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Preparation of a plan for the next five years for

Rauma Carpet Oy

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Thesis abstract

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The purpose of this thesis was to prepare a five-year development plan for Rauma Carpet Oy, a family company that has been manufacturing, importing and exporting carpets for over 30 years. Also succession or possible sale of Rauma Carpet are being discussed in the company, because the managers of the company are about to retire. Rauma Carpet needs ideas as to how to realistically develop and become a more successful company. As the research subject, I chose a brainstorm session during which the members of the company could share visions and ideas about the company's future and its present state.

The brainstorm session was held on 8 October 2011 and it was a success. The session gave many ideas as to how to develop the company in a realistic way. On this occasion, a five-year plan was made for company development, specifying the measures to be taken at the annual level. The thesis starts by looking at succession and company sale in theory and also includes a year-by-year plan starting how the company could function better. It indicates first where the company stands now and according to that it makes the company a future plan. The plan is very close to what the company leaders wanted it to be and corresponds to the goals defined at the beginning of the thesis.

Keywords: vision, strategy, family company, succession, annual plan

SEINÄJOEN AMMATTIKORKEAKOULU

Opinnäytetyön tiivistelmä

Koulutusyksikkö: Seinäjoen Ammattikorkeakoulu

Koulutusohjelma: Kansainvälinen johtaminen

Suuntautumisvaihtoehto: Markkinointi

Tekijä: Annika Siltamäki

Työn nimi: Rauma Carpet Oy, suunnitelma seuraavaksi viideksi vuodeksi

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Työn tarkoitus oli kehittää Rauma Carpet Oy:lle suunnitelma seuraavan viiden vuoden ajalle. Rauma Carpet Oy on perheyritys, joka on valmistanut, vienyt ja tuonut mattoja jo yli 30 vuoden ajan. Myös mahdollinen sukupolvenvaihdos tai yrityksen myynti ovat keskustelun alla, koska yrityksen johtajat ovat pian jäämässä eläkkeelle. Yritys tarvitsee ideoita ja realistisia suunnitelmia kehittyäkseen ja menestyäkseen paremmin. Tutkimuskohteeksi valitsin aivoriihikeskustelun, jossa yrityksen johto voi sanoa mielipiteensä ja ne otetaan huomioon kehitettäessä realistista suunnitelmaa yrityksen kehitykselle.

Aivoriihikeskustelu pidettiin 8 lokaluuta 2012, ja se oli menestys. Se antoi runsaasti haluttua ideaa siitä, miten kehittää yritystä realistisesti. Aloitin yrityksen toiminnan tarkastuksella, eli siitä miten yritys toimii tänään ja sen mukaan oli hyvä katsoa tulevaisuuden näkymiä. Siitä etenin sukupolvenvaihdoksiin ja yritysmyyntiin liittyvällä teoriaosuudella ja sitten aivoriihikeskustelun perusteella tein yritykselle vuosittaisen viiden vuoden suunnitelman, joka on mahdollisimman realistinen ja tulee myös johtajien linjaa, niin kuin haluttiinkin.

Avainsanat: visio, perheyritys, strategia, sukupolvenvaihdos, vuosittainen suunnitelma

Foreword

I would like to thank Kirsti Sorama for giving me good advices and helping me with the thesis as my thesis instructor. Anne-Maria Aho was a great support and a positive motivator during the whole degree program. I'd like to thank Juha Kansikas for giving me the idea on how to work with the thesis subject and how to conclude the research. It was a pleasure to study with wonderful fellow students and to get the guidance from great teachers.

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1 INTRODUCTION

Every house almost has carpets but selling and manufacturing them is another story. In the area of Southern Ostrobothnia used to be many carpet manufacturers in the 1970 and 1980, but today the story is different. The business is becoming more and more international and a lot of products are imported every year. Carpet business is huge and the best ways to see it is if you can walk around in the Domotex textile trade fair in Germany and just breathe the air of carpet industry and get the newest winds of the textile fashion.

Rauma Carpet Oy is a family company that manufactures exports and imports carpets. The company has been working for over 30 years on the field. Rauma Carpet has a need to create a plan for the next five years and gave this subject to me to be worked on as a topic in my thesis. The owners are retiring and the company's future is unsolved. Generational change is a possible solution, but also selling the company is an option. In addition other aspects as marketing, manufacturing and sales need to be looked closer in this planning phase.

The company had hoped that this study would bring them realistic plans that could be used in real life. Talking to the company owners and with a professor Juha Kansikas the result was to organise a brainstorm session for the company members. That way they could give ideas to the plan that would be developed according to their opinions. The questions should be thought carefully so that they would help to create a positive feedback and to make everyone open up and say what is in their minds.

The textile industry has been changing a lot in the past years and joining the European Union and Euro has given a lot of options to the companies in Finland. The knowledge in everywhere these days and the internet has shown that the companies can use it to share information online. Also the internet shows that you can almost buy everything on the web. That has been the way to develop and

even for a smaller company's can commercialize with a smaller budget and be found there. Also the trade fairs are the best way to present their products because the stands do cost money but the buyers and interior designers use the fairs to find out what is new and what they want to get for their clients.

I am the daughter of Risto and Maria Rauma and also the export manager of Rauma Carpet. It has been a great adventure to see the markets changing during the years and getting to know the carpet field personally from inside out. Just following the products designed, the buyer negotiations and the trade fairs has been an educational trip. In my BBA thesis in year 2001 to Rauma Carpet Oy, I did a marketing research study for Isku clients to find out their opinions about carpets and how familiar Rauma Carpet was for them. That is why this kind of research was not needed now. To be able to develop a plan for this family company for the next five years is also going to be a journey that will give and teach a lot. All the issues that will need a solution are interesting and are going to give me personally much more understanding on the field and on all the choices that are available. So I hope that this thesis will give plenty of solutions to the company but also as much knowledge and answers to myself.

1.1 Background of this thesis

The thesis begins by the theory part where the change of the ownership and the theory of the strategy will give the background for this thesis. The thesis has a mission to give the plan for the next five years on many aspects. It will analyze the generational change but also selling the company will be taken a closer look at. The marketing budget has not really existed in the latest years and the marketing plans with a realistic budget will also be made a rough plan in this work. Rauma Carpet's manufacturing issues will be looked at very carefully because this is actually one of the basic questions in the air at the moment. The company has always been manufacturing its own products in Finland and that is now something which is unsure in the future.

You have to make the old entrepreneurs see that in some point it is good to stop the business and you will need to do this before the entrepreneur's fire has burned out or before the company has started to move the downhill (Varamäki, Tall, Heikkilä & Sorama 2011, 46). Generational changes almost always are a difficult topic for most companies and it is hard to admit that you are not going to be the manager much longer. Even that the person who will take the company over is from the same family, it may still worry the manager now. Opinions in the field and in the issues about the market might be very different but by talking and planning all the problems could be solved better. Selling the company and generational change both are things that need to be planned years beforehand. That is important for the storage and the tax issues as well as it is important to educate the new owner deeper into the work that he or she will be doing in to the future.

Family business makes the family stronger and they work together towards the goal. The members might also have lot of silent knowledge and are very dedicated to the company. (Elo-Pärssinen & Talvitie 2010, 21.) After the children have become a more important part of the company's functions they are part of the company and their opinions must be taken into account as well as their knowledge must be taken advantage from.

The company was into depression after the manufacturing almost stopped in Finland. It stopped because it was no longer productive to produce so large amounts anymore in Finland. The company started co-operation with very good manufactures in Belgium in 2005. After the importing really started, trade fairs have been used to get more contacts and that's way the company has been reinventing its vision. The company still manufactures but much less than before. Now the company imports 88% of the sales.

Imported carpets are cheaper than the company's own products, but they are still a good quality and have a multiple model selection. Rauma Carpet sells in the shops all over Finland and it doesn't have a shop at the factory location. The stores selling company's products in Finland are for example Isku, Asko. Stockmann and Artek. The imported products are sold in the cheaper stores as well. Rauma Carpet has been arranging sometimes events where it sells products

also from the factory. That has happened by a newspaper advertisement and the event has had a special discounts. Those days have been successful but it takes place only one weekend in a year.

1.2 The plan for the development

The plan is to create the company a yearly plan how to develop the company and also the new owner to see the prospects for development. The yearly plan will start from giving the company ideas what they should do in the company on yearly basis. This will take under consideration the brainstorm session's result and the position of the company. The budget for development is supposed to be very realistic and done according to the wishes of the management. Important aspect also was to convince the company to see how valuable the trade fairs are for the company. Rauma Carpet should take part on the fairs by having their own stand in them.

The main plan is also to show that the entrepreneur does not have to do all the work alone but that you can share and divide the work and get the best result that way. You can also use the professionals outside of the company to get the best results. The brainstorm session should be positive but realistic. It should make everyone participate and share their ideas. That is why the questions should be carefully thought about and planned. The session should be somewhere else than at the company premises and the atmosphere should be relaxed.

1.3 The methods of this research

Brainstorming was originally developed by A.F.Osborne in 1941. Brainstorming is a bit like a group of people meeting to make a sculpture. Everyone brings a piece of clay to the meeting and places in on a table. (Michalko 2006, 311.) This is a good way to describe this research method.

“The task of the interviewer in the survey research process starts after the briefing. The task of the interviewer is more comprehensive and complex than merely asking questions and recording the respondent’s answer.” (Loosveldt 2008, 8.)

