

A three-year sales strategy

Case Study: Finland's sales office

Linda Järvinen

DEGREE THESIS	
Arcada	
Degree Programme:	International Business
Identification number:	10678
Author:	Linda Järvinen
Title:	A three-year sales strategy Case Study: Finland's Sales Office
Supervisor (Arcada):	Sveinn Eldon
Commissioned by:	The CEO of Finland's Sales Office
<p>Abstract:</p> <p>The ultimate goal of this research was to form a three-year sales strategy for a Case Company, because the strategy needed to be renewed after the economic crisis in 2009. Economic crisis caused Case Company's sales to decrease rapidly, so the only option was to come up with new ideas and make bold moves to save the situation. To be able to form a sales strategy, complete analyses were conducted about internal and external environments. Qualitative data collection methods were used e.g. several informal interviews with the CEO and employees of the Case Company and a questionnaire for a few employees to get an image of how people perceive Case Company and what kinds of changes they felt should be made within Case Company to be able to beat external environment changes. Also a wide range of literature was gone through, e.g. annual reports of competitors, so that the author would have an image of challenges in the market that Case Company would have to meet. The results gotten through interviews, questionnaire and literature, were beyond author's expectations and many issues and challenges were brought up with all of the research methods used. Main challenges were unclear organizational structure and job descriptions, and Case Company lacked a clear outlining of where it was heading and a strategic advantage. Most radical changes were made to the organizational structure and job descriptions, but also the emphasis of products and services sold was directed to more service driven direction, which gave Case Company a clear strategic advantage compared to competitors. Customer segments were evaluated and a strategic choice of targeting large customers was made to achieve the three-year goals best. The final strategy formulated was a mixture of increased services and innovative solutions</p>	
Keywords:	Strategic management, sales strategy, internal analysis, external analysis
Number of pages:	56
Language:	English
Date of acceptance:	2011

OPINNÄYTE	
Arcada	
Koulutusohjelma:	International Business
Tunnistenumero:	10678
Tekijä:	Linda Järvinen
Työn nimi:	Kolmen vuoden myyntistrategia Case: Suomen myyntitoimisto
Työn ohjaaja (Arcada):	Sveinn Eldon
Toimeksiantaja:	Suomen myyntitoimiston toimitusjohtaja
<p>Tiivistelmä:</p> <p>Tämän tutkimuksen tarkoituksena oli muodostaa kolmen vuoden myyntistrategia Case yritykselle. Vuoden 2008 talouskriisi sai liikevaihdon tippumaan radikaalisti edellisten vuosien tasolta, joten tarvittiin uusia ideoita ja selkeä toimintasuunnitelma, jotta tilanne saataisiin pelastettua. Ensin suoritettiin analyysit sisäisestä ja ulkoisesta toimintaympäristöstä, niiden mahdollisuuksista ja riskeistä, jotta myyntistrategialla pystyttäisiin vastaamaan ympäristön haasteisiin mahdollisimman hyvin. Tutkimusmetodeina käytettiin kvalitatiivisia menetelmiä ja tarvittava tieto kerättiin epävirallisten haastatteluiden avulla, sekä suorittamalla lyhyt kirjallinen kysely muutamalle yrityksen työntekijälle, jotta kuva sisäisistä haasteista voitaisiin muodostaa. Ulkoisen ympäristön tiedonlähteenä toimivat erilaiset kirjalliset lähteet, kuten kilpailijoiden vuosikertomukset. Metodeilla saavutettiin odotukset ylittävä määrä tietoa ja suurimmat haasteet paljastuivat organisaatorakenteen ja työnkuvien epäselvyyksissä. Myös selkeä linjaus yrityksen tulevaisuuden suunnitelmista puuttui, eikä kilpailuetua ollut selkeästi havaittavissa. Strategian muodostamisen yhteydessä organisaatorakenne sekä työnkuvat selkeytettiin, jotta ne tukisivat tavoitteiden saavuttamista parhaiten ja selkeä linja tuotteiden ja palveluiden tulevaisuuden suunnalle määritettiin. Liiketoimintaa päätettiin ohjata yhä enemmän palveluiden suuntaan ja tehdä palveluista merkittävämpi osa liikevaihtoa. Myös asiakassegmentit seulottiin jätettiin valita pääkohdetyhmäksi suuret ja tuottavimmat asiakkaat huolimatta valintaan liittyvistä riskeistä. Myyntistrategia, jota päätettiin tutkimustulosten perusteella käyttää, on sekoitus lisäpalveluiden sekä innovatiivisten ratkaisuiden strategioista. Kyseinen strategia vastasi kaikkein parhaiten niin ulkoisiin kuin sisäisiin haasteisiin ja tehdyt organisaatiomuutokset tukivat kyseistä strategiavalintaa parhaiten.</p>	
Avainsanat:	Strateginen johtaminen, myyntistrategia, sisäinen analyysi, ulkoinen analyysi
Sivumäärä:	56
Kieli:	Englanti
Hyväksymispäivämäärä:	2011

TABLE OF CONTENTS

1	Introduction	6
1.1	Background for the study	7
1.2	Research problem and objective	7
1.3	International aspect	8
1.4	Scope of the study	8
1.5	Key concepts	10
1.5.1	<i>The Case Company</i>	10
1.5.2	<i>Parent company and corporate level</i>	10
1.5.3	<i>Corporate and business strategy</i>	11
2	Strategic Management	12
2.1.1	<i>Benefits of strategic management</i>	13
2.2	Sales Management	13
2.2.1	<i>Elements of sales management</i>	13
2.2.2	<i>Sales strategy variations</i>	15
2.3	Micro-environment analysis	16
2.3.1	<i>Human resource management as a tool for strategic management</i>	16
2.3.2	<i>Organizational structure and strategic management</i>	17
2.4	Macro-environment analysis	19
2.4.1	<i>Porter's Five Forces Model</i>	19
2.4.2	<i>Competitor analysis</i>	21
2.5	SWOT-analysis	23
3	Research Methods	24
3.1	Data collection methods	24
3.2	Risks and challenges	26
3.3	Validity and reliability	27
4	The Case Company	27
4.1.1	<i>Corporate strategy</i>	28
4.2	Human Resource Management	29
4.2.1	<i>Organizational structure</i>	30
4.2.2	<i>Job Descriptions</i>	32
4.3	Products and services	34
4.4	Vision for 2014	36
5	Industry	37

5.1	Market Shares	38
5.1.1	Competitor analysis.....	40
5.2	The effects of the economic crisis	41
5.3	Customer segments.....	42
6	Strategy	44
6.1	Organizational structure and job description changes.....	45
6.2	Competitive advantages.....	49
6.3	Customer segment future emphasis.....	51
6.4	Products and services future direction.....	51
6.5	Marketing and pricing of products and services	53
7	Conclusion and further implications	54
	References	57
	Appendices	59
	Appendix 1 The questionnaire for the employees of the Case Company.....	59
	Appendix 2 SWOT-analysis.....	60
	Appendix 3 Sales division changes.....	61
	Appendix 4 Table of the interviewees	62
	Appendix 5 Organizational structure after changes	63

Figures

Figure 1 The development of sales 2003-2009 (1000€) (QlickView).....	7
Figure 2 Parent Company's organizational structure simplified.....	10
Figure 3 Coulter's (2005) vision of strategic management	12
Figure 4 Sales strategy formulation stages modified from Jobber & Lancaster 1997, 71.	14
Figure 5 Porter's Five Forces Model (Lynch 2000, 125.)	20
Figure 6 Competito Analysis (Porter 1980, 48.)	22
Figure 7 SWOT-analysis (Viitala & Jylhä 2007, 60.)	23
Figure 8 The Case Company's current organisational structure (Case Company's CEO.)	31
Figure 9 Market shares 2009 (%) (QlickView.)	39
Figure 10 Image of becoming sales divisions and of whom they will consist of.....	46

Tables

Table 1 Products' and services' shares of annual sales 2009 (%) (QlickView.)	34
Table 2 Annual Changes of Sales (QlickView).....	41

1 INTRODUCTION

Strategic management is an essential part of any business, because without a functional strategy companies will not success in the highly competitive markets nowadays. The economic crisis came from nowhere and surprised companies all over the world in 2009. Many companies were not prepared for a situation like the economic crisis, and faced a period when they had to make difficult choices. (Wilson & Eilertsen, 2010, 5). At the moment, we are still living in a situation filled with uncertainty and it is hard to predict what will happen in the near future. Pollard and Hotho (2006) suggest that all companies should have a crisis management plan, or create one immediately when crisis occurs, so that companies can turn the situation for their advantage or at least be in control of the situation.

This research concentrates on crisis management phase in a Case Company that started immediately when the crisis hit, but it still needs some modification and the current business strategy needs to be renewed. At this point, the economic downturn has already had the largest effects on the industry, and all of the companies have taken action to survive the crisis. That's why the whole market situation is about to change, when companies have reacted to the current situation and started their own crisis management process, renewed their strategies and might have changed the direction they were heading towards. That's why it is extremely important to stop and analyze the situation, so that the procedures made in the Case Company will help the situation and turn the situation to the other direction.

The author was pleased to be offered this extremely challenging opportunity to get familiar with strategic planning, because she holds a personal interest in strategic management. Strategic management process covers all of the activities in organizations, but one must also pay attention to the bigger picture when creating a strategy to make it work, especially in extreme crisis situations. Strategic planning is something the author would like to pursue her career with and through this project got the first real life experiences of strategy formulation and management. Therefore it is highly beneficial for the student to conduct this project when thinking about career path in the future.

1.1 Background for the study

Since the economic crisis started, the sales of the case company during the year 2009 decreased radically from the previous year because the depression hit machining industry hard (see Figure 1). Because of the radical decrease of sales, the case company has to renew the cost structure and figure out a way to get the sales going again. However, getting the sales going is a huge problem, since all of the customers are in the same situation and all of the industries where the case company has customers are down at the moment. At this point company's strategy needs to be renewed and a new way of strategic planning has to be obtained to be able to change the structure of expenses and increase the volume of sales. New strategic plan was assigned to the case company's CEO

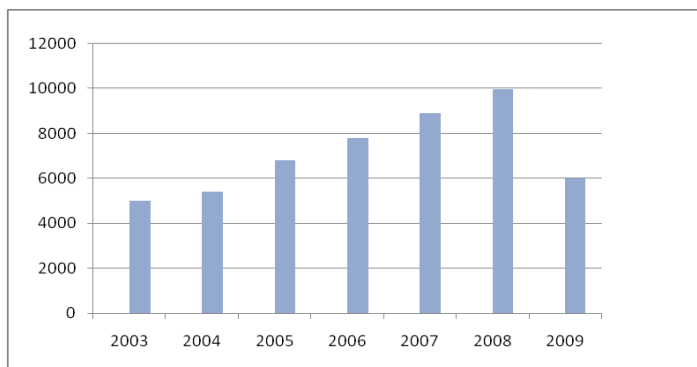


Figure 1 The development of sales 2003-2009 (1000€) (QlickView)

by his supervisors in the parent company, and the CEO asked for assistance of the author for evaluating the external and internal environments and forming the final strategy for the next three years.

1.2 Research problem and objective

The main objective of the study is to form a three-year strategy for the case company based on the vision of the case company's CEO, that would help the case company achieve the vision. The strategy should be relatively easy to implement and include little or no investments so that the process could be started as soon as possible. Another important goal of this study is to examine the external and internal environments, to become familiar with the situation as a whole in order to be able to make strategic changes to the current situation. The CEO of the company was particularly interested in the internal environment and what could be done to improve the efficiency, because it is hard for the CEO to keep up with the opinions of employees and how they feel the internal

environment could be changed in order to achieve a better outcome. This study was one way to get employees' opinions about the current situation and becoming changes.

Research problem is how could the case company increase the sales and improve their position in the market by strategic management. The main research question is: What is the strategic plan for the next three years to improve the current situation e.g. increase the sales?

Investigative questions:

IQ1: What is the vision of the case company for 2014?

IQ2: How could the case company respond to the current competitive environment?

IQ3: What kinds of changes does it require with the internal environment e.g. human resources and organizational structure?

IQ3: What are the actions that should be taken to achieve the vision?

1.3 International aspect

The case company is an international company that operates globally in 50 countries. This research will help the company form a strategy that will increase its profitability and competitiveness in Finland, thus improving company's position in the machining industry globally. Another international aspect for the strategy formation is that the parent company has formed a corporate strategy that needs to be followed. As mentioned before, the case company needs to make some bold moves to be able to maintain the competitiveness in the global market, because the whole machining industry is down. Therefore the main international aspect of the study is how to create and plan a functional and bold strategy while following the corporate strategy the parent company has set to the case company.

