direction. This is what the group development looked like when Ullersbro was initiated. As time has passed the members have found their own role and are aware of each other's positions. This structure can be recognized in stage three, where Engström's role should be less significant from a theoretical perspective. However, the reality shows a contradictory result. Engström is still the most significant character and as a result, the members question what the group would look like without Engström being present.

According to the findings, it seems like the group has not reached the fourth stage yet. The fourth stage implies that the roles have become flexible and functional. This might be impossible for the group to achieve as members have Ullersbro as a minor employment. It is also important to keep in mind that each member was selected by Engström due to their individual knowledge and previous experience. This has been recognized by both members and external stakeholders, pointing out the strength of Ullersbro to be the aggregated competences stretching over several industries. Being a diverse group with different competences makes it more difficult for Ullersbro to have flexible roles. However, the authors would like to debate whether Ullersbro will adopt flexible roles as it is not their intention to over cross each other's area of expertise.

All members have concerns of how to keep the group together over time. As time evolves and members decide to leave, it might be difficult to reach the fourth stage with flexible and functional roles. A shift among the members could possibly lead to two different outcomes. The first possible outcome could encounter additional members being recruited, as it according to some members are important that group consists of enough brains. This would likely imply that the group dynamic is affected. To what extent the group dynamic is affected, will depend on the prior relationship to the new members. However, it is very likely that the group move back to stage one, later entering stage two, and from there continue developing. Another possible outcome is that the group decides to move into the fifth stage and dissolve. How this would work in practice is, however, uncertain, as Ullersbro today have taken on four investments and thereby a responsibility. An option could be to continue running the operation and successively sell the shares in the portfolio companies.

According to Shah and Jehn's study, a group of friends performs significantly better than a group formed by acquaintances. Due to the personal relationship among the members and that



the members themselves refer to them as a group of friends, it would be unfair to categorize them differently. The members have emphasized the fun factor of working together as a group. A group consisting of friends, or a high performing group as Shah and Jehn (1993) call them tend to have a low level of intragroup conflicts or emotional conflicts. This is confirmed by the data, as the members express that they are comfortable within the group and with the different roles. However, some members raise the question if the group utilize each member to the fullest. Such thoughts could eventually lead to emotional conflicts and loyalty issues. Furthermore, emotional conflicts and the question of loyalty is so far not applicable to Ullersbro. This since there is a common view among the members that the loyalty is total and the acceptance of varied engagements.

When investigating a prospect members are not afraid of asking questions and raising opinions in relation to how the task should be performed. This is in line with the study performed by Shah and Jehn, suggesting that a high performing group experience high levels of task-related conflicts. They also claim that such group should experience less administrative conflicts. Ullersbro experience low levels of administrative conflicts. The study further shows that a high performing group work in collaboration to perform the administrative work. In the case of Ullersbro, the administrative work is not performed collaboratively, as Engström is solely responsible for this at this moment.

There are some small inconsistencies between the findings of Shah and Jehn (1993) and the empirical evidence gathered by the authors. According to the authors, Ullersbro can be recognized as a group of friends, as the relationship among the members has moved from acquaintances to friendship. The authors would also like to position Ullersbro as high performing group, as their way of working has been successful so far and the members are pleased with the result. The empirical evidence shows that the joy of working together is derived from friendship and resulting in a cohesive group. Thereby the authors would like to emphasize that another group constellation would likely affect the satisfaction regarding the working conditions. However, if this is negative or positive is uncertain.

To conclude the authors would like to position Ullersbro somewhere between the third and fourth stage. We do believe that the group has experienced the first stage, but only touched upon the second stage that is characterized by disagreements and fights. This could be due to fear of conflicts or simply because the group does not want to put time and effort in conflicts that do not improve their work. Furthermore, the authors believe that Ullersbro as a group and

its members shows clear characteristics related to the fourth stage. These assumptions are based on that the group takes pride in their work, holds a high moral and are successful to only mention a few indicators. In combination with being a high performing group according to Shah and Jehn, it is very likely that Ullersbro soon will become a complete fourth stage group. Assuming the constellation to remain intact. However, the group could potentially develop some characteristics in the third stage improving their flexible and functional roles. Lastly, this is also what is needed in order to fulfill the criteria of a high performing group, as routine tasks are often conducted in collaboration among the members.