That is why the questions were well thought beforehand as was the situation of the brainstorm session as well. The idea was to get everyone feeling free to discuss and share ideas. The brainstorm session took place the 8th October 2012. It was held in the house of Rauma family and not in the office. The members were Risto Rauma the managing director of Rauma Carpet OY and Maria Rauma the production manager, Marko Siltamäki who has done sometimes the work for sales and export manager assistant, Toni Rauma who is the sales manager and Annika Siltamäki the export manager.

The brainstorm session was documented by writing everything down and also recorded so that nothing would get lost. The questions were chosen to bring out a positive atmosphere into the discussion and make the ideas fly. The main thing was to get everyone into talking and sharing ideas and visions. The difficult issues should also been taken under consideration and not forgotten. The questions were: Rauma Carpet, where are we now? Future of Rauma Carpet in the next five years and how to get there? That was to open up the ideas that everyone has and help them to share the ideas. This was the question where the members were giving the new ideas to work with and the great visions how to develop into the future.

SWOT-analysis of Rauma Carpet was planned to get the strengths, weaknesses, opportunities and threats of the company. This question has many aspects and it can be a mind opener in the way to see where the company really is standing and what the possibilities are in the future. It did not follow all the laws of SWOT because all the members were not familiar with the analysis but it was more important just to share the ideas than follow the rules. Vision and strategy question was the last one to answer.

The environment of this brainstorm session was nice and the atmosphere was relaxed. Big papers and post it -notes were used to write everything down that was

said. It lasted all together a bit over 3 hours. It could have not been any longer because at the end people got a bit tired after a very active conversation. This became very successful brainstorm session and it really flourished and gave many good and new ideas for the future. Everyone was involved and the amount of ideas was very wide. It also gave a positive kick for the company and staff and made them see the future. The company members also started to be active about the new ideas. It has really given changes that are starting to happen and it has given the members more feeling that we all are in this together. We all want this company to be successful.

After the brainstorming session all was written down and given to the participants, so that the ideas would not be forgotten. This was the first time ever brainstorming was done in Rauma Carpet Oy. Also the manager Risto Rauma wanted right away to do a bit similar discussions every year to motivate the managers and also not to forget the common goals. The result was very good because the firm was seen as a very positive unit that should be worked on together. Often these types of talks have happened and those have been just arguments where one is blaming the other and no one is taking any responsibility. Also this feeling that we are together and we have a common goal, have been missing.

1.4 Rauma Carpet Oy

Rauma Carpet was established 1979 by Risto and Maria Rauma in Lappajärvi. The firm started by manufacturing and selling carpets. The company started with the name Risto Rauman matto Ky and it was a general partnership. Then at the year 1997 the company changed into Rauma Carpet Oy and it became a limited liability company.

The company moved into Veteli in the year 1980 and they started to hire more employees from the area. At the most successful years in the 1980-1990 the company was doing well. Every model they invented sold out and that made the management a need to hire more staff in to the production. They had 12

employees, the new product line and a machinery invention of the manager that also helped the company's reputation to grow.

The company concentrated in products that were mostly handmade and as a raw material were cotton, wool and linen. Rauma Carpet was into using natural material in the manufacturing. The products have had very big selection of colours and wide range of sizes. Rauma Carpet has been one of the few manufacturers that was able to make round carpets and also other shapes if wanted by customers. That is also one point about the special services made for the customers. In the years of 1989-1998 the company exported 78 % of their products into Germany, England and Italy. That saved the company from the depression years of Finland in 1990-1993, when many of the companies had financial difficulties and many firms even went to bankruptcy. (Tilastokeskus, [ref.13 October 2011].) The company was very active in inventing the new product lines and they have been active in the EU projects as well.

At the later years the company's products got too expensive due the Finnish labour costs and the production line was not renewed often enough. They had to cut the labour costs down and today there are just the owners working for the company full time. That has also been the result of the lack of the marketing. The marketing has been seen as a cost but they should see it as a ways to bring the income to the company. The owners have just been calming down the business on purpose and it is also easier to import than to manufacture the carpets when the sales has reduced.

2 THEORETICAL BACKGROUND

In the theoretical background chapter the theory starts in changing the ownership and the company's strategy will be observed next. The change of ownership will deal with the determination of the value of the company to be sold and getting the company otherwise ready for selling.

Second issue will be creating the strategy. The important part is to understand that the strategy will come at first and it is important for the company. The critical problem part will also be observed in this chapter. Also agile strategy theory will be closer looked at.

2.1 The change of ownership

When you are buying a company, there are issues to take under consideration beforehand. For example the price of the company is one of the key elements to take a closer look at. Even though the price may be the same for different companies the income of them may vary tremendously. The problem often is that you cannot compare different companies so easily. Not all of them are really comparable. (Tenhunen & Werner 2000,16.)

Once you are starting to look at the available companies to be sold, the first thing to do is to have criteria for selecting potential targets since all are not worth buying. The first important thing is to take a look at the company's determinate strategy. Those things are the field that the company operates, the products, market and the way the company works. The second thing is the market share of the company and the third is the size of the company. Other criteria that are harder to find out include for example the geographical function area. Also the growth potential and financial, technical and other resources would be helpful to observe. (Tenhunen & Werner 2000,17-18.)

The sales price is often much higher in the seller's perspective than it is in the buyer's point of view. The sales price is significant and also the terms of payment and other sales terms are important. All the three are tied together because without knowing all those it is hard to tell the true value of the company neither for the seller nor for the buyer. The company's value is often agreed in the negotiations between the seller and buyer. The substance value of the company is determined by looking at the active and passive value of the company. (Tenhunen & Werner 2000, 20-21.)

Determination of the company value is not that easy. The value is different for every buyer and it is due to the buyers' valuations of the company's market share, resources and knowhow. Often finding out the value is depending on many issues and to find out the value might need professional help. The substance value and the business value are the ways to determine the real company sales value. Substance value means the net earnings value and it tells the company's value in a sense of thinking that the debts would be paid away. The business value tells the income expectations of the company. The other way to see the value is also when the calculations are made between: market-based valuation, the asset-based valuation and earnings-based valuation. (Pasonen, Hiltunen & Turunen 2000, 60-65.)

It is important to know how to increase the value of the company you are selling. A successful company is much easier to sell than a badly performing one. The owners of the company will have to ask themselves if the company is now ready to be sold or should they make a plan to make it better for selling. Here are some tips that will help in selling the company. This will take approximately two to three years. The first thing to do is making you less important in the company. To make the company work well without you is important because no one wants to buy a company where the whole management changes when you will leave. The second thing in making the company more sellable is to create a clear organization. It is important to have a clear organization structure in which everyone knows their duties. Third thing is to get the financial reports ready for selling. High quality company has clear income statement and balance sheet reported monthly ready to be presented once needed. Fourth issues to consider in selling the company are the certified quality systems. Those show that the company is up to date and the certi-

fied quality systems should be also demonstrated on a process forms to the buyer. The fifth method is that the company has well designed business plan. The sixth and the last part that will help in selling the company is the growth potential. Create a plan how to make the company grow and see new direction to the markets. (Pasonen, Hiltunen & Turunen 2000, 71-73.)

2.2 The strategy planning

Strategy is the company's decided selection of the guidelines and goals in the changing environment. This selection specifies the next four issues. The strategy is made into the company's changing environment. The second issue is that the strategy must include the goals and the code of conduct. The third issue determines what is important for the company and what is not. The fourth and the last part is that the strategy is communicated within the business entity in order to fulfilling the requests' together. (Kamensky 2000,17.)

The critical strategy parts. The critical parts of the strategy are that the main focus is in the future. It asks how the company will make sure that it will be successful and make results tomorrow. The time is difficult to understand between today and tomorrow. The strategy can be made for a longer period of time or just for a short while. Strategy means also that we will need to find things that are really the key issues for the company. The strategy needs ability to separate issues from a great group of issues. Making a strategy needs abstract thinking that will make the strategy close to the practice. Strategy answers to the questions why and how it helps to separate the company from the competitors. Strategy is forever going process and it needs to create stability. The last part in the critical parts of strategy is facing the facts and understanding them. (Kamensky 2000,20-24.)

Strategy steps of success. The development of strategies is not particularly hard, but instead executing them is. The challenge for strategic success includes three step which each of them is bigger than the prior. Successful company is able to create strategies of success, it is able to implement those well and it is able to

renew the strategies according to the changing requirements'. (Kamensky 2000,25.)

Strategy process. The process of strategy development starts from a mission. This tells why the company exists and in what kind of business it is in. It shows why the company is useful and what are its benefits. The next step is the vision and it has a very important role in the strategic planning. It implements the image where the company wants to be in the future. It gives the organization direction and it helps to achieve the goals. Objectives are the next part and they mean the goals and the functions that the company sets for the business. Then becomes the aims and those are there to guide the planning and the decision making. The strategy processes implementation and follow up is as important as the planning. The timetable should be made and the processes should be followed all the time. Measurements are important to follow the results and they are supposed to be investigated. In the small companies measurements are not done often enough and there is lack of dedicated time for it. The last part is the problems in the strategy process and mistakes can happen. The problem can take place in planning function itself, the goods and information and the behavior of the customers. Other can be just that the management wasn't ready or they didn't understand the strategy. (Paren 2000, 27-47).

Strategic agility. Winners of the fast strategy game are prepared to take key decisions and commitments really fast. Strategic sensitivity, collective commitments and resource fluidity allow top management teams to pursue in strategic manners quickly (Doz & Kosonen 2008, xi.) "Strategy agility is most needed in markets characterized by fast changes and growing systemic interdependencies" (Doz & Kosonen 2008, 17). Strategically agile companies stay competitive by making fast turns and transforming themselves instantly (Doz & Kosonen 2008 xi-xiii).