1.4 Scope of the study

The case company is a global corporation and operates in several countries, but this research has been limited to investigate only the sales office located in Finland, Helsinki, and find out how it could cope in the market through the economic crisis. The main ob-

jective is to investigate the external environment and compare the case company with the main competitor, in other words, conduct an external analysis. Another essential part of the strategy formulation process is internal analysis, e.g. evaluate assets and core competences of Finland's sales office and how to use them for the company's competitive advantage. In short, Finland's sales office needs a business strategy that should be based on the corporate strategy that the parent company has formed. It was important for the CEO that employees would be included into the process and that he could hear their opinion about changes to be made, so that the environment would be optimal for each employee.

The whole process of strategy formulation is called strategic management (see chapter 2), which is an ongoing and long-term process. The implementation of this particular project might take a couple of years, so in this research the author will concentrate on the first two phases of strategic management; strategy analysis and strategy formulation. (Coulter 1998, 5). Analyses were planned with the case company's CEO, who helped the author collect data needed, mostly about the internal environment. The CEO wanted an overall analysis of the internal and external environments that were the author's responsibility to conduct. Based on these analyses, the CEO and the author will form a strategy in cooperation that will be the end product of the research, thus also the main objective. The final strategy should support the vision of the Case Company and help obtain goals set by the CEO, as well as follow the corporate strategy.

Theories that will be used in this study are mainly about strategic management and internal and external environments of the company, but also theories about human resource management, for example organizational structure theories are used. Sales management and marketing theories are applied when assessing the situation the company is in and how it should be changed. A great variety of literature will be used in the study because there are so many dimensions to investigate, and it will be done on fairly superficial level. The purpose is to get an overview of all matters that might affect the strategic choices that will be made in the near future.

1.5 Key concepts

There are three key concepts in this study that will appear throughout the research and are therefore important for the reader to be familiar with. First, the most important one is strategic management, which will be defined in chapter 2. Secondly, business and corporate strategies are important to know as concepts to be able to differentiate activities that the Case Company can and cannot affect. Third key concept is environmental analysis, which includes internal and external analyses. All of these terms are defined in the next chapter, since they are vital for the reader to understand strategy formulation process.

1.5.1 The Case Company

The most important concept the reader should know is the Case Company. When the author talks about the Case Company, it refers to the main research object, which is Finland's sales office. It is located in Helsinki, but has staff all over the country, mostly account managers, and manages all the sales activities in Finland. Finland's sales office is one branch of the world-wide corporation.

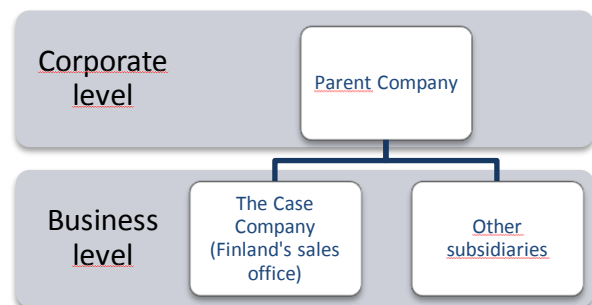


Figure 2 Parent Company's organizational structure simplified

1.5.2 Parent company and corporate level

The parent company means the head office of the whole corporation, which is located in Sweden, in other words, the head of the whole concern. Parent company has a lot of power when it comes to general policies of Finland's sales office, and when the author mentions things that have been decided on corporate level, it means that the policies have been defined by managers of the parent company and decisions cannot be modified by the Case Company.

1.5.3 Corporate and business strategy

Corporate strategy and business strategy are often mixed up as concepts, even if they are completely different from one another. Corporate strategy is an overall determination of the company's goals or objectives and reveals the policies and plans that will be used to achieve the goals of the company. Corporate strategy defines monetary policies of the company for its employees, shareholders and other parties that are involved in the business. Even more importantly, corporate strategy defines what kind of a corporation the company wishes to be. Corporate strategy is a wider and more comprehensive definition than business strategy, and it usually applies for the whole company or enterprise regardless of its size. (Foss 1997, 52.)

Business strategy only applies for a certain part of a company, for example a certain sales office, product or industry and business strategy defines the strategy more accurately. Business strategy can define how the company will compete in a certain industry and how it positions itself in the market among all the competitors but it does not define company's internal policies about the way the company wishes to function. (Foss 1997, 52.)

In this study, it is important to know which elements are parts of the corporate strategy, and which ones belong to the business strategy. Generally, the policies that are dictated by the corporate policy cannot be affected on, but elements of the business strategy are modifiable. The strategy formed as a product of this research is a business strategy, because it does not involve any outlining of the general policies of the company, since they are determined by the parent company. This research ultimately aims to analyze both, internal and external environments and form a strategic plan that responds to the current external environment, e.g. modify the current business strategy to fit the current situation.

2 STRATEGIC MANAGEMENT



Figure 3 Coulter's (2005) vision of strategic management

Strategic management means creating a pattern or a plan with which the company will compete in the market and pursue its goals that have been set for the company. (Porter, 1980, 16). Strategic management concept is a vital concept for this research, because strategic management concept describes this research as a whole, and it is very important to be familiar with the concept to fully understand the process of strategy formulation and also the idea behind this research. Coulter (2005) defines strategic management as a four phase process that starts by analyzing current situation, after which a suitable strategy is formed to answer the needs of the current situation. The third phase is to implement the strategy, and the fourth phase of the whole process is evaluating and modifying the strategy. (Coulter 2005, 5.) Strategic management process is a linear and rational process that starts from analyzing internal and external environments and current situation and ends with the strategy that will help the company get to their objectives. (Lynch 2000, 23).

The first phase of strategic planning is analyzing the current situation, which includes analyses of internal and external environments. As a whole, strategic management could be seen as managing and coordinating company's resources and capabilities and make them match the external environment. (Lynch 2000, 18.) After conducting internal and external analyses, strategy formulation process can be started. Strategy formulation aims to developing long-lasting strategic advantages from competitors, which can be achieved by many ways, and there are several strategies to choose from. (Lynch 2000, 18). After the strategy has been decided, the process will continue by implementation

and evaluation of the results. The results that are expected from strategic management process are higher level of performance and achieving a more stable and better position in the market. (Coulter 2005, 3).

2.1.1 Benefits of strategic management

Recent studies have shown an actual correlation between strategic management and coping in changing environment or even in a crisis situation. Wilson & Eilertsen (2010) studied companies' strategic management process and found out that companies that had had systematic strategic management in their company were less affected by the financial crisis of 2007. They were prepared for the crisis, did better financially, were optimistic about the future and were able to react proactively to the changes. The more effective strategic management, the better results companies got. (Wilson & Eilertsen, 2010, 9-13.) This study shows the power of strategic management and why companies should make it a constant process that prepares them for the future fluctuations of the economy and gives them the opportunity to react proactively. Therefore it is very important that the Case Company could get a radical start to its new strategic management process, which can be continued after this research.

2.2 Sales Management

As this research is not only researching for strategic management in general, but aims for creating a functional sales strategy, sales management is an important part of the theoretical framework as it is a part of the overall strategic management process. Therefore, internal and external environments will be analyzed with respect to sales throughout the process. Sales management aims to increase company's voice for customers so that the company can affect customer's decision making process and steer it in favor for the company, in other words the sales force gets more positive buying decisions from customers. (Zoltners et al 2004).

2.2.1 Elements of sales management

When creating a sales strategy, it is important to analyze the market and current trends in buying behavior, so that the growth in the market can be correctly predicted and cus-

customer needs can be fulfilled better. Based on the broad external environment analysis, sales and all support activities of sales can then be reorganized to fit current trends and the strategy can be chosen according to customer needs. (Jobber & Lancaster 1997, 66-68.) Basically, the main purpose of sales management is to find out customer needs and answer to them with the company's resources. As in strategic management, internal resources should be turned to match the external environment, so in a way, sales management process is one part of the whole strategic management process.

A sales strategy aims to define everything that has something to do with company's turnover and how to achieve the goals of sales numbers. Customer buying behavior, marketing, sales forecasting, expected return and finally, the strategy and tactics that will enable achieving the best results possible in the market, are essential parts of a sales strategy. (Jobber & Lancaster 1997, 70.) To be able to create a sales strategy, one must conduct a deeper analysis of macro and micro-environments. As you can see in Figure 4, the process of sales strategy formulation includes more steps and more detailed analyses than the one of overall strategic management.

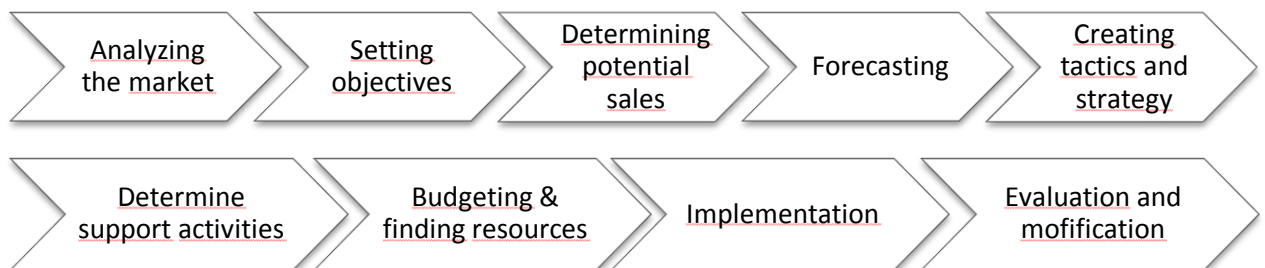


Figure 4 Sales strategy formulation stages modified from Jobber & Lancaster 1997, 71.

There are two goals when planning and executing a sales strategy; getting a strategic advantage of the competitors and fulfilling customer needs, or increasing added value, which will ultimately lead to increased sales. (Jobber & Lancaster, 1997, 67). It is possible to have goals that are set by the organization, as in this particular research, the Case Company wants to increase the market share and sales. Both, strategic advantage and customer satisfaction can be achieved by careful strategic planning, which the author concentrated on in this study. The planning phase of sales strategy includes for ex-

ample determining customer segments, planning the sales force structure and size, the roles of employees in the sales team and in supporting activities and finding the most beneficial products for different customer segments and for the company. (Zoltners et al, 2004). It is highly important to be able to create a clear vision for which the company is striving for, set the means for it, and get the whole sales team and supportive elements working for the same goal.

2.2.2 Sales strategy variations

Companies can be in a defending or attacking position in the industry depending on the current situation of the industry and the life-cycle stage the company is in. Sometimes companies need to be very aggressive to achieve the position they wish achieve in the industry and the only way to achieve it is by attacking. Different strategies of attacking the competitors and achieving a better position are simple; attack the market leader to its weak spots, choose an uncovered segment that has potential, discover a new business area or make an unexpected short-term move. Companies can only attack to a certain extent, and these strategies are only used for temporary changes. Typically they only have a short-term effect on the market position of the company. Therefore the position should be secured by using some kind of a long-term strategy that secures changed initiated. (Lynch 2000, 169-171.)

There are four basic guidelines of long-term strategies that can be used when formulating a business plan to secure the position that has been achieved by attacking. In a nutshell, the elements companies can compete with are seizing opportunities, innovative products, additional services and cooperation with competitors. (Lynch 2000, 171.) One of the most important ways of competing in an industry is completely left out by Lynch, which Zoltners et al have mentioned, is pricing of the products or services. In addition to these value creation strategies lower pricing is a possibility to compete with. However, pricing strategies are hard to bring to practice, because costs should be reduced equally with prices. (Zoltners et al 2004, 74-75.) Competing with price is also unfavorable for the whole industry, because price reductions are easy to match by competitors and thus it ends up being unfavorable for the whole industry. (Porter 1980, 16).

2.3 Micro-environment analysis

Micro-environment means the internal environment of the company and it should be analyzed to find out what kind of a position the company has when it comes to possibilities. Coulter (2005) defines internal analysis as a process of evaluating organization's resources and capabilities. Internal analysis provides companies with important information about the company's resources that can be used to reinforce the core competencies the company has. (Coulter 1998, 106.) By identifying core competencies the company has, they can be turned into a sustainable competitive advantage that will help the company achieve a stronger place in the market and will also give the company something to differ with from competitors. The main thing all companies should aim to achieve is finding a sustainable competitive advantage from within the company and maintaining it. (Coulter 1998, 106.)

