

# STRATEGY AND RISK MANAGEMENT OF CASE COMPANIES

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Bachelor's Thesis

School of Business and Culture

Innovative Business Services

Bachelor of Business Administration

2017

School of Business and Culture  
Innovation Business Services  
Bachelor of Business Administration

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<b>Commissioned by</b>	Name of the Commissioner		
<b>Title of Thesis</b>	Strategy and risk management of case companies		
<b>Number of pages</b>	34		

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The main thesis idea is to analyse financial strategy and risk management of two companies. The thesis research is conducted based on two different companies, i.e. Fiskars and Fazer. The main objective of this work is to compare and find out differences in risk management and financial strategy of companies with different operational areas and entity sizes.

This thesis is based on analyzing and comparing of two companies, Fiskars and Fazer. They were chosen, because they are operating in totally different areas, and have different market orientation, and in this case it is easier to understand and compare the financial strategy and risk management, whether they are same or different for entities. In addition to that, financial strategy and risk management, are the most important and closely related aspects for analyzing, as they are helping to understand how companies are able to continue to operate on the market in case of certain risks. Financial strategy is helping to forecast and analyze performance of the company on the market, and to allocate costs. Risk management is helping to predict uncertainties and helping to avoid them in the future. In combination these two elements are helping company to stay safe and perform successfully.

For a better understanding of companies` operations and to have an overall picture of strategy, data on background of strategy types and the ways in which to define a strategy for a company was collected. Additionally, an overview of what financial strategy and risk management are and why it is important to allocate all costs for the entity is provided in this thesis research. To achieve the objectives of the research, the qualitative and quantitative research methods were chosen. Regarding the sources, the data was collected from the secondary sources. Secondary data was collected from books, documents, laws, articles and online sources discussing the topics of the research.

Based on all knowledge background and overview of the companies, both of them were compared and based on comparison analyses, the conclusion was made.

**Key words**

Strategy, Financial strategy, Management, Risk management, Company, Financial report, Fiskars, Fazer

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## 1 INTRODUCTION

The main aim of this thesis work is to analyze financial strategy and risk management of two different companies, which operate in different service providing spheres and on different markets. The objective is to find out similarities and differences in operational system of the companies. Another objective is to understand the companies' internal communications towards financial forecasting and risk management.

Many companies are broadening their capacity to operate on internal and external markets. This step helps companies to investigate and expand their product line for a certain target. Expanding new markets, increases a variety of risks, which might influence their successful position. That is why there is a need for risk management and strategy creation.

Travis (2007) points out that everyone is taking some part in the new global marketplace. Everything surrounding us was made somewhere. For example, the "cup of coffee you sip in the morning is brewed from beans grown in Colombia, Brazil or Jamaica. Your suit says "Made in Italy", even though the wool came from sheep sheared in New Zealand and the zippers hail from factories in Japan."(Travis 2007, xi.)

Moreover, Travis (2007, xii) gives a clear and effective definition of what global business is. He states that "Global business can mean many things to many people. In my assessment, the essence of global business is the movement of goods, ideas, and capital across borders." (Travis 2007, xii.)

However, opening a new business or continuing working with an existing one, there is always a huge importance for companies to know future steps, setup entity's goals and analyse risks, which might cause the entity and in this case there is need in strategy and risk management.

Strategy is about choices and it is important for a business as it relates to many important decision-making issues. Usually, strategic thinking is related with awareness of changing patterns and responsiveness to the opportunities that are created. One of the reasons for strategic management is to be able to

adapt business activities to ensure long-term survival, which needs to help with the achievement of goals that support the vision. (Goldman & Neiuwenhuizen 2006, 2.) In addition to that, risk management process is closely related with strategy planning. By taking a proactive approach to risk and risk management, organizations have possibility to achieve the strategy, because the risks associated with different strategic options can be fully analysed and better strategic decisions can be reached. (Hopkin 2014, 24.)

## 2 RESEARCH METHODS

Thesis work is based on analyzing and interpreting information. I chose this method, because it is suitable for analyzing data sources of related articles and books, and financial statements of the two companies used for these analyses. This kind of analysis has two forms, i.e. quantitative and qualitative. (McNamara 2016.)