In the figure 1 it shows that many companies are facing the real challenge and complexity as interdependent opportunities in the world of converse industry boundaries and growing systemic change in environment. (Doz & Kosonen 2008, xiii.)

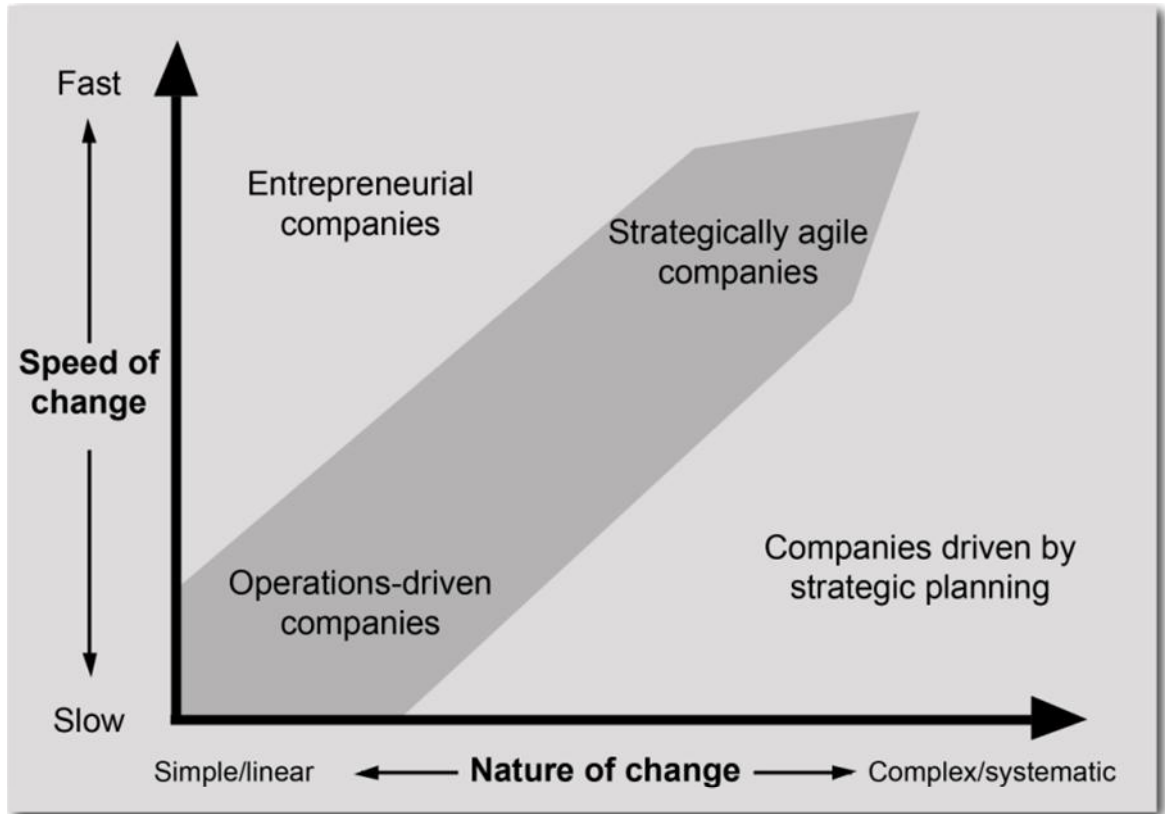


Figure 1. Where is strategic agility needed most (Dos & Kosonen 2008, xiii).

3 RAUMA CARPET TODAY

Rauma Carpet Oy today is a company which has learned a lot from the past. It was established 1979 and since then it has been on the same field. The company continues to work and produce new models to the market. The changes have been very active in the textile field and even selling the carpets has changed during the 30 years. Consumers used to washing their carpets and have them as long as they were usable. Now they just want a decorative part to their furniture styles and carpets are not washed so often anymore. The carpets are out of date much faster. This is also why consumers are not just after the best quality but often the good quality and the best design. (Rauma, R. 2011.)

Carpets are not unnoticeable but instead they are part of the modern interior design. This also gives a lot of opportunities to the manufacturers because the years one carpet stays on the floor has shortened and that is why there are more carpets that are sold every year. That also makes the marketing even more important than it used to be. Stores that are buying products have lot of knowledge on the carpets and the fashion changes all the time on textile field. In the trade fair in Habitare 2003 Rauma Carpet received an award for the new product Pellavatar carpet as it was picked to be within 12 new products selected on the journalist special dozen. Pellavatar (see Rauma Carpet's leaflet appendix 5) is a special carpet because it is fully made of linen and it has really nice design. (Rauma, R. 2011 & 2012.)

3.1 Strategy of Rauma Carpet

Strategy is the direction of an organization over a long term and it gives an advantage over competitors (Johnson, Scholes & Whittington 2005, 10-11). Rauma Carpet Oy does not have a written down strategy, but it has a goal to manufacture, sell and to serve the customers as well as possible with good quality

products. The quality has always been the key principle of the manufacturing and that is why Rauma Carpet has a very good reputation at the market. The company has also had a practice to give the customers immediately help if there is a problem with the product and that has also increased the reputation.

The company is still manufacturing products in Finland. This has always been the company's big advantage but at the moment it is also a bit of disadvantage. They are still selling their own products here in Finland but the most products that they are selling here are still imported. Most consumers would rather buy cheaper carpets instead of the more expensive high quality ones manufactured in Finland. (Rauma, R. 2012.)

One of the main ideas in the business thinking is that in the business's real value of any product or services will be determinate at the moment of selling. So the most important moment is when the customer makes the selection. So that it shows how valuable he or she thinks the product or service is. (Lindroos & Lohivesi 2010, 18-19.) One strategy from the start has been the price selection of Rauma Carpet. The company has never been selling products into the masses but more into a selected group of customers who want the high quality and are ready to pay for it. The good quality of the carpets and the long lifetime of the firm have given the company many customers who purchase always only their products.

According to Johnson et al. (2005, 18), strategic choices involve understanding the underlying bases for future strategy at both the business unit and corporate levels and the options for developing strategy in terms of both the directions in which strategy might move and the method of development.

When you are making a strategy plan you must take a look at the environment where you are planning to have it. After analyzing it is time to make decisions, what are the decisions that you are making for the next strategy period or for longer. In determination of the strategy you must take under consideration what is the mission and vision of the company and have that as the basis for the strategy. (Lindroos & Lohivesi 2010, 40-41.) According to this and talking to Risto and

Maria Rauma, Rauma Carpet's vision statement is: "Good quality carpets for homes and offices".

No organization should believe that everything will stay as it is. That is why strategy of what the company wants to become is the main reason why a strategy is a success. Based on the vision, the goal should be realistic and plans should be made according to that the company real targets. Good strategy is commonly very simply and it starts from finding out where the company is right now and into where the company wants to go in the future and what it wants to be. (Lindroos & Lohivesi 2010, 41-42.)

The strategy is normally made yearly. That plan has a time schedule for every decision and it is truly followed. The following takes much more resources than the analyzing and planning does. The goal will have a need of the company to believe in the strategy and the plans in order to make it successful. It is said that making the strategy to work needs the same effort as managing the functions in a company. If the strategy does come true it is not fault of the bad strategy but more of the bad management. (Lindroos & Lohivesi 2010, 45-46.)

When there are changes in the environment the need of following how the strategy is up to date is important. In the extreme cases the strategy will need a new planning and even the whole plan and strategy needs to be remade totally. The strategy should be flexible because too tight strategy plan might be more trouble than good for the company. The sign of a successful company is to be able to made better forecasts and that way to reach better into changes than other companies. The success is often about the ability to change, the will to change and the speed to change. (Lindroos & Lohivesi 2010, 46-47.)

The strategy should be almost planed like a calendar. For example strategy analyzing part holds the collection information, lots of analyzes and the company's strategy. The next point is to write what the strategy holds inside and in this part where the business strategy belongs as well. Then becomes the planning of the strategy's projects and this means also the functioning plans. The last part in a

years' time is budgeting and the strategy coming to the end as really happens. (Lindroos & Lohivesi 2010, 50.)

That gives also the idea for Rauma Carpet that if everything is not happening right away it doesn't mean that it was a failure. The plan like that needs time and a good planning for it to happen. The managers are responsible in following the strategy for happening and all the members who have a mission to do something should be informed and they should have a schedule.

When the strategy is done it needs time to document it and that is lots of work. Not only that it will be written down but it should be informed to everyone who is working in the company and also to the co-workers of the company. It should be written clearly so that it will be understood and it is very important part for it becoming reality. It is important also that the co-workers know what the company wants so that there is a common understanding and if those groups of people also support this goal it will be more likely to become real as well. (Lindroos & Lohivesi 2010, 51.)

3.2 The management

"The word 'management' comes from the Latin manus, which means the hand, and agree, meaning to act" (Karlöf & Lövingsson 2005, 4). This is a good explanation on management - the hand that is guiding the acts in a company. Rauma Carpet has an old school manager, Risto Rauma. He has never studied to be a manager but has learned by working. He has plenty of visions, experience, sales skills, eye for fashion and knowledge about the machinery. That has always been very important for the company and also an advantage towards the competition.

It all has able the company to create new product line. Maybe even invent something totally different because of the innovation manager who has seen what will happen next at the market. Risto Rauma has been a good manager and made decisions that have been very good for the company. He has always understood

the financial aspects and has never made too big investments. This time looking at the company that is an important issue that helps the company in this transformation. Without the dream of Risto and Maria Rauma, this company would not exist nor be where it is today.