Internal analysis typically includes analyses of financial assets, human resources, research and development, intangible and tangible assets. Other internal factors that should be analyzed are organizational culture and organizational structure. (Coulter 2005, 106.) There are two questions that should be asked when considering each of the company's assets in an internal analysis; which ones of the company's resources are the most vital in terms of creating and maintaining the competitive advantage, and which ones help the company to create more added value to final customer. (Lynch, 2000). This way the company gets the maximum benefit from the analysis and will be able to make strategic decisions based on it, since those are the questions that can make or break the company.

2.3.1 Human resource management as a tool for strategic management

Goals, or the vision of the organization, and human resource management should go hand in hand when it comes to strategic planning. Managers should have the ability to reorganize their employees to form the best team to pursue the strategy, but they should also be able to spot the need for new skills and knowledge to achieve the vision. In other words, managers should always know accurate job descriptions and why each position is needed. When the whole organization is working for the same goals, the vision can be

achieved best. (Fakta 2010,14-17.) De Cenzo & Robbins (1996) have a slightly different idea of strategic planning from Coulter's vision (see chapter 2); they have added human resource management to take into consideration in the process. Besides defining the goals and the strategy, they add two phases; planning the organizational structure, which includes job descriptions, and finding the right people for the jobs. (De Cenzo & Robbins 1996, 129).

Porter brings even more human resource management theories into the process of strategic planning and internal analysis. According to Porter (1980) personal values are important when planning and analyzing the internal environment of an organization. Personal values of an organization give motivation to the key people they are supposed to motivate, who are an essential part of turning the strategy into action. Employees are the main asset when trying to achieve goals set to the organization, and if they are not motivated to work for the common vision, or especially if the vision is against their values, company is unlikely to ever achieve the goals. This is also something to take into consideration during the staffing process and choosing the employees into the company.

Some companies have even gone further when creating a strategy that would engage employees and motivate them as well as serving the goals of the company. For example VTT noticed that employees were not so motivated to pursue the strategic plan that the management of the company had set for them, so the staff was challenged to come up with a better strategic plan. The results gotten by this event was a few new ideas, but more importantly information about how employees felt the current strategic plan was obtained, which was sort of a feedback to management about things employees supported and what they opposed of. (Fakta 2010, 8.) Since the results of including staff of the organization have been so positive, the author will try to get employees of the Case Company involved in the strategic planning process by telling their opinions and ideas about it.

2.3.2 Organizational structure and strategic management

Organizational structure illustrates roles of each employee in the organization, how responsibilities and tasks are divided, and hierarchy of employees and gives a visual im-

age of the whole organization. (Business Dictionary 2010). Organizational structure shows the relationship between each function of the organization and defines the level of power each employee has in an organization. (Viitala & Jylhä 2007, 195). Organizational structure often changes when the organization grows and develops, since it is highly dependent on the external environment and company's internal changes. Also strategic management is an influencing factor to the organizational structure chosen, since the amount of levels in the organizational structure affects the control over the organization and employees. The ability to react to external environment changes will decrease if there are too many levels and too many decision makers. In growing organizations the situation is usually opposite, at some point there are too few levels and responsibilities of managers will exceed their working capacity, which will lead to decreased productivity. The optimal amount of levels that would best support strategic management can only be achieved by experience. (Viitala & Jylhä 2007, 198-199.)

There are a few different ways of structuring an organization, but for smaller organizations it is typical to have a very flat organizational structure, which means that there are only a few layers in it. Employees are usually set under one or a few managers and there is no clear hierarchy between employees. Advantages of a flat organizational structure are a good level of control over the organization and quick and easy decision making processes. Disadvantages can be unclear job descriptions and difficulties with adapting organizational structure during growth phases. (Learn Management, 2010.)

Decentralized organizational structure is useful for organizations that have many different branches and operate in a wide area that would be hard to control from one single office by one or few managers. The purpose of decentralized organizational structure is to divide the responsibilities across the lower level managers while still maintaining the control over the whole organization in one place, which is one of the advantages of it. Other advantages are that decentralization is that it enables regional, autonomic decision making, customer-oriented and faster customer service and autonomic position of divisions. Disadvantages of decentralization can be undesirable rivalry between divisions and weakened long-term profit. Decentralization has been proven to be the most effective when divisions are formed according to geographical location. (Viitala & Jylhä 2007, 202-204.)

2.4 Macro-environment analysis

Macro-environment means the company's external environment. Important factors in external environment are for example competitors, customers, innovations and legal factors that might affect the industry or the organization. These are all factors that affect the company's strategy and moves that are going to be made in the near future. The external environment has changed a lot from what it used to be. Globalization has brought many new challenges; broader markets require huge amounts of information to form a good and functional strategy and to be able to answer to the challenges in the market. (Hitt & Ireland 2005, 38-39.) Nowadays companies need to keep up-to-date of their external environment, because it might be the factor that either creates threats or gives opportunities to companies, of which they need to be aware of. Basically, companies need to find out the situation in external environment first, then match internal environment with it and form a good strategy that answers to the challenges in the market.

Companies should always be closely linked to their external environments. (Porter 1980, 3). Current uncertain situation and the economic crisis is a good example of why companies need to be well aware of what is happening in their external environment, as the economic crisis of 2007 shows, which also had an effect on the Case Company. Pollard and Hotho (2006) suggest that companies should aim to recognize becoming crises in the external environment that may throw the company to a weakened position in the market and start preventing actions before the environment changes. Berry (2007) points out that scanning the external environment regularly might help the company notice trends that might be alarming or tempting and on the other hand it may help the company spot the opportunities on time. (Berry 2007, 336-337).

2.4.1 Porter's Five Forces Model

One of the most famous ways of conducting an analysis of the industry is Porter's Five Forces Model. Porter (1980) has defined five forces that are the key elements of any industry and by analyzing these five forces companies can achieve a deeper understanding of the industry as a whole and even recognize becoming threats and long-term changes. Because manufacturing is located in Sweden, bargaining power of suppliers is not rele-

vant for Finland's sales office. Since the industry is already global threat of new entrants has been taken into consideration in competitor analysis and potential threats from other industries or markets has been observed and ruled out of this study. However, only two of the forces are relevant to this research and therefore only threat of substitute products and bargaining power of buyers will be introduced and analyzed further. Rivalry among Competitors will be conducted in the form of competitor analysis.

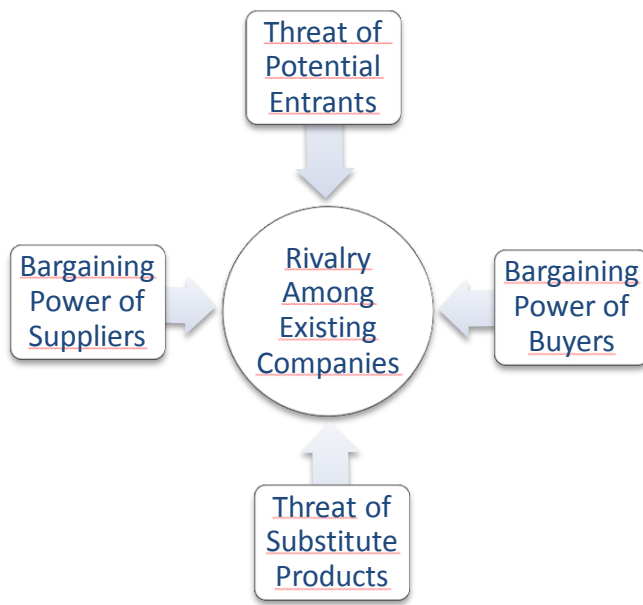


Figure 5 Porter's Five Forces Model (Lynch 2000, 125.)

Threat of Substitute Products

Substitute products are products that can replace products that are currently available in the market. Substitute products can be offered by already existing competitors or they can appear from another industry if an indirect competitor decides to develop a product that can be launched as a substitute for the same purpose of use. Substitute products can be completely new innovations that can perform same function as currently used products, or they can be products that are either better performing products or similar products with lower prices. The most dangerous substitute products that companies should pay attention to are the ones that are either better than their own products or that have a clear price difference. (Porter 1980, 24.) The threat of substitute products is constant in fast-moving industries and companies need to have a good product development to be able to survive in the competition.

Bargaining Power of Buyers

In highly competitive industries where there are many competitors and not a lot of differences between products, buyers have the power to compare different options and ask for tenders from each competitor. This means that competitors should have a certain competitive advantage, or they need to be able to offer lower prices to win the deal, which increases the risk of lowering the level of prices of the whole industry. Lowering prices is not the only thing that buyers are after; they might require better quality products and more services but are not ready to pay for them and therefore the supplier is always forced to give lower the prices in one way, or another. Bargaining power of buyers is especially dangerous in cases when the buyer contributes significant share of suppliers' sales or if they hold a good share of sales in the market. Also if buyers are well aware of the market and prices, they will know who to buy from. However, companies can affect buyers' bargaining power by choosing the right customers that have less power and are less price sensitive than other buyers. (Porter 1980, 24-25.)

2.4.2 Competitor analysis

Porter (1980) defines competitor analysis as a process of evaluating company's current position in the market among all competitors and finding the worst competitors, their objectives, possible strategy, assumptions and capabilities. This is the easiest way of getting the most information about the competitors and to achieve a comprehensive image of the market and the company's position compared to its competitors. (Porter 1980, 47-48.) Competitor analysis does not mean that all competitors should be analyzed and because it is usually a long, on-going process, most companies choose to analyze only the most dangerous competitors to the company at that particular moment. However, competitor profiles achieved by the competitor analysis are vital for companies' future survival and therefore it is recommended to conduct them regularly. Final results of competitor analysis should provide information about competitors' goals, resources, past performance, products and services, networks and current strategy. (Lynch 2000, 136-137.)



Figure 6 Competitor Analysis (Porter 1980, 48.)

Competitor analysis is done by asking different questions about future goals, current strategy, assumptions and capabilities. Questions can be created based on the information that the company wishes to achieve about the competitor, but there are some basic questions that will be introduced in the following sections.

Future goals

This part aims to find out how the competitor might react to market changes and what the competitor pursues, what kind of a position it wishes to have in the market. This can be outlined by questioning is the competitor satisfied with its current position. What kinds of goals does the competitor have? (Porter 1980, 50.)

Current strategy

Evaluating the current strategy the competitor might use at the moment and how it plans to achieve future goals it has set. What kind of a strategy does the competitor use to achieve goals? How will it affect our strategic choices? (Porter 1980, 63.)

Assumptions

This part analyzes assumptions that the competitor has about itself and its own position and about the whole market. These assumptions also help forming a conception about the behavior of the competitor and how it will react to market changes and moves of other competitors. Questions that can be asked in this part are for example how does the competitor see itself as a supplier? How does the company see itself when comparing with other suppliers? (Porter 1980, 58-59.)

Capabilities

This part measures competitors' ability to react to external environment changes, how intense the reactions will be, and how quickly reactions can be done. In other words, this part of competitor analysis should provide information about the overall reactivity of the competitor, for example how fast is the competitor able to start offensive moves. How the competitor adapts to unexpected situations and market changes is one of the key questions of this part. (Porter 1980, 63-69.)

2.5 SWOT-analysis

SWOT-analysis can be used as a support tool for competitor analysis, as well as any analysis in conducted about companies' internal or external environments. SWOT-analysis gives a good overall picture of the company's internal situation, but it also takes into consideration the competitive environment. SWOT stands for strengths, weaknesses, opportunities and threats, of which strengths and weaknesses refer to the internal analysis of the company and opportunities and threats analyze only the external environment. The idea of the analysis is to identify the weaknesses and minimize the risk of them and also to optimize the strengths of the company.(Lynch 2000, 562.)It is very useful to analyze both the internal and external environment at once, since it gives the bigger picture rather than just looking at the elements individually. If SWOT-analysis is done in depth, the results and information gotten from it can be valuable when forming the strategy of the company. There are also extended versions of SWOT-analysis, but the traditional version gives information equally as well if done carefully. (Website Marketing Plan, 2010.)

In this research SWOT-analysis is used as a tool to summarize the internal and external analyses, to get an overall picture of the external and internal environments. The complete SWOT-analysis can be found at the end of the research as an appendix (Appendix 2).

Internal Environment	Strengths	External Environment	Opportunities
	Weaknesses		Threats

Figure 7 SWOT-analysis (Viitala & Jylhä 2007, 60.)