Qualitative research was helping to collect all data relevant to the topic of the thesis, to have a better understanding of how companies are operating on the market, and what are definitions of their strategy, types of companies, and different types of the market where they are able to operate. (Wyse 2011.) It can be used for collecting numbers, to have the opportunity to transfer that into statistics and graphics, while the qualitative method is more about collecting information background, which is helping to investigate reasons that might harm or improve business stability. Quantitative research was used to analyze annual and quarterly reports of companies. Based on figures presented in the reports, the companies financial strategies were analyzed.

There is always a need to collect data to conduct research work, it shows whether there was any significant change in the dependent variable(s) hoped to influence. Collecting and analyzing data helps the researcher see whether intervention brought about the desired results. More than that they can show connections between or among various factors that may have an effect on the results of evaluation. (Rabinowitz & Fawcett 2016,37.)

The difference between these two methods was clearly presented in the article of Shaukat. Table 1 illustrates the differences based on two different resources. First one was made by Kleiner and Okeke (1991), and another one by Reichardt and Cook, (1979). Both analyses have same points, however Kleiner presented them in shorter and overall picture, versus to Reichardt.

Table 1. Comparison of methods in international management research (Shaukat 1998, 86)

Quantitative Methods	Qualitative Methods
• Independence	• Interdependence
• Linear	• Linear and non-linear
• Cumulative, additive	• Multiplicative, interactive
• Deriving realities from measures of other realities	• Interdependent measures of the various realities
• Deductive	• Inductive
<b>Source: Wright, 1995 (Adapted from Kleiner and Okeke 1991) ↑</b>	
• Emphasis on testing and verification	• Emphasis on understanding
• Focus on facts and/or reasons of social events	• Focus on understanding from informant's point of view
• Logical and critical approach	• Interpretation and rational approach
• Controlled measurement	• Observation and measurements in natural settings
• Objective 'outsider view' distant from data	• Subjective 'insider view' and closeness to data
• Hypothetical/deductive-focus on hypothesis	• Explorative orientation
• Result orientated	• Process orientated
• Particularistic and analytical	• Holistic perspective
• Generalisation by population membership	• Generalisation by comparison of contexts of individual organisms
<b>Source: Ghauri et al., 1995 (Adapted from Reichardt and Cook, 1979)</b>	



### 3 STRATEGY

#### 3.1 Definition

Strategy is mandatory part of running and developing business, which a company needs to brainstorm, before starting to produce their modified product lines or before starting to operate on the market. A business strategy is the means by which it sets out to achieve its desired ends (objectives). It can simply be described as a long-term business planning. (Business case studies 2014.)

Today, there are several companies operating on local and global markets. It is starting to be increasingly complicated to create products that meet customers' needs. However, each company has a certain amount of competitors on both, external and internal markets.

However, it is well known that while creating a strategy, there is a need to cover different aspects that is why there are several types of strategies, which are covering most of the departments in the company. The combination of all types is leading company to success, stability, and growth of development on the market. Figure 1 presents strategy types which companies are mostly using in strategy creation process.



Figure 1. Strategy types (Lawless 2010,159)

### 3.2 Marketing Strategy

The main concept of marketing strategy is to identify customer's needs, values, and suitable pricing. While creating a marketing strategy, there is a huge need to identify your market and set goals for the company. In the process of brainstorming, the main point is to find out answers to the following questions: "What is the problem customers are trying to solve? What benefits do customers seek? and -How well does the organization's product solve this problem and provide these benefits?" (Isoraite 2009, 115.)

### 3.3 Advertising Strategy

At present, advertisements can be found everywhere in the daily surrounding. It is not only about visual marketing, but also about having the possibility to hear. It is very difficult to involve people to buy services, with such high competition on the market. (Jhully 2005, 3.)

Advertising and marketing strategies are close and similar, but at the same time, they are totally different spheres, to which companies should pay attention in case of promotion. An advertisement strategy is a way to effect on customer's readiness to buy a product or a service. (Creamer 2014.) One of the most used ways is communication media. It has five options to use: newspapers and magazines; radio; social media; direct mail; and outdoor advertising (Gordon 2003).