In a year 1994 Risto Rauma got a best entrepreneur's award from the Veteli's entrepreneur's organization. This shows that the company has been working and hiring staff in Veteli and being an example for others. They have been importing, exporting and making Veteli more known in Finland. Risto Rauma has also been actively working as a president of the Veteli's entrepreneur organization for 20 years. This entrepreneur's organization makes yearly marketing events, takes part in international activities and supports the entrepreneurs in Veteli area. (Rauma, M. 2012.)

Surely the new manager will need to think about taking control of everything and that will also need an investments and planning. The important part is to invest rightly in to the correct aspects that will increase the sales and the company's reputation as well. In that sense a family member would be the best next managing director because she or he would understand the value of the company and also to know the field the business is working on.

The company managers are thought to be as a model of eight manager types. The first type is innovator who is living with a change, thinking creatively and is managing the changes. The next type is broker who is building and maintaining the power base, negotiating agreements and presenting ideas. Producer type of manager is working productively, fostering a productive work environment and managing time and stress. Then is the director who is developing and communicating a vision, setting goals and designing and organizing. The coordinator manages projects, designing work and is the manager across the functions. There is the monitor type of manager who is monitoring the individual performance, maintaining collective performance and processes and is analyzing information with a critical thinking. The facilitator is building up teams, using participative decision making and is also managing the conflict. Then the last manager type is the mentor who understands himself and the others,

communicates effectively and is developing the employees. (Quinn, Faerman, Thompson, McGrath & St. Cleir 2007, 15-16.) Risto Rauma is a mix and often this is the case with many leaders, but mostly the manager of Rauma Carpet is the controlling coordinator who is good in his work and takes the job seriously as well.

3.3 Environment

The carpet industry has changed a lot in the last years. Now the cheaper manufacturing countries rule the market and in Finland you can only do special types of products anymore, niche products. The prices of the products manufactured here have become so expensive that you can no longer compete with normal carpets. The carpets that are imported from India and China are so much cheaper and look also nice. The customer often chooses rather those than pay more of a similar Finnish carpet. The products that have a design name and are somehow special only have a niche market even that they cost more. In those markets and when we talk about special products – price does not matter so much.

Carpets have changed in the style as well. They are not so long lasting anymore as they used to be. As mentioned Finnish customers have been washing their carpets every summer, but many of the new carpets styles are not washable nor as long lasting anymore. Consumers want the cheap price these days, not the quality. They also have more knowledge of the fashion and the price selection. There are always also some of those, who still value the handmade Finnish work. This might even become more known again as a real plus value in the future.

The big chains are ruling the markets in Finland and that makes the competition even harder. In the inward business you cannot often sell to the big chains because of their own buyers want to have the contacts their selves. They don't want to pay to the middlemen and can order bigger amounts than a smaller importer. That way the manufacturers often look for the bigger suppliers first. That can be solved by getting the sales rights as being the only reseller in Finland for

them and have some special carpets that you import. In that case they are interested.

In Veteli operating otherwise works well. The location could be better but the transport and storage are big enough and not too expensive. Rauma Carpet has a factory in an old school building making the space over 500 m² only used for storage and manufacturing. Carpet industry in South Ostrobothnia has been well known and in those golden years when the company was established it was really blooming. Still there are good connections and many people around who has been working in the industry before.

3.4 Competitors & Allies

The competitors are the Finnish carpet manufacturers, Finnish importers, foreign carpet manufactures, foreign importers and the online stores. The big chains are also competing with the cheap imported carpets. Carpets are sold almost in every furniture stores and also many supermarkets are starting to have carpets in their selection. The competition is hard and the company needs new ideas all the time to stay in the market. Also all the potential clients don't get carpets at because of the fear of allergies. Some can use whole floor carpeting. That is not so common in Finland anymore, but in Southern Europe it is very common. Also in North America also uses mostly the whole floor carpeting.

Allies are the shops we sell into. They often need someone to import for them and to show the new styles. Interior designers and the manufactures who can become our co-operators are also our allies. Rauma Carpet has some very good allies in this field but co-operation with other manufacturers in Finland would be a next step in to the good direction. Allies are also the raw material companies. Rauma Carpets raw materials come from Easter Europe. The raw material always changes with the price and selection but already for few years the good quality raw material has been coming from the same place. The elk leather comes from the hunting groups in Finland and after that it goes to a company in Kokkola that treats the leather and if needed colours the raw material. Mostly the raw material has

been imported to Rauma Carpet. They have mostly been using cotton and linen that is allergy free and because of the tight density it is also more fire safe.

3.5 PESTEL-Analysis

PESTEL is a way to analyze the political, economical, social, technological, environmental and legal issues for the company's environment. It is used to describe the opportunities and risks of the company. Here it helps to get better understanding of the environment in carpet business.

Political factors. Political changes can always influence the markets and the changes might be even too much to bear. Some parties do not like the European Union and Euro and if the political direction would be this way – the influence in the economy and exportation could be enormous. If that would change in Finland and we would not be in the EU anymore, it would totally change the way to do business with foreign countries. The laws about the employment might change and that way cost even more problems for companies. Also it is important that Finland would have friendly terms with all the possible countries because if that is not the case it would make the export and import business very difficult for companies.

Economical factors. Also the economical situation is always very fragile. If customers feel that it is not safe to spend, they will not need to buy carpets first. Many companies went to bankruptcy in the depression at the 90's from the same reason. (Tilastokeskus [ref.13 October 2011].) In Finland it is not easy to have a firm at the moment. The costs for entrepreneurs are high and the labour expenses are much bigger than in many other countries. The taxation is high and the talk about raising the VAT again scares many entrepreneurs. Other taxes might also get higher in the future. This makes Finland not so entrepreneur friendly country and it is hard to attract foreign investors and foreign companies.

Social factors. The retirement age is changing in Finland and in the other countries as well. This can also be a good thing considering about the consumers.

The older consumers will stay in better shape while working, the medical knowledge is rising so people can live longer and healthier lives. They will be more socially active so they must not be forgotten in the product designing nor sales planning. This means that they are a good target for marketing as they are our potential customers. People live longer these days and this can mean more carpet sales for them. Attitude to work has been changing already in Finland. People in most cases are too educated to do a hard labour anymore. This should also be understood and thought while thinking about manufacturing issues. Younger people are not ready to work often in the factories anymore. If Finland will not have a change in the attitudes they will need to find some other cultures who do want to work in the factories.

Technical factors. Technology is changing all the time and this makes also manufacturing carpets much easier. Now there are so many new types of machines involved in carpet manufacturing that only the sky is the limit for designing something totally new. Computers are used for designing the new models and the choices are almost limitless. The computer being in almost every house hold in the Europe makes the internet a big part of business communication. The web sites are important and they give the companies a good way to stand out and also services can be given that way. The web shop and services are the way for a company to get more sales in the future. The changes in the technical field have been fast and it has made many companies more successful while they have understood the power of the internet and taken a good advantage of this.

Environmental factors. Environment is important and it is becoming bigger issue all the time. The changes in the environment are happening like the global warming. Changes should be done to stop the global warming from happening. The raw material that Rauma Carpet uses is mostly cotton and linen, but many other companies use for example plastic and that is very bad for the nature. Rauma Carpet Oy should pay even more attention to these environmental factors in a future. Environment is also key issue in considering the packing materials. The companies should be more cardboard than plastic backing. This will in the

future be more and more noticed and the regulations will change in many ways. This is why being fast reactor is important.

Legal factors. Legal factors change all the time. The laws and custom costs and regulations are an important thing to know about and to follow. European Union has opened many doors, so to export and import in Europe is much easier than it used to be. But for many other countries it is not so. The legal factors can make the import business more complicated and the cost might change the type of business that it profitable. That is why knowledge and following the business world as well as the law changes are important issues to know about.

4 RAUMA CARPET OY – IN THE FUTURE

In this chapter Rauma Carpet's future plans will be closer looked at, starting from the generational change and also selling the company. Ending the business activities will be one option that might be considered then also, if there is not a new owner. Those are important things and the company is now at the point where it would need to plan the future. The brainstorm question replies are also analyzed at in this capture and yearly plan made according to those.

4.1 Generational change

Rauma Carpet's owners, Risto and Maria Rauma are retiring soon. They have three children whom all are involved in the company. One of the children with his or her partner could be the next owners of the company. That means that it is time to start talking about the issues seriously. The owners are not always understand that they will need to leave the company to the younger generation. That does not mean giving up from living but just to have more free time to do what they have always wanted.

In the generational change there are three parties that need to be informed about: the family, the relatives and all the co-operators. This decision influences the balance in the family and in the company. (Koiranen 2000, 62.) Generational change has been a topic among the discussions already for years. This is a known fact and yet it seems to be difficult for both the owners and the children. The difficult part is for the owners to let go of the work they have created and worked for over 30 years. In the generational change the knowledge handover is an important part and the owners need to be sure that it is what they want. Risto Rauma, the company's managing director has always been doing the sales meetings and the trade fairs it needs him to be introducing the people he knows to

the new owner and that way create a co-operation between the new owner and the contacts.

The company owners had a need of the company to develop and they wanted a study done about this topic. Who will continue this company and what are the changes that the company needs to survive in the future. Also if nobody wants to continue the company at the end the possible sales or determination the company should also be thought about. Those are the questions a brainstorm session would give the best reply on the matter. The brainstorm session was to make everyone in it feel open and positive about the future of the company. Also the idea was to give the future owner some realistic plans how to continue the company's work realistically.

According to the study about the generational change and how successful it has been in the Southern Osterbotnia in the years 2006-2011 made by Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa (2012, 9, 10 & 31). The generational change had been successful for 59% of the companies, for 24% is had been kind of successful, 14% could not answer to this question and for 4 % of the companies the change has been unsuccessful or very unsuccessful.