### 5.3 Network

According to Inkpen and Tsang (2005) Companies benefit from social capital by getting exclusive access to knowledge and information, leading to new business opportunities, reputation, influence and network norms. All members of Ullersbro see the extensive network as a very beneficial outcome. Klingspor even takes this one step further saying that “This is one of the success factors for this constellation, utilizing a network that is seven times bigger than your own”. This should in practice imply that the network gain access to seven times more information, knowledge and business opportunities, leading to the reputation becoming sevenfold and the influence seven times stronger. Not surprisingly it becomes evident during the interview sessions that each individual network and social capital is derived from previous working experiences or connected to the local community of Lidköping. However, the different networks overlap to a large extent, especially on the local basis. Thus, the authors argue that the aggregated networks will not imply seven times more information, knowledge or business opportunities. However, the reputation will become seven times stronger, thereby leveraging the reputation of Ullersbro. Also, the influence becomes greater as all members possess other board position besides Ullersbro, enabling the group to spread their ideas and thoughts across the local community. However, Lidköping is a rather limited area for investment opportunities. In order for Ullersbro to conduct more investments, they have been forced to invest outside the geographical network anchored to Lidköping. In these specific situations, Karlsson has utilized his personal network and previous working experience bringing in two prospects.

One could argue that Ullersbro has eight different networks at their disposal, seven strong individual networks and one organizational which is of a more infant nature. That the individual networks are denser can be explained by that each member has been an active member of the

business environment significantly longer than Ullersbro has existed. However, Ullersbro has slightly started to build and gain its own organizational social capital. This due to that the group as an entity has become more acknowledged for their work conducted within the local area. The members still claim that Ullersbro's legitimacy is mostly based on the individual's standing behind Ullersbro rather than the organizational achievements made so far. According to the literature Inkpen and Tsang (2005) social capital can be divided into individual social capital and organizational social capital. According to the empirical findings and in line the literature the authors would like to argue that Ullersbro and its members to a large extent rely on individual social capital. This can be referred to as relations created by the individual him or herself. That the social capital is tied to one individual implies that the day a person decides to leave, the legitimacy brought into this constellation by this individual will be withdrawn. Therefore, the authors would like to argue that it is of great importance for Ullersbro to establish a solid organizational social capital. This in order to prevent the company from being drained on its legitimacy if members decide to leave.

Social capital help entrepreneurs to cope with the liability of newness and smallness when developing a new business (Aldrich, 1999; Shepherd et al., 2000; Starr & Bygrave, 1992; Stinchcombe, 1965). According to the empirical findings, the majority of Ullersbro's members believe that Ullersbro has not been successful marketing themselves. The group has mostly acted within their geographical comfort zone. Furthermore, also conducted some investments due to that their network has led them elsewhere. By acting within their geographical comfort zone using their individual brands, Ullersbro has overcome the liability of newness and smallness, at least on a local basis. This is also one of the issues that Ullersbro help their portfolio companies to overcome. It is worth noticing that Ullersbro is reducing the liability of smallness and newness in their portfolio companies, despite suffering from the same problem. More practically this implies that Ullersbro can facilitate the access to funding, extensive knowledge connected to the specific industry or other stakeholders. It seems obvious for the authors that Ullersbro is doing exceptional good by acting on a local basis, taking advantages of every kind of network and social capital that is accessible in the area.

The members indicate an urge to expand outside the geographical proximity. This implies that Ullersbro has to leave the familiar environment where the social community play in their favor, whereas the liability of smallness and newness might become more evident. This could imply that benefits such as beneficial bank agreements become difficult to obtain, creating an obstacle

and thereby inhibiting potential expansion. In order to mitigate this, the authors believe that Ullersbro should try to enhance their organizational social capital and brand awareness in order to obtain similar benefits. It is not only the lack of organizational social capital that restrains further expansion. There is also a trade-off, where investments can not be too far away, due to that Ullersbro want to monitor their companies, visiting, conducting meetings etc. Furthermore, the authors believe that being too far away from the portfolio companies will harm Ullersbro's active approach. It could, therefore, be beneficial for Ullersbro to create organizational social capital on a more local basis, rather than strengthen weak ties on a national basis.