### 3.4 Information Technology Strategy

IT strategy or technology strategy of the company is an ability to analyze principles and approach, which are related to computer usage within the entity. Mostly they are concentrated on technologies and people related to this sphere. More than that, it is helping to create a stable and supportable technology environment of the organization, and it's giving the possibility to guide it easier.

IT strategy structure consists of seven paragraphs: Executive summary; Internal capabilities; External forces; Opportunities; Threats; IT organization structure and governance (Floyd & Wolf 2010, 125–128).

### 3.5 Exit Strategy

Exit strategy exists as fallback for owners when they discontinue their ownership. Author Ward (2016, 6) presents six reasons to leave the business. The first way to do that is to liquidate the business, in the case to cover previous expenses. The second option is to keep business in the family. The third one is to sell the business to employees. It is one of the best options because the employee is getting already settled company, knowing how it is working from inside. One more variant is to sell the business on the open market; on the one hand, the seller is getting the amount of money he expected to get because he is setting the price by himself/herself. On another hand, the company can be sold to a bigger corporation, or it is also possible to make it like initial public offering. (Ward 2016.)

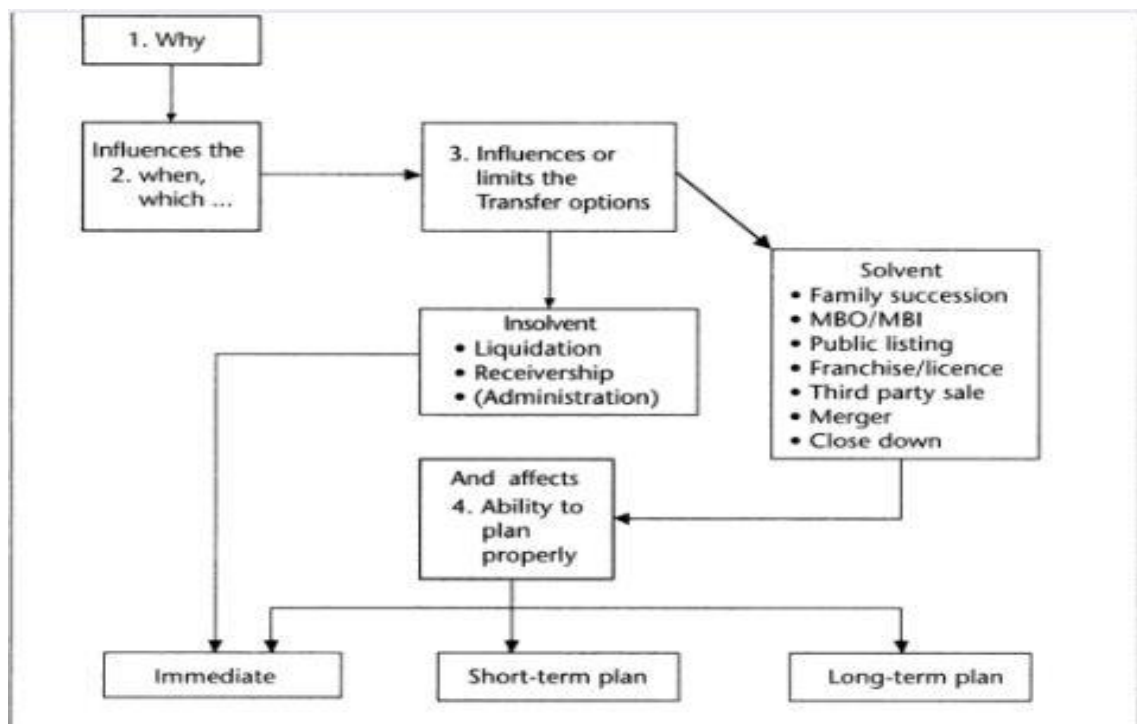


Figure 2. Ways to exit business (Hawkey 2002)

Figure 2 presents the process of leaving the business. It is helping to clarify the way to exit business and to estimate the time of that. More than that, it is giving a possibility to answer question “Why?” and how it might influence exit outcomes (Hawkey 2002,3-4).

### 3.6 Financial Strategy

Financial strategy is helping to allocate all costs in the business. More than that, it is giving the possibility to see the stability of the company from the financial side, by forecasting company's income statement, cash flow, and balance sheet. It is also calculating the approximate time, which company needs to reach the target. Basically, financial strategy is made for investors of the company, to show them estimated income for upcoming projects and also to "commit the firm's resources across line of business". (Myers 1984.)