The repliers gave advise how they made the generational change so successful. First step was that the sellers will to give up the business. As an entrepreneur you will need to be ready to give up the business and it is a natural step for the next generation to go on with the work. One point was selling the stocks to a member of the family and one of the tips were that it helped when the father did no longer interfere in the business. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 31-32.) That all will help to make the generational change better and also it is very important to stop interfering on to the business once you have changed the ownership but it surely can be difficult.

The owners in the research also replied that the good planning and being prepared is one important key to the success in the generational change. Reorganizing and getting from the tax office the decisions in advance was a good thing. Also the well done preparing and agreeing the price together with a possible

other owner was helpful. The next thing helping to get the generational change done was the legal help and the assistance from the accounting office. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 31-32.) Legal help is very important and the planning in advance will be financially wise decision. Those are the best advises because they are from this area and they are from companies who have done this and been successful in it.

According to the research case study about how the business were developed after the generational change, the companies where asked how long they had been planning to have the generational change. 8 of 24 owners had been thinking about the generational change for years before doing it, 6 had been thinking about it over a year but most companies as 10 of 24 have only been thinking about it less than a year. (Varamäki, Tall, Sorama, Länsiluoto, Viljamaa, Laitinen, Järvenpää, & Petäjä 2012, 54.) It shows that it can happen fast and still be successful but it is better to know it sooner to be ready and to inform the co-workers.

Companies that made the generational change or sold the company to an outsider noticed that the problems they assumed to have in this process were much less and that it all worked easier than assumed. Determination of the value of the company was the most difficult part. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 60.)

Generational change has some tax relives that must be taken into a consideration. Generational change means that a relative or a family member takes over the company and often the sales price is less than when selling the company to an outsider. The planning of generational change is good to start early, even years before the change. The area that takes most time is the time to find out who will take over the company and who will share the ownerships and in what percentage. Before that the taxes can be reduced by for example by changing the company form, sharing the stock and buying stocks. The longer time the changes are made the better for the customers, co-operators, the new and old owners so they will be ready for the generational change. In the limited liability company and in the partnership the owner will be in charge by changing the stocks or parts of the

stocks. Another choice is to sell the business activity. (Suomen yrittäjät, [ref. 19 September 2012].)

4.2 Selling the company

The generational change is the main plan and hope of the owners but in case that will not happen selling company is the next choice. According to Katramo, Lauriala, Matinlauri, Niemelä, Svennas & Wikman (2011, 19) "Business are more sold these days."

The main goal of this brainstorm session is also to make everybody understand that the decisions need to be made and a processes need to be started according the plan. Selling a company needs a lot of planning so that we will receive the kind of ownership that will serve the business to the best way but also according to tax wise. (Katramo et al. 2011, 205.) The plan and the advices how to sell your company are here and it is very good to keep it in mind if the selling the company takes place.

Decide your ideal sale date as entrepreneurs who want to sell before retiring should decided two to five years in advance to their desired retirement date. Most buyers require that the owner and main employees remain with the business for even some years to facilitate the transition. Mentally be ready to sell. Before selling, you should fully understand the impact of the potential sale. Carefully consider these issues: Why you want to sell your business? What will you do after you have sold your business? How much is the price? How will your employees and main customers react to the selling? How you feel about someone else running your business? It will also be good to think whether you are willing to offer a loan, or receive deferred or contingent consideration. Also whether you are willing to continue employment with the new owner. (Weitz & Viner, [ref.17 September 2007].)

Timing is the key issue as planning ahead helps you to maximize your sales price. It is always best to try to sell your business when it is not necessity. If a potential

buyer senses your immediate need to sell the company, you will lose significant leverage during the negotiation process. Alternatively, if your business is attractive to several potential buyers, you could generate a substantial premium by creating a bidding war. Get together with your own team of experts as it is important to bring in the specialists to guide you through the sales process. Typically this means an accountant, an attorney, and often a banker. Your team of experts will give you advice on how to maximize your company's value and help you with the workload necessary to get you and your company in the sale process. (Weitz & Viner, [ref.17 September 2007].)

Understand the value of your business as before committing to selling your business it is important to keep a realistic understanding of its value. The most common valuation method are to determine some type of multiple of earnings either by averaging earnings over the course of several years or earnings for your recent year, if that particular year is indicative of what to expect in the close future. Reconstruct your financials to show your true earnings, meaning that many privately held businesses are operated in a way that minimizes the owner's tax liability. Your professional team will help you reconstruct your financials in a way to maximize the value. (Weitz & Viner, [ref.17 September 2007].)

Prepare for disruptions to your business so be aware that selling your company can cause significant disruptions in your business. The due diligence process and also educating the potential buyer about the business operations are very time consuming activities. The sale should only be discussed with employees, suppliers and customers when it becomes absolutely necessary or you are certain that a transaction is happening. Suppliers and customers often do fear that their relationship with the business could adversely change after the sale. Identify and eliminate potential deal obstacles in meaning that attorneys and accountants who specialize in company sales will help you identify potential deal obstacles. To the extent feasible, it is wise to correct any weaknesses, such as lawsuits, contractual disputes, or outstanding tax or financial issues that could slow down or complicate completing a deal. Other possible obstacles like for example licenses, fixing employment practice violations, updating corporate board and shareholder

minutes, and registering the ownership of intellectual property, such as patents, copyrights and trademarks. (Weitz & Viner, [ref.17 September 2007].)

Prepare for the buyer's diligence examination. Once the sale process has started, the buyer will thoroughly review every contract, agreement and record pertaining to your company and business. It is important to have your attorney and accountant undertake a thorough review of your business records and agreements before disclosing them to the buyer, to ensure that all really are complete and up to date. Take any necessary corrective actions recommended by your special experts. Protect your information. Make as a priority commencing the buyer's due diligence process and any negotiation on the sale of your business, have the potential buyer sign a nondisclosure agreement to protect your confidential information. (Weitz & Viner, [ref.17 September 2007].)

The same plans will help selling the business that will help in the generational change. So all the plans to develop the company forward are good. Marketing and making the company name more known are important but still at the end what really matters is the turnover and income.

Selling the stocks of the company. The issues that helped the selling become easier were the buyers knowledge on the field. At least some knowledge is good to have at the beginning and it goes the easiest if the new buyer knows it all already and you won't need to teach him or her. The good thing is also if the buyer knows the seller before or spends time in the company. In the reply here in the example the buyer had been half a year in the company. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 32.)

Selling the business activity. This will be successful if the company owner takes time to teach the new buyer into the business. Also a good key point is personal chemistry fitting in the sales process. One example given here was the owner had a wish to sell the company and the old owner worked as a consultant in the company for a month as on salary basis. Then the last point in the selling the business activity was just fast change of the ownership and new ways coming in to

practice from the new owner. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 32.)

Also in case of selling the business activity buyers' knowledge is helpful. It helps if the buyer knows the owner, the business or the industry. Professional help is also very important to get as they help to change the ownership. The key factor is the good labour to help to transfer the work for the new owner. The buyer must also have the will to learn from the old owner. A professional can also help to get the changes happen and teach the new owner. In one case the accounting agency informed about the sale. That helped the business and the buying. The owners excitement to work as an entrepreneur and the interest towards the field are also pointed to be very important. The buyers own activity and will to affect in issues are they key point to get into the new company. (Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa 2012, 33.) Those issues are so clear in a way but they all will need to be considered and this information gives lot of help for a company thinking about selling.

The professional services are often thought to be expensive but it can save a lot of money to use the people who are familiar with this type of issues. This is still a big thing to the company and to do it right is important. According to the Varamäki, Heikkilä, Tall, Länsiluoto & Viljamaa (2012, 40) "The average paid by the sellers and buyers from the professional assistance was 4805 Euros". That is not so much thinking about all the money lost when issues are not considered in time and everything is not taken care of properly.

4.3 Ending the business

When the generational change is not happening and the company is not sold it will need to be shut down. That can be the best thing if no-one wants to continue the company. This will also move the funds used in to the company for owners personal use. This should also be considered in time because of getting the profits out bit by bit. (Lakari 2009, 12.)

Ending the company can be hard but often it is the only option for the company. Unless the company has something different to offer or has a big market share it might not find a buyer. In many family companies it can happen that there is no one who is willing to take over the company, so in that case the generational change is not an option. In many cases in the selling process the price can become the issue that stops selling. Often a company owners wish to get more profit from the company that the buyers are ready to pay.

4.4 Rauma Carpet's situation now

In the brainstorm session given on the 8th of October 2011, this the company and where it stands now was the first question that the members of the brainstorm session answered. It started from a positive feeling as a managing director saying that the company has a good reputation. We have lots of knowledge of the market s and good staff. We are dept free and they have a good office and factory in Veteli. We know the foreign market and have lots of contacts with the stores and buyers even internationally. We have years of experience and the trade fairs are familiar to us. The owners are about to retire and the company needs to change. That is the truth and it is important to see that. The company is managed the old way and the competition is getting harder and harder. The managing director is a visionary and they have nice products. The owner has a good eye to create new ideas and products.

Then the conversation got a bit more serious and the negative issues game also out. The company has been slowing it's production down and that should not have happened. It is because the owners are scared to take big steps. The machinery is old and we need to manufacture more carpets in Finland but that is expensive. We don't market enough and we miss to understand the value and the importance of marketing. We will need a new homepage and that will solve many problems that the company has now. The chain are difficult to sell they have their own buyers.