According to the literature, the structural dimension of social capital consists of three components. Network ties refer to how actors are related. Lidköping is a small city and there are seven members in Ullersbro. All members do not know everyone in Lidköping. However, due to the limited amount of actors within the business environment of Lidköping, they are all connected somehow. However, this does not have to imply access to the valuable information and knowledge exchange.

Molinder describes Ullersbro's network during his interview *"If we add together, all seven members network, there are not many people connected to the business environment left that we don't know in Lidköping and its geographical proximity [...] we cover every sports club, cultural society and other clubs as well"*. This makes their network dense. According to Inkpen & Dinur (1998) knowledge exchange will not be possible without strong ties. Seeing Ullersbro as a node almost everyone within the business environment of Lidköping will have strong ties to at least one or more members. Thereby Ullersbro as an entity overcome the problem of being excluded from loops mediating valuable information and knowledge exchange. By always having access to this type of information and knowledge, creates an information asymmetry between Ullersbro and the rest of Lidköping. Being aware of activities within the local community is a benefit, and facilitate for Ullersbro to make adequate decisions. This would be impossible for Ullersbro to obtain if the group consisted of less members.

Network stability can be explained as how the network is affected by replacement of members (Inkpen & Beamish, 1997; Yan & Zeng, 1999). If members decide to leave, the network stability would be affected. However, to what extent depends on how many and how fast members decide to leave. The problem could be mitigated by the limited size of Lidköping's business environment as it is likely that other members of Ullersbro also have strong ties to

these people. Lack of strong ties to these specific people implies that the relationships will become forfeit. There will always be an option for Ullersbro to develop strong ties to the person in question, however, this requires time.

The network could also be affected by key people in collaboration companies or organizations decide to leave their positions. To what extent the Ullersbro is affected, will be determined by how important this person is for the group. An example is how Ullersbro would be affected if the conditions changed with Sparbanken Lidköping. If one person leaves, the authors believe that this will have a moderate impact. This assumption is based on that Ullersbro is well known by other employees within the organization, who can vouch for them. However, there is a worst case scenario that the new person does not connect to Ullersbro and their business. In such situations, Ullersbro becomes vulnerable as the mutual trust is the factor that enables them to conduct business, especially the bank. However, in organizations such as Sparbanken Lidköping, Håstrand points out that the bank over all trusts the members of Ullersbro. Thereby, Ullersbro mitigates the problem by having many contact surfaces. However, it is important to understand that this might not be applicable in other organizations. If such situation were to happen Ullersbro could be forced to either accept the changed conditions or search for other collaboration partners. The authors, however, believe that such scenario is unlikely as, within the local area of Lidköping, the replacer are likely to become someone from the area. Still the authors want to emphasize that Ullersbro is dependent on its own network in combination with the members', making the organization and its business vulnerable if conditions would change in the future.

Trust is according to the literature the most important factor within the relational dimension of social capital. Trust is built on social judgments (Rousseau, et al., 1998) and is a crucial component for building strong relationships (Inkpen & Tsang, 2005). Trust goes both ways, and according to the empirical data collection, Ullersbro, and its members have been good at building trust. The two entrepreneurs the authors interviewed both claimed that they trust Ullersbro, otherwise they would not have chosen them as investors. A proof of such trust can be illustrated by the shareholder agreements that the entrepreneur signs. Signing a shareholder agreement allows at least one member of Ullersbro on to the board, gaining majority control of the company. It would only be possible to sign this agreement if the entrepreneur had faith in Ullersbro, and Ullersbro would only invest if they had faith in the entrepreneur.