3 RESEARCH METHODS

The author chose to use qualitative methods for this particular research, because strategy formulation demands wide range of knowledge of the market, as well as knowing the company from every aspect extremely well, which wouldn't have been possible by conducting a quantitative research. Qualitative research methods generally help the investigator achieve a deeper level of knowledge of the research area, which is usually not easy to apply for other cases. (Patton 1990, 14). So in this case author was able to collect detailed information about the case company and its external environment, so that she was ultimately ready to analyze the market, and evaluate the best way to answer to the market situation.

The author was provided with some information from the CEO of the Case Company that helped her get started with the research. For example the preliminary vision that the strategy will be based on, and areas where strategic moves should be made in during the project were mostly defined by the CEO of the case company, but the author had the opportunity to affect the vision and assess how realistic the future goals were. Other information about the competitors and the theoretical frame of reference were gotten by a wide-range desktop study that is done by the author of the research.

3.1 Data collection methods

There are three types of literature that can be used to collect information without conducting a research; primary, secondary and tertiary data. (Saunders et al 1997, 42). Saunders (1997) divides literature sources in following way; primary data includes company reports and other official papers, secondary sources are books and newspapers and tertiary sources can be for example catalogues. An essential part of this qualitative research was a broad desktop study that was conducted about the research topic, which should supported the research. The information for internal and external analyses were mostly obtained through a broad desktop study. The author tried to include mostly primary sources of literature into the desktop study, for example companies' annual reports, but some of the facts were also gotten through interviews.

Qualitative research is usually conducted with three methods, in-depth interviews, observations and written documents. (Patton 1990, 10). For this research, author collected the data mainly by interviewing the case company's CEO, who was the main contact person when carrying out the research. According to Silverman (2006) there are four methods of interviewing; structured, semi-structured, open-ended and focus group. Open ended interview is based on listening actively and letting the interviewee talk freely during the interview. (Silverman 2006, 110). For this research author chose to interview the CEO in various informal meetings. Author chose to conduct interviews by informal, open-ended interview meetings because that is the most flexible way of collecting information of the interviewing methods. (Patton 1990, 280). Informal interview method allowed the author to collect information about anything that came across as the most important issue at that particular moment and lead the conversations to the topics that she needed the most information about.

At the end of the study, the author also interviewed five employees of the sale's office by sending them a questionnaire about the current situation, becoming changes of which they were aware of and how they see the effects of them. The questionnaire can be found as an appendix. Structured interviews are pre-planned, consistent and give little freedom for the interviewee to give any more information than is asked for. (Silverman 2006, 110). The author wanted to get answers to same questions from all of the employees, so all five employees were asked to answer the same questions. In other words, the interview was conducted by using a standardized open-ended interview method, which allowed the author to control what kind of information was achieved by the questionnaire. (Patton 1990, 285-286).

Since the Case Company is a relatively small company and there are not many employees who could give information about the working environment, the author chose to use purposive sampling when choosing employees who were asked to answer the questionnaire. Purposive sampling means picking certain sample that will most likely help collect certain type of data. (Saunders et al 1997, 146). Employees who were asked to answer the interview were selected by their different job descriptions, because author wanted to get an overall picture of the company's employees' current situation and what

they felt were the most important things that should be changed when formulating a strategy and how they felt they could best help achieve the goals of the company.

3.2 Risks and challenges

Strategic planning is a very delicate topic for companies, because the information is vital for companies' success and to be able to defeat competitors. Therefore companies are not willing to give out the inside information about their business strategies, which makes it hard to draw any conclusions about the competitors in the external analysis. In the machining industry the competition at the moment is fierce because of the bad market situation and therefore the case company wanted to keep the project partially censored. The author was only allowed access to limited information and there was a lot of secret information about the corporate strategy that the author could not access.

At the beginning of the research the information about strategic changes in the case company were kept as secret from employees and other parties, which limited interviewing Case Company's employees throughout the research. Therefore the CEO of the company was the primary interviewee at the beginning of the qualitative research, which risked the validity of research, since having only one interviewee is not recommendable. However, author considered the CEO of the company very reliable source of information. At the end of the research when strategic changes started getting clearer, the author got permission to interview employees by sending them a questionnaire, so that more data was gotten.

The desktop study was very challenging, because finding information about the competitors' strategies or some other relevant information about strategic choices is not easy. The author has to read the annual reports of the main competitors and find the relevant information that might affect the Case Company's position in the market. A large part of this information could not be directly found anywhere, so the author had to be very careful when finding information and drawing conclusions, so that there would not be any misunderstandings that could risk the final strategy that would be implemented.

3.3 Validity and reliability

The author used Case Company's CEO to achieve a deeper level of knowledge in general to be able to investigate and evaluate the Case Company's internal and external environments better. The CEO was the primary source of information at the beginning and the author considered the CEO to be a reliable source of primary information, since he knows the market and the Case Company the best. Also five employees of the Case Company were used to get primary data for the analysis of the internal and external environment by sending them a questionnaire, which made the data more reliable because the author was able to get deeper and more accurate answers. The quality of the research depends more on the amount of the information you get from the respondents than on the sample size. (Patton, 2002, 244-245).

As the primary sources of the desktop study the author used official reports from Case Company's reporting system, as well as official documents of competitors, for example annual reports. These are all formal sources and are generally considered as reliable sources of information. (Saunders et al, 1997, 173).

4 THE CASE COMPANY

Parent company has been founded in 1889 in Sweden and it has started out from a small workshop and worked its way up to the global market. The Parent Company retails and manufactures tools and different kinds of solutions for machining industry and nowadays operates within in 40 different countries, Finland's sales office is one of the subsidiaries that the Parent Company has around the World. Worldwide the whole corporation is the second largest retailer and manufacturer in the machining industry. (Case Company's Introduction and History 2010, 53.) The Corporation has a long history and therefore has had time to build strong brand equity along the way, which they also hope to cherish with their corporate strategy and policies. Brand equity was one of the factors that helped the Case Company become successful in Finland's market rapidly. (CEO of the Case Company).

Finland's sales office started operating in Finland in 2002 and it only sells products and offers services to its customers. Manufacturing and production is centralized to four factories around the World. The Case Company has steadily improved its position in Finland's market a before the economic crisis, and has collected a fairly broad clientele from various different industries. Case Company has succeeded in constantly growing its market share, and increasing its sales (see Figure 1), which has enabled the Case Company to achieve a strong position as the second largest retailer in Finland's market. Until the economic crisis begun, the Case Company has not had a need for a real sales strategy, because sales team had performed well without a real strategy, and selling consisted of handling customer relationships and orders, and finding suitable solutions for special needs in cooperation with customers.

4.1.1 Corporate strategy

As defined in chapter 1.5.2, corporate strategy outlines all the larger policies companies have, and so it is for the Case Company, too. The purpose of the parent company's goals was to unify the operation in all of the countries worldwide so that the customers would have equally as good quality service and would know what to expect when dealing with the Case Company. (CEO of the Case Company). So in terms of corporate strategy, strategic changes were asked to match these policies and standards defined, even if it demanded some extra changes for single sales offices, as it did in Finland.

Main points that the corporate strategy has set to the Case Company are customer closeness, targeting new markets and control over the value added chain and the logistical chain to ensure the quality of products and services. Therefore the Case Company and the author should emphasize these aspects when planning a new business strategy. The corporate strategy of the case company is highly concentrated on customer satisfaction, maintaining current customers and attracting new large customers. The company wishes to be known as company that respects its customers highly and shows integrity in all situations, which will ultimately lead to a sustainable competitive advantage. (Case Company's Annual Report 2009.) So in a way, the corporate strategy binds the Case Company to follow certain procedures that have been recognized as customer satisfac-

tion increasing factors. This will reflect especially to the internal environment of the company, moreover, to renewal of the organizational structure and job descriptions.

4.2 Human Resource Management

As mentioned in Chapter 2 strategic management and human resource management section, human resource management plays major part in strategic planning, since resources have to be matched to the external environment's needs. The most radical changes will be made in this area during the strategic planning process, since that was the most critical area the company needed help with, which came up in the questionnaire answered by the employees of the Case Company and by the CEO.

At the moment, the Case Company has 17 employees in addition to the CEO working in Finland. Twelve of them are account managers and work on the field constantly and have no fixed office, four of the employees are located in the main office in Helsinki as the support of sales, one employee is located in the Northern Finland as the financial management controller, but is considered to be a part of Helsinki's main office. The CEO works partially on the field but officially sits in the main office in Helsinki. Because the employees are spread across Finland, it is hard for the CEO to keep track of what is happening on daily bases and he hoped to get some kind of a relieve to this challenge. However, it is not possible to have one single office where all employees would be located, because that would increase the costs of traveling to the customers too much.

In terms of human resource management, risks that the Case Company has at the moment is that despite of the need for new salesmen to the field, the Parent Company will not allow the Case Company recruit new employees because of the uncertain situation. Two of the salesmen are about to retire in a couple of years, and they will most likely retire before 2014, so the need for new employees should already be recognized. It would be recommendable that the recruitment process would already be started, so that the new sales force members would have time to get to know the customers, the market, the products and all other things related and the Case Company would have a smaller risk of lost information in the process.

4.2.1 Organizational structure

Currently the Case Company has a very flat organizational structure, and all of the employees are set beneath the CEO, which is typical for very small companies. Current organizational structure does not show each employee individually but some of the positions are only mentioned in plural, which can be confusing when evaluating the Case Company's operation as whole, since organizational structure does not show the exact amount of employees. Another problem that Figure 8 shows is that the organizational structure is lacking a clear hierarchy among employees and does not show how teams are formed and who should be working closely together. Having no hierarchy or a vague hierarchy has also lead to unclear job descriptions, which is always a risk in smaller companies according to Learn Management (2010).

The organizational structure of the Case Company has not been modified at all during the time that the Case Company has operated in Finland. Because the Case Company has grown rapidly and employees have increased, the old organizational structure does not answer current needs and nowadays the CEO lacks control over the whole organization. As all of the employees are currently beneath the CEO in the organizational structure, the responsibilities have not been divided evenly among employees and the CEO has too many responsibilities that he has to keep track of. This is also a good example of a typical case in smaller companies that have not yet applied decentralized organizational structure to their own use, which would even up the workload and responsibilities among employees. (Viitala & Jylhä 2007, 202-204.) The CEO comments the current organizational structure in the following words:

At the moment I have too many responsibilities in this company, therefore the least important ones are always neglected, an ideal situation would be if some of my responsibilities could be taken over by employees and I could concentrate on the most important tasks properly.

Employees would also like to have a clearer and better understanding of who they should work with and which responsibilities they should try to manage if the organizational structure would show a clearer hierarchy. One of the account managers said the organizational structure to be *an unclear attempt to describe the Case Company's operative functionality*, which implies to missing hierarchy and the fact that teams or close

co-workers cannot be seen from the organizational structure. Confusion among employees is one of the factors that creates problems with dividing responsibilities and determining accurate job descriptions, since they do not have a clear idea of their position in the Case Company. Four employees out of the five who answered the questionnaire mentioned that there would be room for improvement in the organizational structure because that would make their roles in the Case Company clearer.

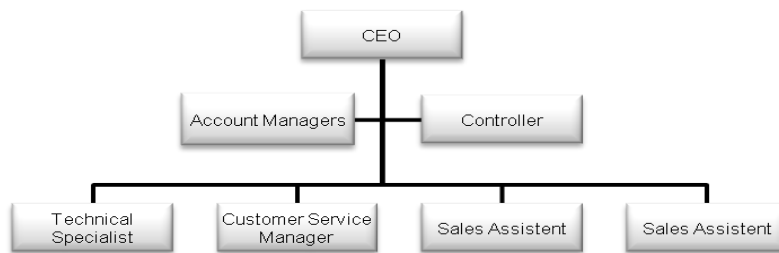


Figure 8 The Case Company's current organisational structure (Case Company's CEO.)

The most significant problem account managers encounter in their daily customer relationship management routines and customer visits is that areas are too big. The areas are at the moment divided by provinces of Finland and each province has three account managers. However, areas are not defined any further than by province and even provinces can sometimes vary, which means that distances are long and time consumed for traveling can even be a few hours a day. Account managers said that they lack control over their areas and cannot handle such long distances and spread out customer network.

Sometimes I drive from one side of the province to another to meet customers and in the afternoon find out that my team member has been in the building next to my customer's work shop, so all along it should have been just one of us there and another could have gone to visit other customers somewhere else. (Account Manager.)