The ecology should be understood and thought about better. This could be a new direction to the company to take as one part in their strategic planning. The elk

leather products should be sold to Russia and they should be properly marketed. Those are niche products but the consumers that are the target group – do understand the value also and the price is not an issue. We should get our own sales agents ended this topic at the brainstorm session. (See appendix 1.)

4.5 Future of Rauma Carpet in five years time

This question gave plenty of good ideas starting from the machinery issue. The new machinery is old and we should not get new machinery but to arrange the manufacturing somewhere else. The newest machinery functions quite computer wise and they are very expensive. But to be able to work in the carpet field as a good competitor and to get the sales up we should keep our own models no matter where we would manufacture them. We already have a contact towards India that we could use and the ordering amount issue is just a matter of negotiation. Marketing is the key issue and it is very important to consider all the aspects and that was also pointed out in the brainstorm session several times.

We should make a goal and a plan for example to have a turnover of 1000000 Euros in the year 2017. This is a distance now but it is possible. But with a plan and action it can become the reality. Logistic plan should be more thought about. How to for example have the transport fees two times when the carpets could go straight to the clients. This should only need to be agreed with the company manufacturing and they should just add the product information on the package and send it to the clients right away.

In marketing there should be thought of the ideas and ways to do things differently. Marketing is a key to all business. There are also cheaper ways to market and we should make a marketing budget and really thought about this aspect. It would be great to keep the business in the family and to develop the future plans together. Who to sell the carpets should be really thought about: mass production or more of a niche markets - maybe both. Those potential customers should be divided into two groups and separate marketing plans developed to both. We should have a closer co-operation with our resellers and export even more of our own products.

Trade fairs are the way to get your products out to the public. Marketing should be made in many areas like in to the web, magazines, and in the shops as well. It will cost but this is the way the market works these days. Marketing should be the way to make business. We should create a marketing plan that changes all the time and make an effort constantly to work on it. We should become more known and a real brand with our own products. Maybe separate the brand names sold to the two different groups of people.

We must get a possible co-worker from Finland who would manufacture our carpets and who would make the kind of quality we want. We would need a big collection to would sell something for everybody. It is important to manufacture our designs in Finland at start and then see our potential in manufacturing elsewhere. Rauma Carpet should invest and be ready to make big moves if necessary. We would need more sales rights to Finland from our co-workers. That will need big amounts to sell so that we will be able to negotiate better in the meetings. (See appendix 2).

4.6 SWOT -Analysis

SWOT –analysis helps to sort out the Strengths, Weaknesses, Opportunities and Threats of the company. The strengths and weaknesses are internal factors, whereas opportunities and threats are external factors. The diagram of this SWOT-analysis I explained at the brainstorm session but all the replies did not fully follow this diagram.

	Helpful	Harmful
Internal origin	<p>Strengths:</p> <ul style="list-style-type: none"> •Good reputation •Family company •Long experience •Knowledge •Contacts •Quality products 	<p>Weaknesses:</p> <ul style="list-style-type: none"> •Lack of vision •No future plans •Old machinery •Scared to take new steps
External origin	<p>Opportunities:</p> <ul style="list-style-type: none"> •Co-operation •Generational change •Manufacturing elsewhere •Finnish-brand •Economical opportunities 	<p>Threats:</p> <ul style="list-style-type: none"> •High competition •Copying •Economical threats •Depression of the market •International changes

Figure 2. Carpet OY's brainstorm session SWOT

Strengths. As strengths there were many points that were mentioned and everyone had the positive things to say about the company. As in the figure 2 the strengths had the most issues mentioned at the SWOT-analysis. First it started from an opinion that for family members you can talk about things directly and we have a long experience on the textile field. We have a good reputation as a company and skilful staff. This is good to mention and to show that we believe in us and into Rauma Carpet. For years we have gathered export and import knowledge and the trade fairs are familiar to us.

We have been selecting the companies to work with and we have lots of co-operators. We have a staff with good language skills and foreign knowledge and also IT-knowledge. Rauma Carpet has good contacts and co-workers and the company is debtless. The matter about the debt is a big plus thinking about buying the company or taking the company over. The buyer can think about investing in

anything that he or she will find important rather than having to deal with dept to start with. We are known in the market and the product line we have is very nice and unique. Management has the touch on sales and marketing and especially the managing director is very good in those areas. He could teach the others how to sell and to be more sociable. He can also teach his knowledge in the carpet field contacts. We have lots of contacts and the knowledge of the carpet market in Finland. Those things change all the time and there are always new stores in the market but by being active you always keep up the knowledge what is happening. We want to be the best and we have the northern 'sisu' not to give up. The end of the strength part in SWOT was written down on the post it- note by Toni Rauma and it said that "We have the drive to sell and visions for the future." That was a great ending in this part of the brainstorming.

Weaknesses. As weaknesses were mentioned the top management has no linguistic skills. That is true but also they have always known that the younger generation will have the skills they do not have. Competition on the field has just gotten harder. Some firms are copying new models right away and that makes the product development a hard job. It also means that when you invent a new model you will need to market it so well that you get a name on the product and also that you can sell it well before it gets copied.

Inventing a new design model line or a carpet type the patent could be applied in the European Union not in Finland alone. We also are not doing so well now and maybe we have a bit of lack in direction. All is unknown and at the moment we are neither using enough the web possibilities nor our connections. The area is difficult to get skilled labour here in Veteli. We are scared to take big steps. That is what many companies are scared of in a situation as this. The market is known and the changes are happening – that is scary.

Opportunities. The brainstorm session found many opportunities to work in the future on. We have many unknown markets still to expand, In Europe, Russia, South America, North America and so on. We could be more known if we would use branding stronger in the marketing campaigns. Made in Finland will surely rise again and maybe it would be good to keep the manufacturing in here. The world is

getting smaller and even with a small budget you can easily reach a big amount of potential customers. We need our own models and that is also why networking is so important. Changes in the economy can also be an opportunity. Co-operation are very important and the company's relationships should be used more.

Threats. First that came out in the brainstorm session was the change of the laws and economy. Also the changes of the fashion and trends were threats that are real. Competition is hard and getting harder all the time. Rauma carpet also knows how fast a product can be copied so that also is a worry. Bad decisions can become a threat and also a depression in the market can be a big obstacle to the business. Raw material costs can change and the ability to get them as good quality as they are now can be difficult. Customs and the changing cost in exporting and importing can be a treat. International changes that are not in here but at the client or in the manufacture country are an issue that should be considered about as well. (See appendix 3).

4.7 Vision and strategy

The conversation ended to this question which I added to end the brainstorming positively and to find out the ways to work in a future. The website should be developed and a web shop created. It would be recommended to give this function to someone outsider who would be a professional in the web designing. It would be something to invest in but it would surely give the best result to a company like Rauma Carpet because often the website is the only link that customers have to our company as we don't have a store and that is why the information and the pictures are the key point to make business. Also there should be a possibility to buy first a sample set for stores for example. That should also be available to normal consumers so that they could also order online but get an idea what they are ordering. The separate web sites should be created to each customer. In those the customer would see right away the products to order and the storage situation of them.

The manufacturing as it has been mentioned before should be moved into another company. The Finnish carpets should be made in Finland but the others could be imported. Rauma Carpet should have more co-operation with the manufactures in other countries so that the selection would be bigger and so they could order more products for different kinds of consumers. They could also design products that are manufactures abroad. The education should be taken an advantage from more as we have young members in the family who want to develop the company. New ways should be tried and practiced and not be so scared to try something new. The plan should be made what will happen in the future and who would be the next manager- generational change is coming so we should start to be ready for it. Important issue to understand here also is that everyone should be supporting the new manager and not be against the change. Taking over a business will be hard enough without extra hassle.

The company should always try to keep up the happy clients as a goal. So the good quality and service should be the main issues in the business. The customers as the store sales people also are very important because in the shops the sales people can affect the customer's opinions what to choose. That should also be considered in the future. How to sell the products better at the shops? Maybe we should get a stands in every shop because one carpet lying in a pile of carpets is not increasing the sales. Also a little sample somewhere lost won't do that. We need to see how to make our products stand out and also how to make the sales people want to sell our products? The best solution is to keep up very good relations to the stores and into the sales people. They are at the end the ones selling the product. Sales people should be hired as mentioned before so that there will be people with only job is selling and visiting the stores.

The stores selling furniture and carpets often would want to have a special events organized in the stores. For example couple of days when the shops would have a visitor from a company showing the company's products and helping the customers in their questions. Those are often now the cases that Rauma Carpet does not have time to do because we have too few sales people. By having the well educated and skilful sales people could help in that issue and visit the stores more. Meeting the store owners, buyers and the sales people at the stores is very

important and to offer them the kind of help that they would need is the new way to stand out.

Market is changing and in many cases the marketing has become even more important as before. The knowledge is everywhere and the marketing should be taken a lot of thought and made more efficient. This is not always about the big budgets but even more the time and the effort from the company. Interior magazines are always willing to write articles and show pictures of new products for free and that should also be used as much as possible. Also the interior designers should be takes a closer contacts to so that that they would also know our products. (See appendix 4)

The international projects can also apply part of the money for example from TEKES, which helps Finnish companies to achieve their goals in becoming more known internationally. They can find the founding in innovations and new ideas as well. (Tekes, [ref. 27 September 2012].) On other organization doing the similar job is for example Finnvera.

5 THE PLAN FOR THE NEXT FIVE YEARS

According to Carnall (2007, 3) “change is difficult because you don’t know the unknown future”. This yearly plan was mainly made according to the brainstorm session in 8th of October 2011. The plan gives many choices that are left for the company managers to choose from, for example how to deal with the manufacturing issue and the possible change of the ownership.