There are other stakeholders within their network which have complete trust in Ullersbro. One actor especially worth mentioning is Sparbanken Lidköping. The bank is contracted as their main bank. Due to the members' individual track record and previous relationship with the bank Håstrand feel confident in that Ullersbro only will invest in companies they believe in. He claims that *"You are sure of that they will do a great job"*. Thereby, Håstrand feels comfortable in recommending Ullersbro to companies or organizations which need help. As a proof of this trust, Ullersbro has been able to achieve very beneficial bank agreements. This implies that the bank help financing investments. Furthermore, the bank has also vouched for Ullersbro, enabling them to reach beneficial agreements through another bank. Once again the authors would like to emphasize the importance of using strong ties. The empirical evidence shows benefits that several strong ties to the same organization or individual contribute to greater trust. The authors believe that identifying and taking advantage of similar constructions is vital in order to achieve a future success and expand outside the local area.

Connecting the cognitive dimension to Ullersbro's network, the authors would like to argue that Ullersbro will not develop strong ties with organizations nor individuals who does not share the same values and goals. Due to that Ullersbro is a secondary occupation, the members are not solely dependent on Ullersbro as the main source of income. This implies that Ullersbro can be selective and only choose to invest when a perfect match occurs. Besides sharing the same values and goals, there is a common agreement among the members that they expect the entrepreneur to be the main driving force in the portfolio company. If Ullersbro is to take on an investment the only option is to let them take an active role within the company. By committing time and money, Ullersbro also requires that the entrepreneur should show commitment and the right spirit. When achieving such a match, the entrepreneur and the company gain access to the value-added services that come with Ullersbro, such as competences, network, funding etc. Ullersbro says that they would never enter an investment where inconsistencies regarding goals or values exist. An example of this is that they have neglected potential investments in companies which need funding but are not interesting in utilizing the competence that Ullersbro brings to the table. It is impossible for Ullersbro to exclude actors from the network. However, they can choose collaboration partners within the network based on shared values and goals. Thereby, this is the only dimension of social capital, where they are able to utilize the network according to preferences based on share values and goals. The authors, therefore, believe that the cognitive dimension is the most powerful of all dimensions allowing Ullersbro to organizational benefits.

## 5.4 Summary of findings

Throughout the analysis, some factors have appeared as more distinct findings. All members, have identified Engström as the main driving force and the point of balance in Ullersbro, implying a rather skewed allocation of work. A majority of the members point out a willingness for growing the business further. In order to do so, the members would have to make an autocratic decision regarding time allocation towards both board work, investigating prospects and operational work within the portfolio companies. Furthermore, one member would have to take on the role as CEO in order for such expansion to be realized. In order to continue the expansion taking on more investments, Ullersbro needs more money. However, the authors question whether more money will enable Ullersbro to conduct more investments as time seem to be lacking factor rather than money.

Some members have expressed an inefficient utilization of competencies within the group. This is something that the group would have to work on in order to become more efficient. As a solution, the authors suggest, clear communication regarding expectations of each individual member as well as each member communicating how much time and effort he can allocate towards Ullersbro and its portfolio companies. The members have also expressed that their main resource and their core business is built on their human capital, based on knowledge, experience and each individual's own brand. This makes the group vulnerable, as their legitimacy and brand could be drained if one or more members would leave or be exchanged. Therefore, Ullersbro needs to enhance the organizational social capital as well as the brand awareness, moving the focus away from each individual.

The majority of the members are moving towards the end of their operational career. The authors, therefore, believe that the lifetime of Ullersbro is an uncertainty for the stakeholders and the entrepreneurs. If they stay in their current portfolio companies for ten years, one has to realize the possibility of new members coming into Ullersbro or that the company can dissolve. The authors argue that Ullersbro's main assets are tied within their human capital, meaning that their knowledge, experience, network and brand, not easily can be transferred over to someone else. Therefore, it is interesting to consider the next step of Ullersbro and a possible succession. As their core business consists of the seven members knowledge, the authors believe that succession would be difficult. With that said not impossible, but connected with major obstacles. Bringing in a new member or exchange a member for another would change the group dynamic, network and the knowledge base of the company. This could in turn harm or enhance Ullersbro,

depending on the person and its competences and prior experience as well as its fit within the group constellation. The authors suggest that Ullersbro establishes a succession, in order to reduce the risk of losing legitimacy if a member leaves the group.