Financial strategy planning requires some preliminary work. Before strategy creation, there is a need to figure out certain facts about company: an organizational strategy and plan; its organizational budget; financial systems; and a public image and visibility. (CIVICUS 2001,1.)

Usually, to be financially sustainable, an organization must contain several points. First of all, it should have more than one source of income and one way of generating that. Secondly, the company should to do strategic, action and financial planning regularly. It is providing opportunity to see all changes and needs of the company. Thirdly, it is important for the company to be clear about its values and have financial autonomy. (Annex, 2016, 11.)

Financial strategy objectives usually consists of seven different aspects: firstly, generate additional cash for future investments (Grant 1997), secondly, the added value is a risk-adjusted basis and it is aided by management through effective decisions in a timely manner to expand business that increases the economic value of the company and which implements corrective measures (Grant 1997.) Thirdly, effective management of current assets (cash, receivables, inventory) and current liabilities (debts, commitments), turnover, improving capital management and cash conversion, fourthly, the financing decisions and capital structure is optimal structure of the capital determines company's ability of loan reserve (on short and long term) and the potential risk of financial problems. (Barton & Gordon 1987), fifthly, profitability indicators are a measure of an entity's operational effectiveness. Sixthly, growth indicators

have assessed increased sales and market share, have acceptable determined the growth deal regarding cuts in cash flow, profit margins, and returns to investment. Increasing usually drains in cash and in reserve of borrowing funds, and sometimes in aggressive asset management, being necessary to ensure enough cash to limited loan (Gale & Branch 1981). Seventh, assessing and managing risks is a process should be implemented in order to mitigate the causes and effects of these risks (Pforsich, Kramer & Just 2006). Many functional areas and business units need to manage the level of tax obligations undertaken in conducting business and understanding that the risk of mitigation is reduced; also they are expected even to diminish charges. (Lawrence 1994.)

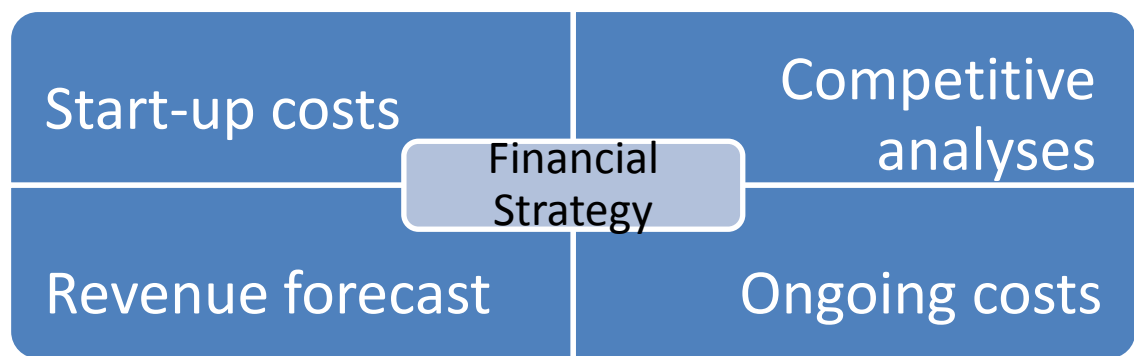


Figure 3. Financial strategy components (Evers, Cunningham & Hoholm 2014, 7-13)

In the figure 3 is presented what components financial strategy is usually including. Start-up costs allocation is helping to understand the starting balance of the company, and the amount which can be used for running the company. Competitive analyses should be done, to understand competitors on the market, or analyze any competitors who have gone out of business in the past and if possible describe why their business failed. More than that, it explains how firm can compete with these competitors and to prove how it can survive in their markets. Revenue forecast is presenting estimated income of the company. And ongoing costs are calculated to see approximate expenses of the company. (Evers, Cunningham & Hoholm, 2014, 7-13.)