Account managers were hoping to have better communication and support network of sales and a systematic way of dividing customers and areas better and more efficiently between account managers. They were also hoping for a tighter team spirit among them, because employees in the main office and the CEO are sometimes so busy that they do not have time to help each of the account managers individually. Another account manager brought up an important factor in an internal meeting: if the Case Company would

improve the support of sales, it would improve the quality of service and decrease errors made in planning and selling products.

4.2.2 Job Descriptions

There are five different job descriptions in the Case Company: sales and marketing assistant, controller, technical specialist, account manager and customer service manager. All of the positions have basic outlining of tasks that belong to each employee, but now that the company has grown, tasks have changed and there are new and unexpected situations and tasks all the time that cannot be assigned to anyone. The problem is that at the moment there are no accurate job descriptions for employees, because the Case Company is still a relatively small company and the principle has been that everyone has to do everything. However, this has caused problems in the main office, where tasks vary a lot and there are many tasks that only appear once. There are five people working in the main office of the Case Company; two marketing assistants, technical expert, customer service manager and the CEO. The main office is the place where most conflicts about tasks happen, because employees there work together every day and have similar job descriptions that all include same tasks for example daily office duties and random tasks. Employees commented the unclear situations in the following words:

We constantly have conflicts of which tasks are whose responsibility and when the CEO is not in the office we have trouble deciding who does what, since none of us have the authority to divide tasks among us. It is also a question of expertise, we can all do certain things and sometimes tasks would require all of our knowledge. Instead of working together, we end up delegating tasks from one person to another without finishing it. (Sales and Marketing Assistant.)

Account Managers

Account managers are the sales force of the Case Company and are also responsible for Case Company's sales and technical expertise that is offered to the customers. Account managers are located around Finland where they visit their own area's customers, evaluate their needs, find suitable solutions and make sure products work properly for customer's needs. In short, account managers are responsible for customer relationships and service, or the whole sales process and after sales management. (Southern Finland Region's Account Manager.)

Controller

Controller of the Case Company handles financial management, reporting, budgeting and calculation of salaries. She is also responsible for cash-flow in and out of the Case Company and accounting. Controller works independently or in cooperation with the CEO depending on the task. (Controller.)

Sales and Marketing Assistants

Sales and marketing assistants are responsible for daily support activities for sales for example handling customer orders, solving logistical or manufacturing problems, delivering marketing material, arranging campaigns and answering customer's general questions. They are also responsible for random tasks that occur in the office that are related to sales or marketing. Since sales and marketing assistants work in the main office, they are responsible for daily office duties together with other employees located in the main office. (Sales and Marketing Assistant.)

Technical Specialist

Technical specialist has a similar job description as sales and marketing assistants but is more technically educated and therefore handles technically challenging orders and questions. He is also in contact with product development department in Sweden and contributes to the product development process for customized and new standard products. Technical expert gives advice to account managers when they have problems, which takes a lot of his time. Technical expert does not handle any marketing tasks and only a few basic sales orders because his time goes to solving more technical cases. (Technical Expert.)

Customer Service Manager

Customer Service Manager is also a technical expert but also deals with customer relationship management when there are problematic cases, reclamations or harder educational cases that account managers have problems with. Customer service manager is sort of an account manager but is located in the main office where he consults educational services, customer relationships, technical problems and other things that customers may require. (Customer Service Manager.)

4.3 Products and services

The Case Company's sales could be divided roughly into two categories; products and services. Products are divided into standard and customized solutions, which are further divided into smaller subsections according to the purpose of use and target industries, which will not be dealt with any further in this study, since it is not significant which segments have the highest sales numbers. The Case Company's services include solution consultation, which is a part of customer relationship management, but it is an important part of the Case Company's services because it creates added value to customers. The other service Case Company offers is education to customers. However, educational services are only offered to customers that are the most profitable for the Case Company, as it would be a waste of already tight resources to be consulting and educating the smallest customers, since the expected return would not be equal to the expenses.

Table 1 Products' and services' shares of annual sales 2009 (%) (QlickView.)

Products		Services	
Standard products	Customized solutions	Solution consultation	Educational services
84,6 %	12,3 %	-	1,2 %

Most of the Case Company's turnover comes from selling different kinds of standard solutions to its customers in machining industry. Standard solution products account for approximately 84,6 % of all sales, the rest of the turnover comes from customized solution products (12,3 %) and educational services (1,2 %). Case company gets most of its turnover from products it offers, and therefore it is important that customers have an opportunity to choose from a long list of standard products that will suit their exact need and usage. In addition to Case Company's various different standard products, it is also known for its endless possibilities of customized products that enable the Case Company answer to all kinds of customers' needs. If the Case Company cannot offer a standard solution for a customer, a suitable product will be made for the customer that is guaranteed to work for the purpose.

Current buying behavior trend in machining industry seems to be shifting to the direction of more customized products and getting personal consultation, because customers want to get better results and count on us when finding solutions to succeed. However, only larger customers have resources and enough budget for customized products and therefore we should focus on these customers that need services to fully benefit from the products. (Account Manager.)

Account managers are one of the most important variations of the Case Company's services, because account managers go to the customer and help customers find suitable solutions for the purpose of use. These consultation sessions consist of various support activities on the side of selling and testing products, for example personal evaluation, designing and maintenance of the products sold. Consultation sessions are free-of-charge and customers see them almost vital for their customer relationship, since they start seeing account managers more as advisors and technical experts than as salesmen. Educational sessions are a completely new service that has just been tested and they can be arranged for larger customers by request, sometimes they are even included in the contracts that are made with the customer when starting a new customer relationship. However, educational services are not free-of-charge, but the prices for lectures are only nominal so that the customer is more committed to them. In reality, they are seen as one more way of producing added value to customers.

If there is something customers would not give up very easily, it is consultation sessions with account managers. They would rather pay for consultation than not have it at all, and that is why they are such an important way of bringing added value to the customer. (Customer Service Manager.)

The most rapidly growing segment of Case Company's business are educational services they have started offering a while ago as a test if customers would appreciate them. Lately, the demand for different kinds of educational services has started increasing as the account managers have started promoting them and giving lectures. Quite often customers keep in contact with each other in some ways, so the word has spread and the educational services seem to be a good business. Sometimes it is impossible for account managers to arrange education to customers, because they do not have enough time to take off a day or a few days to give lectures, as they have so many customers to take care of. This was also something account managers wished to have help with in their daily routines. They would be willing to sell customized educational services and promote them but would rather have someone else deliver it to customers.

4.4 Vision for 2014

As mentioned in the strategic planning section (Chapter 2), determining the vision and goals that the organization aims for is the base for all the strategic planning and the process is usually started by setting objectives. Therefore, the vision for the Case Company was created at the beginning of the research process. Objectives were determined by the information that the author had collected about the market and previous sales of the company that should be achieved by the end of this project.

We should be able to get the sales up on the levels before the economic crisis, the sooner, the better, but by 2014 at the latest the turnover should be 10 million Euros, 11 million would be an optimal level.(CEO.)

Ultimately, the Case Company aims to be the largest company in Finland's market, with the largest market share and the Case Company's CEO has created a vision for the year 2014 that the end results, or the strategy achieved by this research is meant to support and help achieve the vision. As mentioned before in the Case Company introduction, it is at the moment the second largest company in Finland's machining industry when ranking market shares with competitors. Competitor 1 is the only company ahead of the Case Company in terms of market shares and sales, Case Company's sales accounted for 55,0 % of Competitor 1's sales in 2009, this ratio is called "we/they rate". One of the goals the case company has is that the ratio between sales of Competitor 1 and the Case Company's sales would increase to 70 %, altogether 15 percentage units. Market share goals of the Case Company are more discreet, expected growth of the market share is at least 0,5 % a year.

The Case Company already has many large customers that are a significant part of sales, but at this point the salesmen would have to aim for getting more large companies as customers. One of the goals is that each of the salesmen should have at least one large customer, since large customers are more profitable to the company. Each one of the 12 salesmen should be able to attract one or more larger customers by 2014, which increases the market share of the case company. To be able to attract large customers and hold on to the ones the Case Company has at the moment, it would be recommendable that the Case Company would come up with a competitive advantage that follows the corpo-

rate strategy. This way the Case Company would have something to appeal to customers with and something to offer that competitors do not have, which would increase the probability of winning over the customers.

The most important points of the vision in short:

- Sales should reach 10 million, 11 million would be optimal.
- We/They rate should reach up to 70 %.
- Market share should increase at least by 0,5 % a year.
- All of the account managers should get at least one new larger customer.
- Company's corporate strategy's values should be turned into a competitive advantage.

5 INDUSTRY

Machining industry in Finland is a highly competitive market and what makes it challenging is that it is also a very fast moving market. Companies in machining industry do not change and there is only a small risk for new entrants, because machining industry requires different kind of expertise than other technical industries have. All of the companies in the market have strong product development resources and innovative ideas that are constantly tested and launched. Products change quickly and new innovations are constantly brought to the market, which limits strategies that can be used for obtaining a larger market share, for example new product and innovation strategy would lack power in machining industry because of the nature of the industry. Of course, new products affect the competition, but innovations do not remain at the top of the product list for long.

Most of our competitors have similar products and logistic chains, so there is no use of trying to compete by changing these factors. Competing by lower prices would lead to a bankruptcy. We have to come up with a truly beneficial competitive advantage that competitors do not have yet. (CEO.)

Porter's Five Forces model in chapter 2.4.1 dealt with the threat of substitute products that can replace currently used products especially in industries that develop fast. In machining industry there is a constant risk of substitute products that competitors may start offering with lower prices but the same or even better functionality, which is mostly en-

abled because of the fast product development. This harms the pricing of the market and lowers it to the level where it is not beneficial for the Case Company to sell and produce these particular items any longer. This is the largest risk that the Case Company has, because substitute products of competitors may take up the whole market and cause radical decrease of sales rapidly. After all it is easy for the competitors to copy new innovations and develop their own less costly versions of them with the same or nearly the same functionality.

5.1 Market Shares

Altogether, there are eight companies in addition to the Case Company that operate in Finland and have large enough market shares to be mentioned in the competitor list. However, there are only two companies that dominate the machining industry in Finland. Six of the competitors in the market are quite close to each other in terms of market shares, Competitor 2, 3, 4, 5, 6 and 7, and the rest of the competitors are smaller companies that share a market share of 13,9 %. All of these companies are so much smaller than the Case Company that they are not seen as severe threats at this point, and are therefore left out of the comparison of the competitors the author conducted for this research. Instead, the author decided to concentrate on looking into the strategic choices and the recent events of Competitor 1 that might have an effect on the Case Company's strategic choices.

Our primary goal is to get our market share to the level where Competitor 1 is at the moment and this will require a lot of work from our salesmen, since they have to be active and try to get new, remarkable customers. (CEO.)

At the moment the Case Company is the second largest company in Finland's machining industry with a market share of 19,1 %. However, only one competitor is seen as the most severe threat to the Case Company; Competitor 1 that holds a market share of 34,7 %. Market shares are divided quite evenly between the Case company and Competitor 1, and that is the reason the author decided to use only Competitor 1 as comparison in the competitor analysis. Even if there are several companies that operate in the machining industry in Finland, many of them are too small to be seen as a real threat to the case company at this point, because their market shares are so far behind Case Company's

market share. Therefore the Case Company wishes to concentrate on defeating the largest threat first.

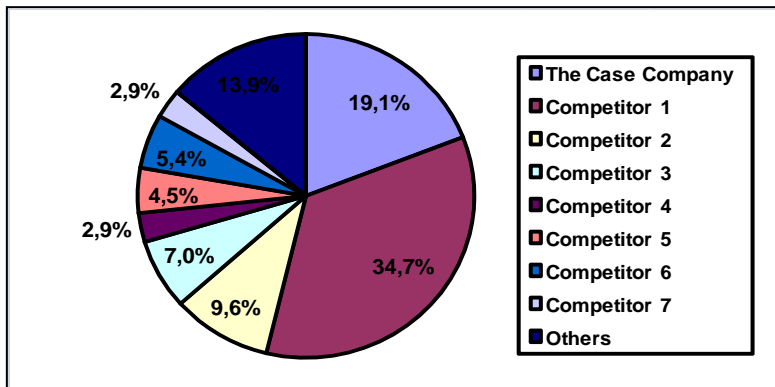


Figure 9 Market shares 2009 (%) (QlickView.)

The CEO of the Case Company commented the market situation in following words:

It is only a matter of time when someone gets ahead in the fierce competition with a new, extremely innovative product, which may turn market shares around and that is why we need to do our best to win this competition.