Lastly, one of Ullersbro's main resources is their geographical anchoring to their local area. Their network, allows them to overcome liabilities of newness and smallness. Their reputation helps them maintain their financial strategy, using bank loans as their primary source of capital. However, in order to attract more prospects and potential business opportunities they need to marketing themselves better, this would allow them to allocate less time towards searching and more time into investigating potential business opportunities.



## 6. Discussion

*This chapter will summarize and discuss the findings of this research. Furthermore, it will answer the research question and sub-question.*

**Research Question:** *How can the investment phenomenon Ullersbro be defined?*

Ullersbro is a development company consisting of seven members. All members share the same goals and values, with a common urge to keep the local business environment within Lidköping and its surroundings alive. Their greatest assets are their seven individual brands, networks and competences stacked upon each other followed by its geographical anchoring. The company is owned by all seven members, implying that they do not answer to a higher authority when making an investment, therefore, the organization is flat. The group rules under consensus and VETO, where each member takes part and makes decisions autocratically. This has shown to be effective, allowing the group to make careful considerations and reduce the risk when making investments. Ullersbro does not have a predetermined exit plan, which distinguishes them from other investors. Further, they only invest in companies connected to their competence base, investing a moderate amount of money and gain control through a shareholder agreement. Their reputation within their network enables them to execute the financial strategy, using bank loans as their primary source of capital.

The shareholder agreement allows them to contribute with relevant knowledge, making adequate strategic decisions and gaining control without becoming majority owners. By offering value-added services, they help their portfolio companies overcome liability of newness and smallness. This is interesting; due to that Ullersbro sometimes struggle with the same issue. Currently, Ullersbro holds four companies in their portfolio. Further expansion would require more stake money and time invested by the members. As none of the members have Ullersbro as their primary occupation, time is a limited resource.

Members of Ullersbro work actively within all their portfolio companies, both as board members and with operational activities. Members are selected based on their knowledge, availability of time and strategic fit within the portfolio companies. Due to that Ullersbro, consists of seven members, there is no requirement of a complete match between all members and the portfolio company. Thus, one or more members have to have knowledge connected to the specific industry. Additionally, other members are asked to step in at different times when

their competence is best needed. This way of working has created skewness among the members, where some member's competences have been more utilized in the portfolio companies. Evidence show that clear communication regarding expectations is crucial in order to become more efficient, utilizing resources and time.

The group is built on friendship and trust where the joy of working together is central. The members value their friendship high and are comfortable expressing their opinions. However, they are reluctant towards unnecessary conflict. Consensus, help mitigate the risk of conflict, as the members have to agree in order to move forward. As the initiator and a skilled mediator, Engström is the appointed as the leader, making him an important actor, for maintaining the cohesion of the group.

The core business and primary resources are built upon human capital. Knowledge, experience and each individual's own brand make the group highly reliant on its members. The group has been successful in developing trust and legitimacy within the group and towards their surrounding. If a members decide to leave, it would imply a shift in the group dynamic, where the group faces a risk of draining its legitimacy.

Today Ullersbro is a rather anonymous group, however, the individuals are not. Ullersbro consists of seven strong individual brands and one less strong organizational brand. By marketing Ullersbro and enhancing its brand and organizational social capital, Ullersbro builds their organizational legitimacy and reputation. By increasing the brand awareness and legitimacy, Ullersbro becomes less vulnerable reducing the risk of draining their legitimacy if the group constellation would change.

Ullersbro invests in companies in Lidköping and its close geographical proximity but is willing to invest further away if the right opportunity occurs. Investment outside the network could lead to liability of newness and smallness, where the network ties are weak and their legitimacy is less significant. Each individual member of Ullersbro has extensive networks connected to Lidköping helping them to overcome liability of newness and smallness. Their local anchoring becomes even more significant as their networks overlap. The structural dimension and Ullersbro's network create information asymmetry between Ullersbro and other actors in the community. Thus, such advantage could be harmed if the group was reduced or exchanged for new members.