The financial life cycle is one of the points, which company should take into account while creating and choosing appropriate strategy. There are four steps,

which Morgan Stanley described. The first step is Wealth Accumulation, which is more orientated on acquiring the assets and being ready to meet long-term goals. The second point is Wealth Preservation, it is focused on protection from unexpected adversity or market volatility. Third one is named Wealth Utilization, or unexpected funds for specific needs. In addition, the last fourth step is wealth transferring, in short, ability to leave the business for future generation (exit strategy). (Morgan Stanley 2011,2.) Figure 4 demonstrates types of financial plan or the road map which can be used to help individuals assess progress toward stated goals and lays out strategic steps to achieve those goals.” (AdvisoryHQ 2016).

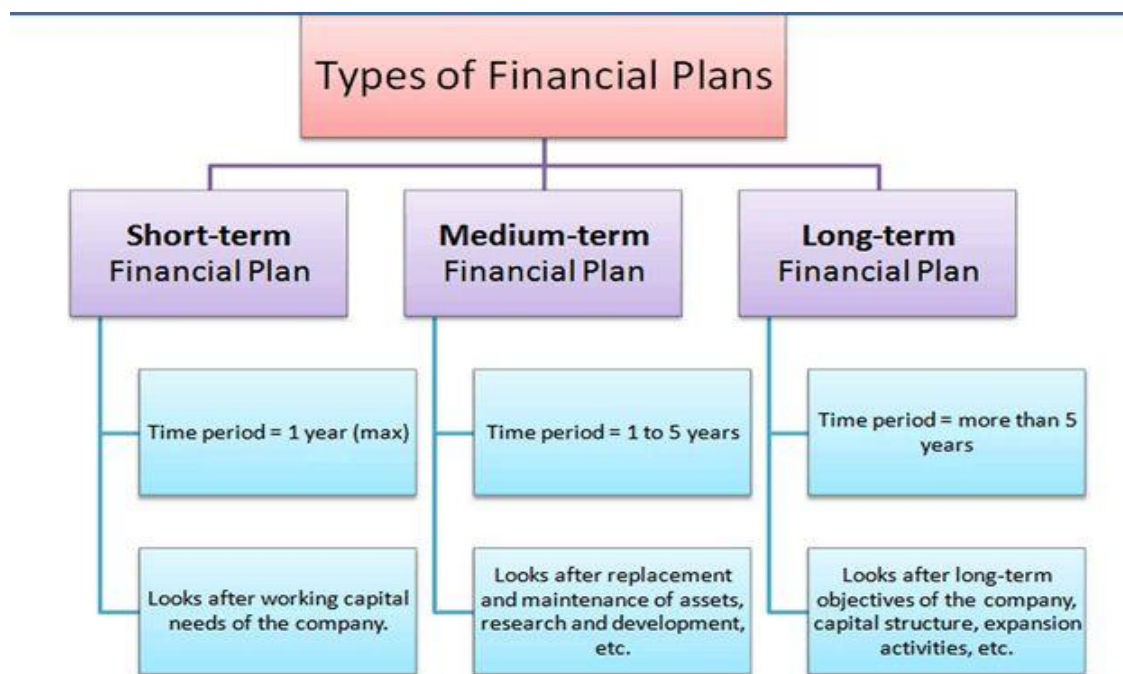


Figure 4. Types of financial plan (AdvisoryHQ 2016)

Financial strategy planning is highly important for business. It helps to implement and monitor company's strategy with specific and measurable financial goals and to create competitive advantages which are maximizing a firm's value, the main objective of all stakeholders. Short term analyses show day-to-day operations, while long term, shows overall performance, with the forecasting ability of the corporation to develop and grow on the market.

(Bremser 1990, 22.) One more important thing to mention is that inappropriate financial strategy can be the weak place for financial risks.

### 3.7 Ways to Define Strategy

To determine strategy, it is a must understand fully the internal and external environmental factors that can affect business. With that understanding, it is possible to identify clear advantages and use them to be successful. From there, it is acceptable to make informed choices and implement strategy effectively. First stage is related to understanding the company and environment, where it is operating. For example to analyze stakeholders, competitors and potential customers. On the second stage, it is a need to identify strategic options, which helping to create clear advantage and meet objectives. The final stage is to evaluate strategic options in detail, and select the ones that is better to pursue. (Mind Tools 2015.)