Although product development is vital for survival of companies in the machining industry, investments should be moderate to save budget for unforeseen situations like economic crises. Since the Case Company does not have product development in Finland, the way to make sure they will be able to offer products that are suitable for Finland's market is by keeping close contact with product development department as well as each other. So far, all the technical experts and account managers have kept in contact with product development separately and there has not really been a clear process for it, some might have had a solution for others' problems but the information simply has not reached the whole sales force. After all, in most cases there already is a ready-to-use product or at least an easily modifiable one to offer. If information would be more easily available within the company, it would speed up the tender phase and might even win some deals and increase market share.

5.1.1 Competitor analysis

In this part Competitor 1 will be analyzed according to Porter's (1980) competitor analysis, which was shortly presented in chapter 2.4.2. Areas analyzed about Competitor 1 will be future goals, current strategy, assumption and capabilities. However, competitor analysis will be kept as a minor part of this study, since competitor analysis is only one part of the macro-analysis conducted in this study. As introduced in chapter 2.4.2, competitor analysis considers the strategies competitors might come up with, the intensity of reactions to the external environment, how competitor perceives itself in the market at the moment and in the future (see chapter 2.4.2).

Competitor 1 Annual Report 2009 reveals that Competitor 1 is seeking to grow rapidly to gain back the lost sales during the economic crisis in 2009. As future goals Competitor 1 has set *renewing cost and capital structures and growing by making major investments*. (Competitor 1 Annual Report, 2009, 4). This could be interpreted, that Competitor 1 is not satisfied with the current position in the market and wishes to attack competitors by making investments that will bring new possibilities to offer to customers that others might not be able to offer. Current strategy of Competitor 1 is to offer more high value products and gain more profit by selling them (Competitor 1 Annual Report 2009, 4) which may refer to the investments they are about to make. The Case Company has been able to offer innovative solutions that Competitor 1 has not been able to match and at the moment Competitor 1 does not have products that the Case Company could not offer. A conclusion could be drawn that Competitor 1 will make investments to get ahead Case Company in product development by enlarging their product portfolio to more high value products.

As it is stated in Competitor 1 Annual Report (2009), Competitor 1 is seeking to grow by investing and renewing the cost structure by favoring cheaper countries for production to gain more profit. Therefore could be assumed, that Competitor 1 is increasing working capital to enable large investments. Competitor 1 is the market leader in Finland and has lots of resources to execute major strategic changes in a short period of time, which can be found out by analyzing their past performance. (Case Company's CEO.) Thus, can be assumed that Competitor 1 reacts to the external environment

changes rapidly and with maximum capacity they have. In general when comparing the values and how Competitor 1 sees itself in the market, could be said that Competitor 1 has much more aggressive attitude towards selling than the Case Company and seems like customer service and increasing added value to customers is not on top of the list of their priorities, which gives the Case Company a certain competitive advantage. A clear competitive advantage for Case Company seems to be services, since Competitor 1 has completely ruled out any services offered as added value and as for service that could be purchased.

5.2 The effects of the economic crisis

Because of the economic crisis, all of the companies in machining industry suffered major decrease of sales in 2009 (see table 1). Decreases of sales varied from -39 % to -55 %, others, or smaller companies, suffered only smaller decreases of sales. None of the companies were able to keep their sales in the previous levels, and the decreases of sales were almost the same for all of the companies in machining industry, so there was none who could turn the economic crisis for their favor. The Case Company managed to prevent the sales from decreasing as much as Competitor 1 sales decreased. The Case Company managed to maintain the drop of sales in moderate level, because Case Company was able to cover decrease by cutting fixed costs and reducing variable costs. (Controller of the Case Company).

Table 2 Annual Changes of Sales (QlickView)

Y-o-Y %	2009 (M) Euro	09/08 Year	2008 (M) Euro	08/07 Year	2007 (M) Euro
The Case Company	6	-39 %	9,9	9 %	9,1
Competitor 1	10,9	-44 %	19,5	11 %	17,5
Competitor 2	3	-40 %	5,0	6 %	4,7
Competitor 3	2,2	-42 %	3,8	-16 %	4,5
Competitor 4	0,9	-55 %	2,0	-73 %	7,4
Competitor 5	1,4	-44 %	2,5	25 %	2,0
Competitor 6	1,7	-43 %	3,0	7 %	2,8
Competitor 7	0,9	-44 %	1,6	0 %	1,6
Others	4,4	-23 %	5,7	43 %	4,0
	31,4		53,0		53,6
Market Growth		-41 %		-1 %	
Market size	31,4		53,0		53,6

Early procedures to avoid losses helped the Case Company achieve a position as the only company in the machining industry that did not suffer losses during 2009. (Case Company's Annual Report 2009, 2). Another important factor of preventing losses were new products that the Case Company launched at the verge of economic crisis. While other products' sales decreased, Case Company was the only supplier in the market to offer various special solutions that offered exceptional return of investment and improved the quality of manufacturing of products. (Case Company's Annual Report 2009, 36.) These various solutions contributed to the survival through 2009 without losses. (CEO.)

So far, our product development has been able to develop some of the most innovative ideas in the market that have largely affected our success through economic crisis, but we need to be able to keep our lead by investing into our customers' needs and keeping up the development by close co-operation.. (Technical expert).

Another benefit the Case Company had during the economic crisis was the global network between different sales offices, factories and product development departments, which made customized products' manufacturing and planning a lot faster and more profitable. In most cases, a solution is already available for the purpose if account managers just contact the product development department. Manufacturing process is something that can take a few days or in worst cases a couple of weeks, but because of the well-planned logistical chain and fast delivery of products, Case Company was able to maintain its position in the market even during the economic crisis. (Customer Service Manager.)

5.3 Customer segments

Case Company's customers have been divided into segments according to their size and profitability. The largest customers are also the most profitable ones, and 83 % of the sales are gotten through large customers. (QlickView). Mid-sized companies may also be profitable for the Case Company, but it fluctuates depending on the customer, so there is no clear sorting whether mid-sized companies are profitable or not. Numerous small entrepreneurs in Finland's market spread across the country are one of the characteristics of machining industry, which are the least profitable for the Case Company.

Therefore, the company's sales force should concentrate on the large and potential medium-size companies that are the most profitable for the company and emphasize services of the company to them. Small customers should be guided to the nearest reseller so that the salesmen do not have to spend time on these minor cases that do not have the volumes to cover the costs.

The questionnaire showed that most of the employees, especially account managers see new customers as an important factor to be able to achieve the vision of getting a larger market share and increasing the sales back to the level where they were before the financial crisis hit the industry. Account managers were particularly interested in attracting large customers, since larger customers are generally more profitable and require less maintenance. As Porter has pointed out in Five forces model, the risk when attracting and favoring large customers is that larger companies generally have the ability to press down prices since they can play suppliers against each other, which is a considerable risk when choosing to concentrate on larger customers. One account manager even mentioned in the questionnaire that if large companies are targeted as the main customer segment, the sales are more likely to increase and the Case Company has the opportunity to start considering whether the smaller customers are worth for all the maintenance.

Of course, we need to keep all of our customers happy and give everyone the same service as before, but we need to make ourselves more visible and desirable for new larger customers. (Customer Service Manager.)

In general smaller customers are not even interested in anything else but the regular products they normally order and tend to depend on the secure solutions they are used to work with. Smaller customers rarely have any problems that would need consultation, and most of the times problems can be solved by the reseller or by account managers via telephone. Therefore, the case Company has created a reseller network that would help account managers handle their sales areas. Resellers also have a stock, where they keep the most popular tools, so that smaller customers do not have to order them, wait for the delivery and pay the freight, which serves the needs of smaller customers better.

6 STRATEGY

The desktop research, interviews and questionnaire accounted for unexpected results about changes that could be made to improve the functionality of the company's assets and how to turn resources and capabilities of the company into the best possible outcome for the external environment's requirements, which is the most important function of strategy formulation (chapter 2). The purpose of the study was to find a way to rearrange the internal environment to serve the strategy best and include employees to the process, so that the whole organization would be working for the same goals and would feel as an important part of the strategy and feel that their needs have been taken into consideration (chapter 1.2). Therefore the most radical changes will be seen in the organizational structure and job descriptions of employees that are presented in chapter 6.1. Another goal was to improve Case Company's efficiency and find strategic advantages that competitors could not offer, which is one of the main purposes of creating and executing a sales strategy as Jobber & Lancaster (1997) reasoned.

Case Company is in a situation where growth is the most important goal, so the only possibility at this point is to attack and make some kind of a bold move to gain some more market share and increase the sales. According to Lynch (2000) there are two kinds of strategies, long-term and short-term strategies. With short term strategies companies make radical moves that cause a temporary shift in the market to the favor of the company, for example increase of sales. This is exactly what the Case Company will do at first by increasing their services that bring added value to the customer. This is seen as an attack, since there are no similar services offered by any of the competitors at the moment, so the Case Company has found an uncovered service segment (see chapter 2.2.2). The other short-term method is to keep up the corporate outlining of outstanding customer service. This will surely make Case Company stand out from Competitor 1, since they have much more aggressive values when it comes to selling (chapter 2.4.2).

Competitor 1 also aims to attack the market by making investments and rearranging its production, which means that there might be collisions when Case Company, Competitor 1 and most likely other smaller competitors are looking for new possibilities from the market. However, Competitor 1 did not mention anything about increased or new

services that would be launched, so that is where Case Company is slightly ahead in the competition and would look like the strategic choice of increased services and undiscovered area of business will be a good option for the Case Company. Competitor 1 aims to start offering more innovative products that other competitors might not have.

The long-term strategy that Case Company has chosen to be used for the next three years is a mixture of two sales strategies; increased service and innovative solutions. Chapter 2.4.2 introduced the options companies have for a long-term strategy, that are used after a short-term attack to secure the gained position in the market, thus achieving a sustainable competitive advantage. Even if the Case Company wishes to increase sales, the quality of each product and all services should remain the same, if not even improved, which is ensured by the corporate strategy and control over the logistical chain (chapter 4.1.1). Also sales teams' communication with product development department should be increased radically, so that all ideas can be heard and Case Company can keep producing as innovative solutions as before the economic crisis.

With the new strategy for the next three years, Case Company aims to stay in close contact with the external environment changes, so that future crises and other changes that should be reacted to could be done proactively. Case Company will not go so far that Pollard & Hotho's (2006) recommendations to create a crisis management plan for any crisis situation that might occur. The plan is to make strategic planning and environmental scanning a continuous routine so that the process would be easier to continue in the future and carry on the scanning that was done during this survey. As Coulter (2005) stated in her theory that strategic planning is an ongoing long-term process that should constantly be modified by the latest forecasts.

6.1 Organizational structure and job description changes

As mentioned in chapter 2, organizational structure has a high influence on customer relationship management in terms of sales as well as other activities of companies. Coulter's theory is that resources of the company should be arranged to match the external environment needs best. In worst case scenarios an unclear organizational structure may lead to decreased productivity and lack of communication, as Viitala & Jylhä

(2007) present in their theory about dividing responsibilities evenly. After this project, the organizational structure and job descriptions will be changed the most radically, which will help the Case Company achieve more flexible and efficient processes and lessen the unclear situations that cause irritation in employees, which clearly showed in the results of the survey. One of the advantages Case Company's current organizational structure has had, is the fast and efficient decision making process, which should not change due to organizational structure changes.

Hierarchy will be defined by applying the decentralized organizational structure to Case Company. In chapter 2.3.2 Viitala & Jylhä (2007) reasoned that decentralized organizational structure divides responsibilities more evenly, helps defining teams and is the most efficient when divisions are divided by geographical locations. Therefore, Case Company's sales areas (Finland's provinces) will be seen as divisions in the future, and all sales divisions will consist of three employees who will form teams together, as shown in Figure 10. In addition to the four sales divisions the main office will be a separate division, Division 5. Please see more detailed organizational structure in Appendix 5.

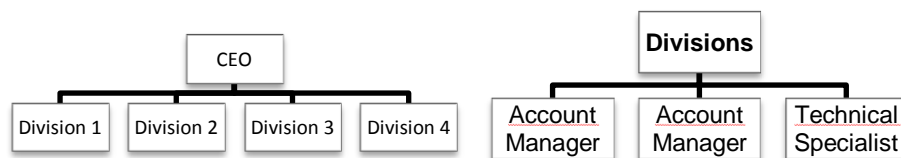


Figure 10 Image of becoming sales divisions and of whom they will consist of.