Yearly meetings. Rauma Carpet should have every year a meeting where they discuss the budget, marketing budget, trade fair budget, the strategy and vision. It should all be done at the autumn to have the new plan ready for the next year in time. Rauma Carpet should take the budget and make a plan how to invest on marketing and on trade fairs as those are not just a way to spend the money, but to be more visible.

The value of showing the products and the company name should be understood better in the future. The planning helps to make the changes happen and real. This is why the company should also make strategy, marketing and sales plans but to name someone responsible and make this a time planning when it will be ready. That way the things would not just be forgotten but they are tasks given to this person and it will be then checked that it will be done at the next meeting for example.

Kick off meeting. The company should every year have a kick off meeting. Even that most people are from the same family it is very important to increase the team spirit and to spend a day outside the company premises just together. It is crucial that the work will not get between the normal relationships nor will the personal relationships affect the business.

Trade fairs. Every year we should take part in the main trade fairs as Habitare, which is in every two years in Helsinki, Domotex fair that is every year in Hannover

and Heimtextil in Frankfurt Germany, which is also every year. The Domotex is to sell carpets and the Heimtextil is to meet raw material sellers and also the textile industry otherwise. It would be good to have a sales team in the trade fairs to find manufacturers and co-operators but also to have company's own sales stand as often there as possible. This is also important to have in time for the January when the Domotex trade fair will be in Germany because this is the most important carpet trade fair in Europe at the moment. "In Domotex are about 1400 companies present from about 60 countries" (Domotex, [ref. 26 September 2012]).

Discounts. The trade fairs should also be used to increase the sales by having a trade fair offers in every fair to attract more customers to buy the products. Those have been used slightly but they should be used more and the clients should be informed about them. Also the company should use more offers in general but also for customers who make a bigger order for example.

Brainstorm session. Risto Rauma liked the brainstorm session a lot and he gave the idea to have it in the company every year to invent new ideas and to raise the spirit. That was positive and it showed how well it went.

Manufacturing in Finland. We should start to look for manufacturer's elsewhere in Finland to manufacture the designs that are designed by Rauma Carpet Oy. That way there is no need to buy the expensive machinery or try to hire staff in the area where the population is decreasing and the carpet knowhow is getting old. They will keep on making the new luxurious design collection every year. The products of Rauma Carpet will be manufactured in Finland but also the imported products will be still sold and the company will have to get more companies where to get a bigger variation of those carpets.

Exporting. This would also help to make a yearly plan better when for example the appointments would be agreed in advance Important is to think about the exporting into other countries. Germany is well known and Rauma Carpets products sell there. The company has also been exporting in to the Scandinavian countries and into Italy. The good countries to export would be at first the other European Union countries. They are easy to reach and the culture is not so

different. Just a good point to be taken under consideration would be the fact that in Scandinavia the consumers do prefer the light carpet colours and in the Southern countries they like darker and more outstanding colours. Also the marketing and the culture are different and those should be a bit studied at.

Web site. The yearly plan must also have the development of the nice looking web site that will be kept up to date. Rauma Carpet does have a web site now but lots of information and photos of the products are missing. So at the moment the company has a very basic site that has been made by Toni Rauma. The company would also need a well designed web store and all the web design should be done by a professional. That way for example the sales people could concentrate on selling and someone who is really good on the web designing should be taking the company's website up to date and to keep it so all the time.

There are ways to commercialize your web sites also on line. For example Google has a service as the Google Ad Words where you can also use your site to commercialize more and also to show higher at the search bar. All this is also the web designer's job to analyze this and to use all the ways that the internet offers. This needs also someone who will be able to put a lot of effort on the company and understand the goals.

Marketing. To be able to create a good marketing strategy you need to look where the company is positioned now. The marketing has been neglected lately and we should really start to make a plan to market better and to build up the company name. The good way to think about marketing would be to share the customers into two groups. First group would be the ones buying the niche products made in Finland and the second group would be the ones that are buying the cheaper imported carpets.

Marketing tasks are to identify the customers' needs and what the customer wants and develop the products and services to satisfy them. The important thing is not just to understand what the customer wants but also to recover why they want it. (Lancaster & Reynolds 2004, 50.) This will help to make Rauma Carpets marketing plan more realistic. The marketing will need investments but it will also

need time, effort and planning. The wish is that the company will learn the new ways to market. The marketing is a world full of ideas and there surely are still new ideas that would be useful in the carpet business.

The marketing could be also used by making an e-mail with the pictures and news of the products for example 4 times in a year. This would be in leaflet type of format and it would have photos and information that would attract the customers to consider the new products and to order.

5.1 The year 2013

In January the company should take part of the Domotex fair in Germany to find connections and more manufactures from Europe mostly. In Europe the ordering amounts are in most cases smaller and you do not have to order one container of carpets at once. Surely other countries outside of Europe can also be interesting and the minimum amounts can easily be negotiated. From Domotex you also can see what is new in the market and that way you will be able to learn and to develop. Rauma Carpet should not manufacture anymore itself because the machinery is very expensive and to invest so much would at this point be a bit too risky. In the year 2013 the company should sell all the old machinery because the longer they wait to do so, the sales value will go down.

Rauma Carpet should get a co-operation with the Finnish company who would manufacture the products for them. That way they could sell their Finnish products and also they would not have a need to get the new machinery nor more staff. The quality would be easy to follow and many companies would be willing to do business with Rauma Carpet. Manufacturing should be kept in Finland partly so that only the designs of Rauma Carpet and the luxurious products would be manufactured in Finland. Rauma Carpet should keep its niche products and the model developing is very important aspect to the company. Also they will need to sign a contract with the Finnish company that they will be working with. When this is done there is no need to be scared they that company would be selling the models of Rauma Carpet as their own.

We should export and get new markets with our own products. That is also why the trade fairs and our own stand are crucial. That is the best way to present your products and get the chains and big clients interested. Also Rauma Carpet should get big enough manufacturers from Finland so that even the big orders as a full container would not stop the company from delivering the carpets. The company should make a marketing plan yearly and also a plan how to be get more known company name. If no-one knows the company it is very hard to sell the products. That is why commercializing in the big interior magazines is very important.

Web sites should be redesigned by a professional and more information added there. The information about sizes, stores where you can get the products and also more information about the treating and washing instructions. Also there should be a web store that would sell our own products and the imported ones where you could order them all. The problems often in a web shop are that it creates a competition with the stores that are our main customers. That is why the products should not be too cheaply priced. Also the main problem with carpet selling on line is the pictures that are not giving the clients the realistic image of the product. That is why a sample package should be sold and also a small sample sent to the ordering client if wanted. This would save a lot of returning and misunderstanding of the carpets.

5.2 The year 2014

Rauma Carpet must plan a marketing strategy again by using interior magazines, trade fairs and internet. Also Rauma Carpet should be again active in the trade fairs and have their own stand in them. They would need a stand in Domotex in Germany to get more clients to sell their products to. The basic stand would cost 3.992,50 Euros (Domotex, [ref. 26 September 2012]). They should also take a stand in Habitare Helsinki to get the Finnish clients, the chains, interior designers and the public interested so that they would order the products. This would also need new models to be out every single year, so that they would be more interesting to the public and to the stores. The best timing would be to have them out at the end of the year just to have them ready for Domotex trade fair.

After getting more connections and new models, Rauma Carpet should hire a couple of agents to sell their products. The agents would sell the products for on behalf of them and get a commission. The provision should be high enough to get really talented and good sales people hired. They should really consider this as a good choice to sell more. It does cost to the company but it could also bring much more orders in and if the agents should be well selected and have knowledge on the carpet field. One agent would work in Finland and one at first in Germany because Rauma Carpet has been selling a lot in Germany before and they really like our designs there. The German market is also familiar to us and that is good thing to use as well. After seeing how the sales agents will work they should hire more sales people. To work as well as you can you need to delegate the work so that you can do the work that you know the best.

The generational change should be decided and the person who will step on to the role of management could start to learn even more and change his role in the company. Also if this is not decided the company should still keep on developing according to this plan. That will make also the future buyers interested about the company. Rauma Carpet will have to hire a consultant who is specialized in generational change or selling the company. There are many aspects that the managers don't have time to find out and even tax wise this would be a very smart decision.

5.3 The year 2015

The company needs a bigger and more outstanding trade fair stand in Domotex this year and also more sales people walking around the trade fair area finding more co-operators. The company should commercialize about being at the Domotex and invite many interesting potential customers and also old clients as well. They should have their new collection with them and make a big effort to create very nice products. Rauma Carpet must hire a designer who would make their collection even better and someone who would work together with the managers of the company. A new designer would also bring the new winds in to designing and that is just what the company would need.

The designing in to the trade stand is also more important as is often thought about. The stand gives the possible clients an image. The company does not have a factory shop so this is even more important for the clients to get the image of who they are. They should hire some trade fair specialist to plan the stand for them so that the lights and the elements would bring out the carpets as well as possible.

The website should be redesigned and the web shop should give its clients a password that they could see their own prices and their own selection of the products. The storage should be up to date and the customers should be able to see in time if the products are in the storage and if now what would be the delivery time.

Also the brand Rauman must be thought about. It was a brand name invented by Risto Rauma and with the intention to name the company's own collection with that brand and the imported and a bit cheaper carpets with another brand name. This could separate the luxurious Finnish carpets from the rest and make the marketing also easier for the different product groups. That idea should really be thought about and then if taken into practice it should be very well commercialized.