The strategy is a set of objectives, which a company should achieve in the process of development and while operating on the market. There is a need to answer four basic questions as follows: What? Who? How? and Why? Watkins discusses what each of the questions stands for.



Figure 5. Ways to demystify strategy (Waltkins 2007)

Figure 5 illustrates these four questions and their meanings. "Mission is about what will be achieved; the value network is about with whom value will be

created and captured; strategy is about how resources should be allocated to accomplish the mission in the context of the value network; and vision and incentives is about why people in the organization should feel motivated to perform at a high level". (Waltkins 2007.)

### 3.8 The Strategic Planning Steps

The authors of the article Kono and Barners (2010), mentioned 6 main steps in strategic planning, which are helping to understand why it is important to analyze financial goals and financial performances in the company.

The first step, is the point from which it is needed to start, is the vision statement. The creation and analyzing of the vision statement is helping to understand company`s core ideologies- why it exists and what it stands for. The second point is related to the mission statement of the company. In brief, it is the way in which the company is surviving, growing and going to be profitable. Next steps are about understanding firm`s business trends, external opportunities, internal resources and core competitors. And the last step is giving the opportunity to formulate a long-term strategy.



Below, In figure 6 is presented the risk management process by Lark (2009,14), which is suitable for risks regardless of the nature of their consequences. First of all, objective should be chosen. After establishing context, starting assessment of risks process, which consists of three phases: Identifying, Analyzing and Evaluating. And the final phase is treating. While process is continue, all phases should be monitored and have sequence of events as presented.

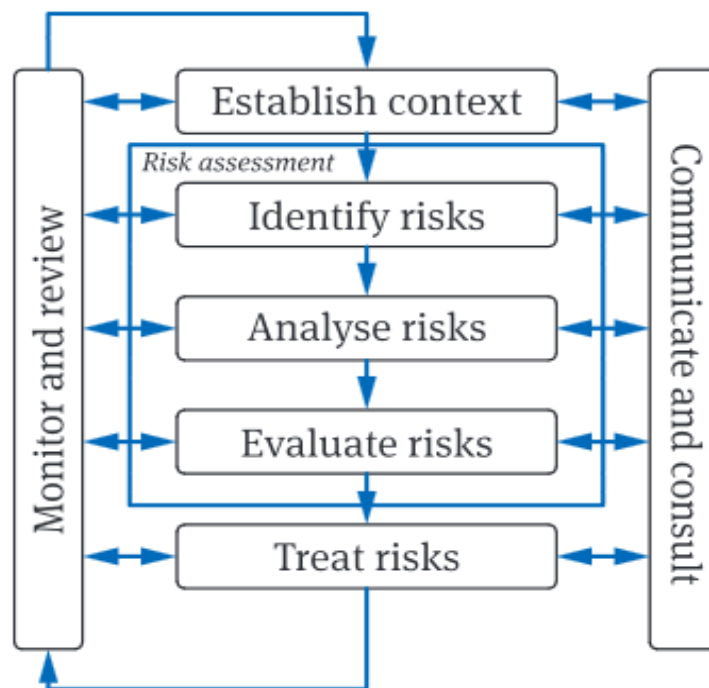


Figure 6. The risk management process (Lark 2009,14)

## 4 RISK MANAGEMENT

Risk management and financial strategy planning are about resource allocation. Basically, strategic risk management is focused on the most consequential and significant risks to shareholder value (Tonello 2012). It helps to identify and manage risks and uncertainties, which might slow down the process of achieving goals established by the company. As Hubbard (2009) mentions in his book, in every sphere there is success or failure. If in the first case it is impossible measure it, then in the case of failure, there is possibility to foresee and avoid it.

Risk management can be described as continuous management process which consists of five steps. First of all, it is risk identification. Secondly, risk evaluation step. Thirdly, risk control. And the last ones are risk financing and risk monitoring steps. (Andersen 2006, 34.)

However, it is not possible to forecast everything, and there are always several reasons, which might lead to risk management failure. Hubbard (2009) wrote about three main mistakes: the failure to measure and validate methods as a whole or in part, the use of components that are known not to work and the lack of use of components that are known to work. (Hubbard 2009, 27.)