***Sub Question:*** *Why do Ullersbro want to be distinguished from other investment phenomena?*

The members perceive Ullersbro as something unique. This is based on the underlying perception among the members of that they do things differently. The result shows that this assumption is based on unawareness and misinterpretations regarding the theoretical definitions in combination with previous experiences. Many of members associate Venture Capital and Business Angels with passive ownership and the main incentive of maximizing return on investment. Thus enhancing the urge to be further distinguished from these phenomena, as Ullersbro's main incentive is to enable the development of sustainable companies. Based on the member's own conceptions, they have created an understanding that actors within their local environment have the same perception. Therefore, Ullersbro identifies themselves as co-investors and developers acting on a local basis. Thus building trust towards the local entrepreneur by sharing the same values and communicating in a language that both parties understand. This approach enables Ullersbro to gain trust, enhance their legitimacy and thereby be seen as an equal player.

# 7. Conclusion

## 7.1 Practical implications for the case company

Throughout the research, the authors have found gaps, where the group could improve, allowing them to develop further. First, it could be to the group's advantage to develop their communication. Where expectations of each member's contribution are clearly expressed. As a result, the group will gain a more cohesive understanding of the vision and mission, thereby become more efficient.

Second, the majority of the members are approaching the end of their operational career, therefore questions regarding succession become central. Ullersbro has a responsibility to carry out their work within their portfolio companies as promised. Members will eventually leave, creating a risk for draining the legitimacy and competence base. In order to reduce uncertainties for the future, the group should establish a plan for succession.

Third, today, Ullersbro is rather unknown. By improving their marketing skills, they enable good business opportunities to find them. As a result, the group becomes less dependent on a few individuals searching actively for new prospects. However, the authors would like to emphasize the importance of choosing the right marketing channel in order to attract the best-suited business opportunities in line with their vision and mission. If the group aim at expanding their business further by investing in more companies, additional time and money would be required. Therefore, the authors suggest, additional meetings devoted to new prospects. Furthermore, time has to be allocated to the new investments. Therefore, the group needs to consider the tradeoff between increasing their portfolio or focusing on the current ones as time is stated as a limited resource.

## 7.2 Theoretical contribution

There is a very limited amount of research conducted highlighting the Swedish investment market. Moreover, even less studies have been conducted regarding Swedish investments made on a local basis. The aim of this master thesis was, therefore, to start bridging this gap, by conducting a single case study on the local development company Ullersbro AB. The findings of this master thesis thereby highlight how a small investment company operates on a local basis. By identifying strengths and unique factors connected to this type of constellation, the

authors have created a definition on how investment companies can benefit from acting locally. Since there is no existing literature regarding this phenomenon, the authors have only been able to scratch the surface. In order for the concept to gain ground, further investigations are needed. However, this thesis can be seen as a first step, highlighting the concept. Thus, the authors hope that more researchers will find the topic interesting as there are many similar constructions enabling and facilitating for entrepreneurship outside the large cities.

### **7.3 Suggestions for further research**

The case company claims that they are a unique constellation who invest in companies with both knowledge and capital. This master thesis, therefore, focuses on defining Ullersbro and how and why they wish to distinguish from other investment phenomena. The findings in this thesis are based on a single case study, implying a restraint on conducting a generalizable conclusion stating their uniqueness. Therefore, the authors suggest further research to be made on similar investment groups in Sweden, acting on a local basis. By researching several groups and comparing them enable a more generalizable result, putting a new phenomenon on the investment map and create a definition. Furthermore, the authors raise curiosity towards the monitoring process executed by the members of Ullersbro. Suggestion for further research is therefore to compare other investors monitoring the process to Ullersbro's or companies similar to them. Lastly, it is important to research local investment companies outside the large cities who helps enable the development of the local district.