As the organizational structure changes, the roles of each employee should be updated, since decentralized organizational structure functions best if responsibilities are evenly divided among divisions and employees. (Viitala & Jylhä, 2007, 198-199). By forming divisions, Case Company's employees can team up with the people they work with the most, so each division will become a sales team. Excessive responsibilities will be taken off the CEO's back by choosing a team leader from each team, who will be responsible for informing the CEO about important things that are happening in the sales area and who will also be responsible to inform other team members about the main office's events. As there will only be five divisions, there are not too many decision makers in

addition to the CEO, which should keep the decision making process fast and reasonable and eliminate the risk of losing control over the organization. (Viitala & Jylhä, 2007).

Current technical experts were decided to give the opportunity to become team leaders, since they already have the competency to give advice to other account managers when encountering a challenge. As decentralized organizational structure will be taken into use, responsibilities will be divided more evenly in the whole organization, information will be easier to give and receive and account managers will have a team to solve problems with, which will give a boost to decision making, as Viitala & Jylhä stated in their theory. Supposedly, creating teams will also increase the motivation of employees, since their opinions about increasing team work gotten via the questionnaire are now taken into consideration, which according to Fakta's article about including employees into the strategic management process will have a positive effect on employees motivation (see chapter 2.3.1).

Viitala & Jylhä (2007) presented that the risks of decentralized organizational structure would be unfavorable competition between divisions, thus long-term weakened profitability. This factor should be taken into consideration, especially since Case Company will form sales teams that consist of extremely competitive account managers. This problem will be dealt with by defining the bonuses and provisions in a manner that teams and account managers will not be able to lower the prices to an unfavorable level for Case Company.

As it was pointed out in chapter 4.2.1 when going through the results of the survey, if the sales areas are too big, it will take time to travel across the area from one place to another, which harms the efficiency. In addition account managers mentioned in the survey that traveling takes too much time, and sometimes two of them might be in the same area without being aware of it. The provinces that were previously just one large area shared by three account managers will be divided into three areas; one for each account manager (see Appendix 3). Naturally there might be some exceptions to the areas, but the goal with this change is to get rid of the long distances and make areas easier to control and handle. Teaming up will increase communication and this way account

managers will be more aware of where each of them is, so in the future it will be easier to avoid driving longer distances if one is already in the area.

Division 5 will probably have the least changes to it by the organizational structure changes, since the office still remain the same and job descriptions of the employees will only have minor changes made to them. The problem that was brought up in the answers of the questionnaire was that job descriptions were not accurate enough and there are often cases, when none of the employees feel that a task should be their responsibility and these situations generally cause irritation and frustration among employees. Another problem encountered in the main office is that the capacity was not adequate to give full support for account managers across the country, which caused reduced productivity and lack of communication. This is a typical challenge in a small company, and will easily be corrected by following De Cenzo & Robbins' (1996) recommendations about defining job descriptions during strategic management process.

One part of creating a sales strategy is to define the support activities for sales (Jobber & Lancaster, 1997, 171.) and to find the right people for the right positions. (De Cenzo & Robbins, 1996, 129.) Account managers constantly need help on the field with technical problems and employees at the main office are the ones they count on, it was suggested in the internal meeting that the support for sales should be improved at the main office. Earlier this was impossible, since the employees at the main office were busy arranging campaigns and distributing and coordinating marketing material for different sales divisions. As the responsibility of campaigns and events shifts to the sales teams, capacity will be released in the main office to be able to help account managers with basic orders and technical questions, whilst account managers are on the road. This will also give sales teams the opportunity to make campaigns and other events more suitable for account managers' purposes, which will hopefully lead to increased sales.

In division 5, there is a technical expert who has so far been responsible for helping account managers in similar issues as the sales and marketing assistants, even if he would have competency for more challenging tasks. Because account managers had problems delivering educational sessions to all customers who wanted them, it was decided that the technical expert in the main office would be responsible for giving all the education-

al sessions sold to customers, which will match his competency better. Two sales and marketing assistants will be able to cover for him, while he has educational sessions. Again, this will increase the working capacity of account managers and give more challenge and motivating tasks for the main office's technical expert and decentralize responsibilities within the organization. Another important factor behind this decision is that having only one person responsible for educational services will increase the efficiency of arranging them, since the material is always at least partially ready and it does not have to be planned from scratch or asked around from other people.

Case Company has invested a lot of resources into employees and keeping their knowledge up-to-date, so the risk of losing knowledge and information is considerable, as it was brought up in chapter 4.2. As a couple of employees will retire in the near future, new employees should already be hired after the situation calms down after organizational structure changes. However, this issue is still waiting to be handled at the Parent Company, since the situation in the market is still a bit unsure. A good thing is that the need has been recognized in the Case Company and issue has been discussed. The strategic choices Case Company has about this issue is to minimize the risk of the amount of information lost by motivating and engaging employees, which is an important aspect in this study.

6.2 Competitive advantages

Competitive advantage is something that is clearly better than competitors' products or services and makes Case Company stand out from the competitors, preferably something other competitors cannot offer at all. On corporate level, Case Company's most significant competitive advantage has been its product development, products that competitors cannot offer and the quality of products (chapter 5.2). However this is something that Finland's sales office can only affect by giving ideas to the product development, which then develops or offers already developed suitable solutions; standard and customized products. In the future, each sales team should make sure that they will communicate with product development department more closely, so that suitable solutions can be found or designed as soon as possible and delivered to the customer in a short period of time. Corporate strategy verifies the fast delivery of the products because

of the tight requirements of the logistical chain. As sales teams and independent employees start cooperating with parent company's product development even more, the results should enhance the agility of the whole logistical chain and make it even more seamless and flexible.

A competitive advantage that is also guarded by the corporate strategy, customer relationship management, should be held as the most important asset for the company, since it is one of the factors that differentiates the Case Company from Competitor 1, since Competitor 1 uses more aggressive selling techniques (see chapter 5.1.1). Case Company's softer values towards customers will be emphasized in the future even more, and customers will be treated more like partners instead of customers, as the corporate policy states *customers should be treated with integrity and respect*. Appreciation towards customers will help the Case Company build long-lasting, sustainable competitive advantage with the added value these values bring to customers, which is needed to secure the position in the market. This could be seen as increasing additional services, which is one of the long-term strategy methods (chapter 2.2.2), since account managers offer more of their expertise to the customer without charging for it.

One of the most important assets of the Case Company, and also a core competency, are account managers who together form highly progressed engineer teams and are constantly developing the products in cooperation with the Parent Company's technical experts and customers to keep up-to-date of customer needs. Corporation's product development and manufacturing of the products has been divided to specialized factories that have their own functions, to be able to assure the quality of each product, which subsidiaries' technical experts also get to influence. The most valuable assets are the account managers, or technical experts, who visit customers, tell them about the latest products, and if the customer has a need for a special tool, account manager designs and orders a suitable tool for the customer. Customer consultation and educations are one of a kind service, that none of the competitors have, and therefore considered to be the main competitive advantage in the near future. Therefore Case Company should make sure that sales teams are always educated and their knowledge and skills should be kept up-to-date to be able to meet the requirements customers have.

6.3 Customer segment future emphasis

Customer segments that were pointed out as the most productive customers in the questionnaire were large companies, which the Case Company should target as their main customer segment in the near future. Especially large companies that are not yet customers should be won over to go towards the vision for 2014 (chapter 4.4), and to increase the market share and sales most rapidly. The downside and the risk of making large and profitable customers the target group of the sales is the bargaining power of larger customers, which was presented in Porter's Five Forces Model (chapter 2.4.1). As they buy such large amounts of different products and services, it is easy for them to get tenders from many retailers, thus press down prices remarkably, since all companies wish to have them as customers.

Since smaller customers only buy small amounts and are not very productive for Case Company, the smallest customers should be directed to the nearest reseller, so that account managers could start managing them by only occasional visits to check how the customer is doing and if they need any help. The reseller network can take care of the basic things and offer them products they need the most, in most cases from the stock. This enables account managers to concentrate on large and medium-sized potential customers and winning them over, which will increase the efficiency and profitability of each account manager in the long-term. Smaller customers also benefit from dealing with a reseller since they do not have to wait for account managers' visits and they get the products right away in most cases.

6.4 Products and services future direction

Even if most of Case Company's turnover comes from standard products, the most profitable products are different kinds of customized solutions that are only rarely needed by customers. The Case Company aims to offer more customized and detailed solutions for all customer segments and create a good customer relationship in order to increase the voice, or the ability to influence their decision making process through the technical experts and resellers as Zoltners et al presented in their theory of sales management (chapter 2.2). Account managers will start offering more valuable products for smaller cus-

tomers too, even if they have not been so interested in them before, to improve the return of smaller customers and also to bring them more added value with more functional products with a longer life-cycle which will compensate the higher prices.

As Porter's Five Forces theory presents, the threat of substitute products in the market is constant and the factor that usually makes customers buy them is the price, Case Company's products should be higher quality than competitors' products at all times, so that customers get more value for the same money. Corporate strategy and outlining makes sure that products maintain the high quality, but innovative ideas should be given to the product development by sales teams and account managers. Therefore, the communication between sales teams, account managers and product development should be daily and ideas should constantly be changed so that Case Company can keep the product portfolio as innovative and as pioneer as it has been so far. Customers will have an important role in developing products, so communication between customers, sales teams and product development on a global level cannot be highlighted enough.

As the questionnaire revealed, educational services and personal consultation are seen as an important asset by the customers, thus business will be directed into more and more service driven direction. Also the constant growth of demand of educational and consultation services speaks for itself, and could be assumed that the demand for educational services will only rise in the future. Because of the forecast of growing service segment, a readymade concept will be created for the educational services. So far educational services have been created according to customers' needs and there has not been a clear concept. To ensure the efficiency, quality and profitability of educational services, and to ease the selling of them, they will be productized, but the customizable content will be kept. This will follow the strategy of discovering a new area of business and increased service that Lynch (2000) has defined to be commonly used long-term strategies (see chapter 2.2.2).

Case Company aims to use increased level of service as one part of the sales strategy, which will give customers added value, thus increase the sales as Jobber & Lancaster stated when defining sales management process (see chapter 2.2.1). However, it is especially important to differentiate personal consultation from educational sessions, since

customers might start taking advantage of account managers by demanding education during personal consultation. The difference is that during personal consultation account managers can give tips about tools to use, how and when to use them, but educational sessions could be seen as sort of an outsourcing service of employees' education to Case Company. In practice this would mean that Case Company's technical expert will teach customers to use all the equipment, safety issues or even team work at work place if needed, which really extends the competitive advantage far from competitors and possible educational services they may start offering in the near future.

6.5 Marketing and pricing of products and services

Marketing budget will remain the same and the amount of marketing activities will not be changed significantly when comparing them to current marketing. Because of the changes in job descriptions decentralized organizational structure brings, sales teams have more responsibility of promoting the Case Company's products and services to customers they are closely in contact with. Marketing material, for example catalogues, will be planned and distributed through resellers to the customers that the salesmen do not reach, so mainly smaller companies are targeted with brochure distribution. Other changes will mostly be seen in the campaigns, because the decentralized organizational structure will change marketing and sales to a more regional level. Campaigns and events that will be organized will be on each areas sales team's responsibility, and events no longer have to be coordinated the main office in Helsinki, again to divide the responsibilities more evenly and to get the campaigns more suitable for the sales process.

Case Company should introduce their new educational services that will be in a more central role than before. They are the most significant way of bringing added value to customers among solution consultation. In fact, they could even be considered as one of the competitive advantages of the Case Company, since none of the competitors offer similar kinds of services and Competitor 1 did not mention anything about services in Annual Report 2009. Since there are no competing services offered by competitors, educational services' prices could be raised to a level where they become a more significant part of sales, since it seems like the demand is growing constantly. Raising the

prices slightly would also restrain the ever-growing demand to a more controllable level and enable full concentration to lectures, thus also ensuring the quality of them.

Pricing of the products will remain the same since list prices are relatively high compared to the general price level of the market. The emphasis will shift from basic products to more added value products, which will be more profitable selling, but most likely any radical changes to the structure of sales will not be seen in the near future. Personal consultation has in most cases explained higher prices partially, but another important argument for higher prices has been the quality of the products and the exclusive products Case Company has. As long as Case Company is able to offer products that are clearly higher quality and more innovative than the ones of competitors and in addition to products customers get outstanding service, and as long as there are still enough customers who are willing to pay for the products and services to keep the business profitable, there is no need for the Case Company to lower prices.