### 4.1 Connection Between Financial Strategy And Financial Risk Management (FRM)

Financial strategy and financial risk management are closely connected to each other because there are always certain changes in exchange and interest rates (Ghulam 2009). Well created financial strategy covers all risks which might cut company`s income from their operations, and well analyzed FRM is helping to avoid all uncertainties. “Financial risk is probably one of the most significant risks that the of treasures have to manage. It is a risk that, if it materializes, may result in the company being unable to pursue its chosen strategy” (Cooper 2004,5).

Each company, which implemented an effective risk management, is able to

control business risks and by that secure their success. Risk management can be divided into three different groups: Financial risks, Compliance risks, and Operational risks. Financial risks group is in charge of allocating budget to uncertainties which company might meet up with. Compliance risks involved in managing changes in law and regulations. Operational risks group is controlling geopolitical, raw problems.

## 5 FISKARS

The Fiskars Corporation is a metal and consumer brands company founded in 1649. Nowadays location of the company is in the town Raseborg, it is approximately 100 kilometers away from Helsinki. The company is mostly popular because of their scissors, axes, and high-quality knives.

As industrial and economic development accelerated in Europe, Fiskars was on the forefront of innovation and “expanded the knife works to become a premier steel and ironworks company, manufacturing agricultural machinery, steam engines, and household utensils, including candlesticks, forks, and scissors. The first pair of Fiskars scissors was created more than 130 years ago, and made of heavy forged steel. One of their most recognizable products, the orange colored scissors were designed in 1967.” ( Fiskars 2016.)

Fiskars is transnational Finnish company, which is operating worldwide. It is operating in more than 37 different countries. It consists of three main brands: Fiskars (scissors, gardening tools, and kitchen knives), Iittala (kitchenware, glassware) and Gerber (knives and multitools). (Fiskars 2016.)

### 5.1 Strategy

Fiskars overall goal is to become the most integrated company with a portfolio of growing a profitable business. They have this goal, since 2008 and continuing to grow and develop on the market.

It is very important to mention, that their growth strategy is threefold, and orientated on gaining market share in current businesses and markets. More than that to invest in and enter new categories of products, and to expand into new, attractive markets. Besides, there are different tools, which are used to lead the company to successful growth, for example: inspired and engaged employees, strong financial position, global ambitions, strong brands and iconic products. (Fiskars 2015, 6.)

The main mission of the company is to make consumers` life easier through their functional, innovative and long lasting products.

As their main objective, they are focused on being global company, which delivers: “Brands that people desire; Lasting products that bring joy; Offerings that cater to category leadership; Best-in-class trade relations and unique access to global key accounts; Excellence in sales and execution”. (Fiskars 2016.)

## 5.2 Financial and Strategic SWOT Analysis

Table 2 is presenting SWOT analyses of Fiskars. A financial and strategic SWOT analyses is the way to identify strengths, weaknesses, opportunities and threats of the company. It is helping to see what company is able or not able to do. More than that, it is giving the ability to forecast opportunities and threats. (Hui 2007.)

Table 2. Fiskars Dynamic and Strategic SWOT Analysis (SWOT Analysis 24 2017)

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Monetary assistance provided</li> <li>• Experienced business units</li> <li>• High growth rate</li> <li>• Domestic market</li> <li>• Barriers to market entry</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Competitive market</li> <li>• Brand portfolio</li> <li>• Small business units</li> <li>• Tax structure</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Venture capital</li> <li>• New markets</li> <li>• Growing economy</li> <li>• New products and services</li> <li>• Global markets</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Rising cost of raw materials</li> <li>• Tax changes</li> <li>• IT problems</li> <li>• Increasing costs</li> <li>• Government regulations</li> </ul>