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# Appendix

## Appendix 1 - Interview guide Ullersbro

1. Tell us about yourself and your background
2. Tell us about your work in Ullersbro and why you think that you are one of the seven members?
3. According to you, what is the biggest challenge working together as a group?
4. Please describe the group development over time.
5. Tell us about your work together as a group, how does it work?
6. Tell us about an investment process that has been of great importance for you.
7. Tell us about how you utilize each other's competences
8. How do you believe that other stakeholders in your surrounding view Ullersbro?
9. Position Ullersbro in the chart

## Appendix 2 - Interview guide for the entrepreneurs

1a Tell us about yourself and how your role at Chrisma AB has changed or not changed since Ullersbro invested in your company?

1b Tell us about yourself and your role in the company SWE Bostad AB

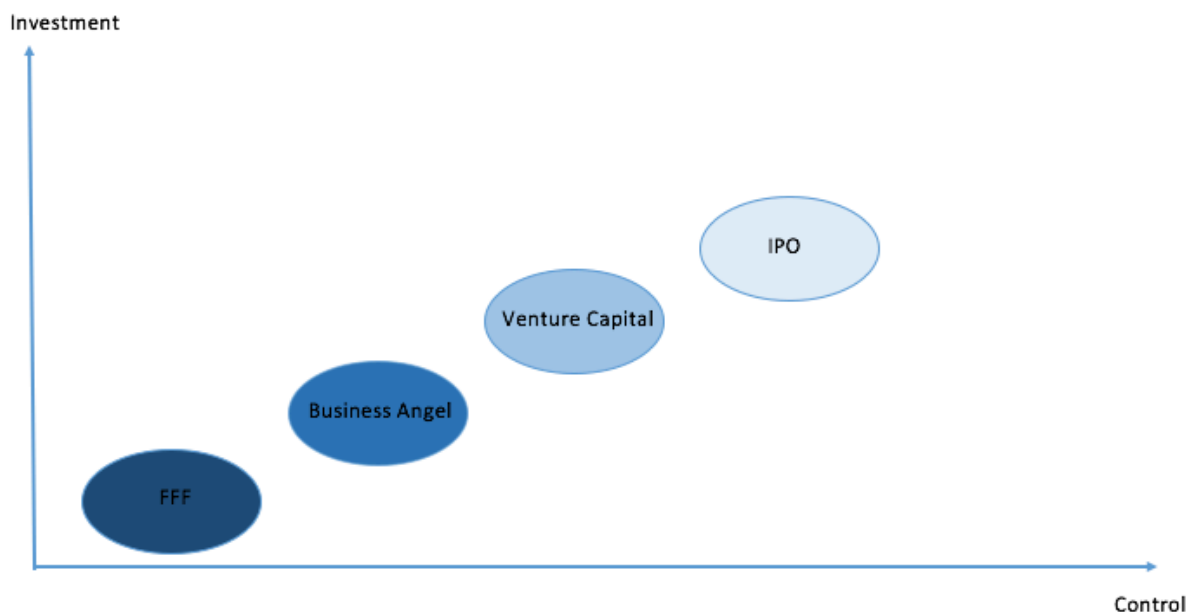
2. How did you come in contact with Ullersbro?
3. Why did you choose Ullersbro?
4. What has your collaboration with Ullersbro implied so far? Please explain both positive and less positive aspects.
5. Do you want to mention something that is of importance for us, and has not been covered by the questions?

## Appendix 3 - Interview guide for the local Bank and Almi

1. Tell us about how you came in contact with Ullersbro
2. Tell us about your collaboration
3. Tell us about your own view of Ullersbro
4. How would you like to define Ullersbro?
5. Why do you recommend entrepreneurs to contact Ullersbro?