7 CONCLUSION AND FURTHER IMPLICATIONS

This study aimed to creating a strategic plan for a Case Company for the next three years that would eliminate the effects of economic crisis in 2009 by increasing the sales and market share with a new strategy. The difference between strategic management and sales management is that strategic management aims to plan and coordinate all of the activities and areas of the business, whereas sales management only applies for areas that have a direct link to company's sales. The whole process of strategic management was modified to fit sales strategy formulation and during the study a complete analysis of the current internal and external environments was conducted, targets for the next three years were set and the most suitable strategy was formed as the end product of the survey. Three phases of the strategic management process were left out during this study; implementation of the strategy, follow-up and modifying the strategy, which author would recommend to be done right after the project has been carried out by the Case Company.

Survey was conducted by using qualitative methods, e.g. a questionnaire and several informal interviews with employees of the Case Company. In addition a wide range of

articles, books and other literature (f. ex. annual reports) were gone through to collect data needed for the analysis part. Author tried to choose the literature so that the sources would generally be considered as reliable sources of information.

As the end product of the survey, largest changes were made to the organizational structure and job descriptions of employees, to improve the efficiency, divide responsibilities and to improve communication. The changes in organizational structure and job descriptions made slight changes to marketing of products and services and how tasks will be divided among employees in the future, but the activities will mostly remain the same. Case Company was trying to find clear competitive and strategic advantages at the beginning of this project, which was completed successfully and seems like it will be a solution for long-term strategic advantage. The future direction of products and services is closely related to keeping the strategic advantage, and the main focus at this point is to increase the sales of educational services for customers. Customer segment focus was determined to be mainly larger customers and customers that are the most profitable for Case Company.

A major point of this study was to shift the strategic management process from reactive to being proactive, so that Case Company would be more aware of the external environment changes in the future and would be able to react to them before major crises in the future. Another important goal of this research was to get a head start for future analyses that could be conducted in a similar way as this particular research, since companies can prevent the effects of external environment changes by staying close to it and monitoring the warning signs of possible changes. Since Case Company has not had any complete analyses in the past, let alone major crisis situations that would have required immediate reaction, the author did not succeed to create a long-term standard pattern for strategic planning that could easily be updated and extended when needed. This is something that was left out from this study and the author would recommend that a rational and logical process for constant evaluation of internal and external environments would be created in the near future.

The CEO of the Case Company was hoping that by conducting a survey Case Company could get ideas from employees for the strategy formulation process, to find out how

they felt about the strategic changes. Most importantly, it was all about engaging employees to the company's strategy and making them feel important to the company and hearing ideas for improvement from them to increase their motivation and commitment to the company. All in all, these goals were achieved in most parts, of which the author was very happy about. Since the author got such positive feedback and good results about the survey within the organization, further recommendations for the future the author has would be a survey, a meeting or some kind of a brainstorming session yearly, where all employees could bring up challenges they have met and what has gone well. The purpose would be to keep employees aware of the strategic management process and show them Case Company is willing to include them in the strategic management process in the future. When employees constantly have the feeling their opinion matters and that they are respected, it will most likely reinforce the increased motivation and efficiency.

REFERENCES

- Berry, F. 2007. Strategic Planning as a Tool for Managing Organizational Change. *International Journal of Public Administration*. 30. Pp. 331-346. ISSN: 0190-0692.
- Business Dictionary. 2010. URL:
<http://www.businessdictionary.com/definition/organizational-structure.html> Accessed: 19.9.2010.
- Case Company's Annual Report. 2009. Helsinki. 92 pp.
- Case Company's Introduction and History. 2010.
- Competitor 1 Annual Report. 2009. Helsinki. 115 pp.
- Coulter. 2005. *Strategic Management in Action*. 3rd Edition. Prentice Hall. New Jersey.
- De Cenzo & Robbins. 1996. *Human Resource Management*. 5th Edition. John Wiley & Sons, Inc. New York. ISBN: 0-471-12420-6.
- Fakta. 2010. *Kehitä Itse Parempi Strategia*. Vol 6-7. 8 pp.
- Fakta. 2010. *Seitsemän Askelta Toimivaan Strategiaan*. Vol 6-7. 14-17 pp.
- Foss. 1997. *Resources, firms and strategies: A Reader in a Resource-Based Perspective*. Oxford University Press Inc. New York.
- Hitt, Ireland & Hoskisson. 2005. *Strategic Management: Competitiveness and Globalization (Concepts)*. 6th Edition. South-Western. United States.
- Jobber & Lancaster. 1997. *Selling & Sales Management*. 4th Edition. Pitman Publishing. United Kingdom. ISBN: 0-273-62592-6.
- Learn Management. 2010. URL:
<http://www.learnmanagement2.com/flat%20structure.htm> Accessed: 19.9.2010.
- Lynch. 2000. *Corporate Strategy*. 2nd Edition. Pearson Education Ltd. United Kingdom. ISBN: 0-273-64303-7.

Patton, M. 1980. *Qualitative Evaluation and Research Methods*. 2nd Edition. Sage Publications. United Kingdom. ISBN: 0-8039-3779-2.

Patton, M. 2002. *Qualitative Research and Evaluation Methods*. 3rd Edition. Sage Publications. Thousand Oaks, California, United States.

Pollard & Hotho. 2006. *Crisis, Scenarios and the Strategic Management Process*. Dundee Business School, University of Abertay, Dundee, United Kingdom. Vol. 17.

Porter. 1980. *Competitive Strategy, Techniques for Analyzing Industries and Competitors*. A Division of Macmillan Publishing Co. United States. ISBN: 0-02-925360-8.

Silverman. 2006. *Interpreting Qualitative Data*. 3rd Edition. Sage Publications Ltd. London.

Viitala, R. & Jylhä, E. 2007. *Liiketoimintaosaaminen – Menestyvän Yritystoiminnan Perusta*. Edita Publishing Oy. Helsinki. ISBN: 978-951-37-5270-5.

Website marketing plan, 2010. URL:

<http://www.websitemarketingplan.com/strategy2/test/treatment-b/swot-b2.htm> Accessed: 15.4.2010

Wilson & Eilertsen. 2010. *How Did Strategic Planning Help During Economic Crisis*. *Strategy & Leadership*. Vol. 38. No. 2. Pp. 5-14. ISSN: 1087-8572.

QlickView. 2010. Reporting system.

Zoltners, Sinha & Lorimer. 2004. *Sales Force Design for Strategic Advantage*. 1st Edition. Palgrave Macmillan. United States. ISBN: 1-4039-0305-0.

APPENDICES

Appendix 1 The questionnaire for the employees of the Case Company.

Hei kaikille!

Suuritan tutkimusta opinnäytetyötäni varten tämänhetkistä strategisista muutoksista, joista teillekin on hiljattain kerrottu. Olisin kiitollinen, jos vastaisitte muutamiin kysymyksiin, joilla voitte vielä vaikuttaa tuleviin muutoksiin ja saada mielipiteenne kuuluviin.

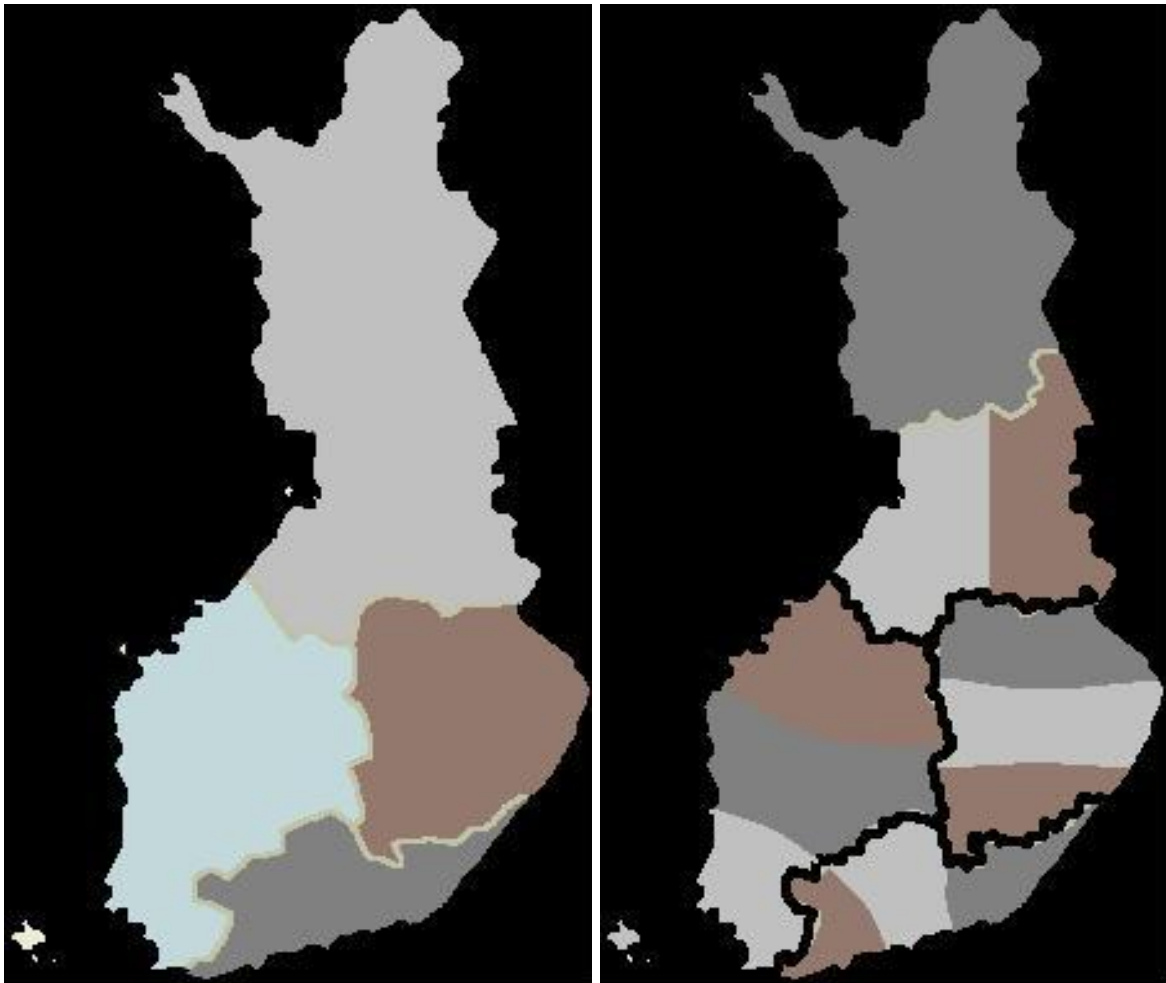
1. Kuinka radikaalisti organisaatiomuutokset vaikuttavat Sinun työhösi? Millä tavalla?
2. Mitkä asiakassegmentit näkisit tällä hetkellä merkittävimpinä uuden vision saavuttamiseksi?
3. Mitkä tuotteet tai palvelut ovat mielestäsi merkittävimpiä yrityksen kehityksen kannalta?
4. Vaikuttavatko muutokset työpanokseesi tai motivaatioosi? Millä tavalla?
5. Koetko olevasi oleellinen osa yrityksen strategiaa ja tavoitteiden saavuttamista?

Appendix 2 SWOT-analysis

Internal environment	External Environment
<p>Strengths</p> <ul style="list-style-type: none"> - Staff willing for changes - Resources to offer increased services for added value - Customer appreciation and partnership - Innovative product development - Good and steady quality of products - Functional logistical chain 	<p>Opportunities</p> <ul style="list-style-type: none"> - Increasing sales of customized products that are offered exclusively - Clientele's interest for additional services e.g. education - Clientele's appreciation for quality
<p>Weaknesses</p> <ul style="list-style-type: none"> - Frustration among employees because of unclear job descriptions - Internal communication challenges - Global setting of the organisation - Higher prices compared to competitors - Retiring staff 	<p>Threats</p> <ul style="list-style-type: none"> - Competitor 1 attempts to grow aggressively - Growing attempts from other competitors as well - New innovative products from competitors - Ever-growing global market - Competitors may start offering services in the near future

Appendix 3 Sales division changes

Sales Division Changes Finland's map of account managers' areas before and after the organizational changes.



Before

After

Appendix 4 Table of the interviewees

Title of employee	Interviewing method
Chief Executive Officer (CEO)	Informal interviews in person
Marketing Assistant	Questionnaire
Controller	Questionnaire
Account Manager (Southern Finland Region)	Questionnaire
Account Manager (Eastern Finland Region)	Questionnaire
Account Manager (Western Finland Region)	Questionnaire
Technical Expert	Informal interview in person
Customer Service Manager	Informal interview in person

Appendix 5 Organizational structure after changes