5.4 The year 2016

Great looking design stands must be built in Habitare and Domotex. New model collection designed by Risto Rauma and the new designer work will be shown there and it will be very good locations and more expensive stands designed by a stand specialist. It will need to invite people in and make them see what is new and special. It will make us stand out in the hall from other companies. This year also the fairs should be carefully used to show their own models but also to find new co-operators and manufacturers. It is important to have a variation of suppliers so if there are problems with the ordering or products you can easier change in to another manufacturer. When you just are ordering from one manufacturer you are very much in need for things to work the right way that it is quite risky. Also important key issue is always to take care of the existing contacts

and clients. So you need something nice in your stand to offer the visitors and even small presents for some good clients.

The fairs are huge that it will really need many people walking around especially in Domotex Germany to get as much from the trade fair as possible. Rauma Carpet should also take part of the Heimtextil trade fair. This is also a good place to find more manufacturers and also raw materials. The company could see what is new in the raw material field and keep in mind the economical trend and the way to see the world.

Rauma Carpet has now the work as sales and designing more divided so that they have more time to think about the future and use the trade fair to see what is new and in fashion. In Domotex and in Heimtextil there are also carpet industry machinery and a lot of new inventions which should also be really observed. Those might give an idea what will happen in to the future and which way the carpet industry is going.

5.5 The year 2017

The company will take the biggest stand ever in Domotex with their own collection and also present the imported products in some extend. Rauma Carpet has every year invested more money on marketing and also seen the good result in the sales and orders. The generational change has happened by now if there is somebody who was willing to go on as a manager of this company and this new owner has been taking all the time a stronger role in the company. This also needs a good planning and training efforts from Risto Rauma and that is crucial to make the change easier. If this will not happen will the company need a new owner.

Selling a company might become an option also and in some cases it is the only solution. With a much bigger turnover, manufacturing problems solved and the company is much stronger position in selling it might not be a problem at all. The company's future must be thought of in advance and a counsellor hired to help so

that the tax issues and all the storage will be taken care of as well as possible before the sell date.

That year Rauma Carpets functions are already so well decided that they have more people in sales, more export and also very functional web shop. Now it is time to really start to export and get to know the market also outside of Europe. The USA would be a great country to export to and also the products manufactured in Finland would be a great asset there. They also like the economical thinking and that way we could export the Finnish handmade good quality products that are made of the healthy raw material- not only healthy for the consumers but also good for the environment.

6 CONCLUSION

I learned a lot while working on this thesis, more than I would have thought of. I thought I was familiar with the carpet industry but still lot's of information was new and especially the love that family members felt towards this company was even bigger than I even realized. It is like a sibling to us children and like a son or a daughter to my parents and letting it go is very hard on everybody. I can understand a bit better now how difficult the idea about selling the company is when you have been working for the company for over 30 years, often around the clock. Also the big changes are difficult because you don't want to change what is familiar and that way even the generational change is complicated. It is going to be hard to let go for the owners. It will be hard for us children to see one of us taking over the firm and it will change everything but I hope we will be able to support and to give our help when this happens.

I also saw that the ownership change is very worrying for us children as we all still would have an interest to work in the field we know so much about. That should help the parents to see that no matter what will happen, if the company will stay in the family it will be in good hands. The new thing for me was to take the plans and turn them into reality. We have talked about the budget really seldom in Rauma Carpet and it was good to make the plans according to the knowledge that I have gathered and also according to the company owners' opinions.

What has been the unattractive issue until now have been the big amounts that the new owner would need to invest on the company. Now the plan shows that you don't need to invest hundreds of thousands of Euros but just enough to have your products marketed and presented at the trade fairs. The machinery will not need renewing at the moment and it is possible for any members of the family to take over Rauma Carpet. They can make the company bigger and successful again, like it was before.

This thesis started by the theory part, that gave the background then for the brainstorm session and then to the subjects that were analysed here. This had the theory of the change of the ownership and the strategy. This thesis was a mission to find out proper and realistic plans for this family company to develop and to continue their work even with a managerial change. The planning was the key thing here because even that this is a family company it is not always so easy to be open about all the issues concerning the company and especially the issues that are harder to talk about as the budget or the managerial change. The generational change or selling the company is going to happen and it is also very good to understand that and make plans that will make issues easier to cope with and all the issues taken under consideration.

The brainstorm session was a good choice of the research methods in this point and it opened doors for open conversation. It brought up many visions that the managers had for the company and it also showed how important the company is to the whole family. It made us talk about the same issues and show that we want the same things and that really has lifted the spirit of the company. Now a year later it even shows its results today.

In this work I can just add that the only negative issue was not to be able to make the calculation about the budget in real. That was the wish of the management and I totally understand that and respect it. Also thinking about the work I think the questions were well selected and there were not too many of them, a longer brainstorm session would have killed the mood and the atmosphere. I had done some years ago a marketing research study for Rauma Carpet so those questions from the clients were already answered.

The hardest part in this thesis was writing down the knowledge of issues that are so clear to you. It is hard to understand that everybody is not a specialist on the carpet field and there are many things that are not so clear to all. So in a way being born around carpets and being in the trade fairs from the age 13 was not so much of a plus but also a minus. As for some readers the issues that I wanted to

bring up all the time were not as crucial as the generational change was personally to me. So I had to be careful not to repeat that all the time.

This thesis went well and the brainstorm session was better success than I could have assumed from the start. To work on this thesis was educational and I became familiar of many interesting books on the generational change and also marketing. I wish Rauma Carpet Oy can use this thesis in to their benefit and that the future will be successful for the company. This work will also be useful for the other small and medium size companies that are thinking what to do next and how to develop their company in to the future.

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APPENDICES

Appendix 1. Rauma Carpet? Where are we now? According to the brainstorm session 8th of October 2011

- Good reputation
- Knowledge of the carpet markets
- Lots of knowledge in the staff
- No loans
- Good office environment
- Knowledge of the foreign markets
- Lots of contacts and connections
- Years of experience
- Trade fair are familiar
- The owners are about to retire
- The company needs changes
- The company is managed the old way
- The competition is getting harder and harder
- The owner is a visionary
- Nice products
- Good eye to create new products
- The company has been slowing it's production down
- The machinery is old
- Needs plans for the future
- Provision payment for the sellers
- We need more manufactures
- To manufacture in Finland cost too much
- We don't market enough
- Need a better homepage – washing and treatment instructors
- Need agents

- New designs needed
- Eco time- more ecological product material
- The elk leather product is great and it could be sold more
- The chains have their own buyers
- We need clear decisions
- Bad location
- Products are copied right away

**Appendix 2. Future of Rauma Carpet in 5 years to come? How to get there?
According to the brainstorm session 8th of October 2011**

- We should not get new machinery
- Where to manufacture own models
- We need own designs
- Renew the ordering function
- We have a contacts in India already
- Marketing is the key
- The goal in the year 2017 turnover is 1000000e
- Logistic plan
- Marketing: ideas and ways to do it
- If interest it would be great to keep the business in the family
- Who to sell: mass production or more of a niche markets
- Closer co-operation with our resellers
- Create a product sign 'Rauman'
- Sell more to abroad
- Do not manufacture in Finland
- Where to sell?
- Trade fairs are the way to present new products
- India?
- Marketing should be in paper and also in a electrical form, clear and contestant
- More known company
- Sell the idea
- Get a possible co-worker from Finland
- Big collection
- We could manufacture in Finland at start
- We should invest
- Will to have someone go on the company
- Generational change
- Where to storage the carpets
- How to imp roof the results?

- Get the rights to be the only seller in Finland- Needs big ordering amounts
- Luxurious products

Appendix 3. SWOT-ANALYSIS. According to the brainstorm session 8th of October 2011

Strengths

- For family members you can talk about things directly
- Long experience
- Lots of knowledge on the carpet field
- Good reputation
- Skilful staff
- Export and import knowledge
- Trade fairs are familiar
- Good language and foreign knowledge
- Good IT knowledge
- Good contacts and go-workers
- No dept
- Known company
- Over 30 years
- Nice products
- Management has the touch
- Lots of contacts
- The knowledge of Finnish carpet market
- We are good
- Good designs
- Good staff
- We all want the best for the company
- We have the northern 'sisu'
- We have visions
- Great sales skills and a drive to sell
- Educated children

Weaknesses

- The top management has no linguistic skills
- Competition
- Copying of the new models
- Old machinery
- The result isn't good enough
- We are scared to get co-operation
- Lack of direction
- Will there be a generational change
- Location, connections and web connections
- No skilled labour in the area
- Expensive to hire in Finland
- Lack of vision
- Patent and model protections are missing
- Lack of courage
- Fax and old styles in use

Threats

- Changes in the law and known system
- Changes in the economy
- Fashion and trends and changes in to those
- Competition
- Copying
- Bad decisions
- Depression in the market
- Raw material costs
- Lack of raw material
- Ecological identity increasing
- Customs and the increase of their costs
- Communication and travelling
- International changes

Opportunities

- Lots of unknown markets such as many countries in Europe, Russia, North America, South America...
- Brand needed
- 'Finnish brand' can rise again
- The world is getting smaller
- Generational change
- Being from Finland can be a plus
- Manufacturing can be transferred just the logistic and storage should be thought of
- Changes in a law can turn to be favourable
- Economical situation can be an opportunity
- Networking
- Co-operational partners

Appendix 4. Rauma Carpet OY- Vision and strategy. According to the brainstorm session 8th of October 2011

- Web shop needed
- We should be a huge manufactures (not maybe in Finland only)
- Different ways of doing business should be thought about, knowledge and education should be used
- Generational change is coming soon
- Good quality and happy clients
- Clear vision needed- what is happening
- Sales and marketing should be developed

Appendix 5. Rauma Carpet OY- leaflet