6. Are there other syndications or networks in the surrounding conducting similar business?
7. As an investment phenomenon, how would you like to say that Ullersbro differ or not differ in comparison to other investment phenomenon?
8. Position Ullersbro in the chart

## Appendix 4- Positioning chart



## Appendix 5 - Portfolio companies

### *Apoteket Vita Hästen*

The first investment did not fall under the early stated criterion for what and where Ullersbro would invest. Karlsson was assigned by the Swedish government and Apoteket AB to work with the de-regulation and reconstruction of the pharmacies. It was therefore Karlsson who brought in the prospect on the pharmacies to Ullersbro and could in an easy way explain to the rest of the group what the investment would look like. However, he had no deeper experience and competence concerning managing pharmacies.

*“When Karlsson can explain for us how things are working, as long the arguments are backed up with logic and calculations, I would like to say that such presentation affects the group decision a lot”*

- Thomas Fröjd

What they found attractive was that a state monopoly was about to be deregulated and offered to private businesses. After long elaborations, they came to the conclusion that owning pharmacies in Ullersbro was both manageable and fit their core ideas. What did not fit was that Ullersbro initially owned 99 percent in a company where there was no entrepreneur present as a majority owner. Therefore, they had to start in the reverse order. Ullersbro started with 99 percent ownership and then found an appropriate entrepreneur that gradually increased her share of ownership in the pharmacies.

*“The de-regulation of the pharmacies was such an exciting thought for any entrepreneur [...] a monopoly could never work well, therefore we need to try it [...] This investment was something extraordinary because we had to understand and learn a lot [...] it was a completely new industry, it was something new to learn [...] this was exactly what I was trained to do, business plans and strategies for companies [...] It has worked out exactly as we said it would.”*

- Nils Engström

The pharmacies as the first acquisition gave confidence and security to the group, that they had the capability to manage such investments together. They also became more cohesive and dynamic as a group. Furthermore, it also contributed with a cash flow creating a more stable foundation for Ullersbro to stand on.

#### *SWE Bostad Utveckling AB*

Karlsson also brought the portfolio company SWE Bostad AB to Ullersbro. The offer came from an old friend of his, who previously had worked within construction. The idea was to offer affordable houses, using a more standardized method and thereby cut costs, preferable located in close to urban cities. Karlsson and his friend created a prospect, which they presented for the members of Ullersbro. The reason for choosing to work together with Ullersbro is according to Björnek *“I wanted to work with nice people, who both have money and expertise. There are plenty of rich people out there, and most of them are not fun to work with”*. Today SWE Bostad AB is building a residential area between Gothenburg and Borås.

Ullersbro owns 30 percent, the entrepreneur holds 50 percents of the shares in exchange for working unpaid for two years. There are also two minority owners holding ten percent of the company each. In this case the entrepreneur is the one who have developed the business and procured the construction. Due to very beneficial construction loans all costs are covered.

#### *Porlinsfabriken i Lidköping AB*

For the acquisition of Porlinsfabriken, the Bank turned to Ullersbro for help. When Ullersbro came into the picture, the china factory was performing poorly and was about to be liquidated. The portfolio company has been reconstructed and as a result, they have grown. Much in favor of the work Molinder has put into the organization. In 2015 the operation became profitable for the first time. This implies that the shareholders are able to collect dividends for the first time. However, there is still much to be done in order to increase the turnover and find additional revenue streams.

#### *Chrisma Svets & Smide AB*

Chrisma in Falköping is the latest acquisition in the portfolio. The company supplies steel constructions for shopping malls and warehouses. Ullersbro came into contact with the entrepreneur Fredrik Litmark in 2015, as he was encouraged by Almi to contact Engström for help with his company. According to Litmark himself, he decided to collaborate with Ullersbro due his gut feeling and their share values. At this time Chrisma suffered from growing too fast without the ability to keep control of the development. Fröjd and Engström visited the company in Falköping, but did not connect with the organization at first. Thus they really connected with the entrepreneur. According to Fröjd *“The entrepreneur shared his story and showed both passion and commitment for the job he was doing which is something that Ullersbro values”* After many elaborations, Ullersbro decided to invest. Step by step, Ullersbro have managed to help Chrisma back on track. The main change so far is explained by the entrepreneur Litmark, during the interview session *“I can use Ullersbro as sounding boards, this is something that I did not have access to previously, they also contribute to a professional board work”*.