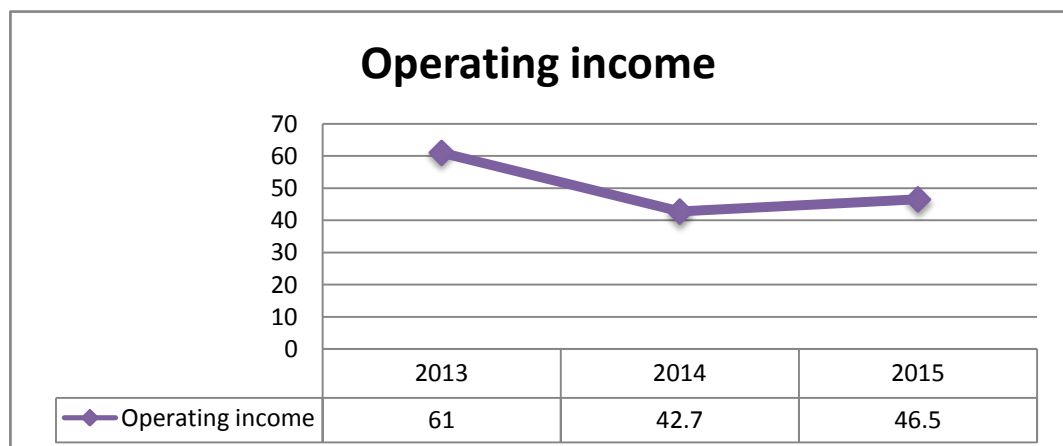
### 5.3 Fiskars Financial Report Analyses

Operating income was chosen for comparison analyzes, because it is an accounting figure which measures the operational success and amount of profit realized from a business operations in a year. Based on these numbers it is easier to have clear picture of companies performance on the market. Table 3 is presenting the operating income of Fiskars in three years. As it is possible to see, the operating income of the company was decreasing in 2014 to compare with 2013 and 2015. The company explained this non-stability in their income, with the bad weather condition, which led to a reduction of demand for outdoor products.

In 2015 operating income was affected by geopolitical problems around the world, and more than that, it was influenced by weather conditions, which led to a decrease in sales of outdoor products. However, the increase comes from the new watering and English & Crystal Living (WWRD) businesses and a large extent by the Scandinavian Living business, which had an outstanding year.

Fiskars has a large brand portfolio; it includes Iittala, Arabia, Hackman, Rörstrand, and Fiskars. Fiskars Finland is orientated on the Nordic region and is taking part in Fiskars groups. It provides their customers different products for the home, the kitchen, and the table. More than that, it is one of the most popular brands and one of the market leaders in the Nordic area. (Iittala 2016.)

Table 3. Total Operating Profit of Fiskars (Fiskars 2015, 55)



#### 5.4 Risk Management

The aim of risk management in Fiskars Group is to secure personnel and assets, ensure the uninterrupted delivery of products to customers, and protect the Company's reputation, brands, and shareholder value from developments or damage that may undermine the Company's profitability or adversely affect its assets.

Fiskars manages the risks associated with its financial reporting process in a number of ways. First of all it includes maintaining and resourcing an appropriate financial management organization. Secondly, limiting the rights and responsibilities of individual members of staff appropriately, thirdly, managing the user rights that give access to the Group's reporting system centrally. Fourthly, issuing guidelines on accounting and reporting, fifthly, maintaining a common Group chart of accounts. And finally, making effective use of IT tools, providing ongoing training for personnel and validating the accuracy of information that is reported as part of the reporting process. (Fiskars 2015, 42.)

Based on the Fiskars annual report 2015, it is possible to get through all numbers easier, because they presented all risks company met up during operating year. They mentioned three different group risks: strategic risks, financial risks, and operative risks. All effects and impacts were presented, and more than that risk management side was analyzed and explained.

## 6 FAZER

Fazer is one of the largest representatives in the food industry in Finland.

Karl Fazer founded Fazer in 1891 as a French-Russian confectionary. Nowadays it is located in central Helsinki. A number of employees around Nordic countries, such as Finland, Sweden, Denmark, the Baltic countries, the United Kingdom and Russia is more than 19 thousand. Four main groups mainly drive Fazer product: Fazer Amica, a chain of workplace restaurants; Fazer bakeries, producing various kinds of bread; Candyking, shop-in-shop pick 'n' mix confectionery concept; Fazer Café, a chain of cafés. The main Fazer café is on Kluuvikatu in Helsinki.” (Fazer 2016.)

Fazer group has great variety of the brand in their product line. It is operating in more than 49 countries, and has four factories, which are located in Finland: two of them in Vantaa, one in Lappeenranta and one in Karkkila. It has a wide range of products, which are covering almost each category related to candies. More than that, they are serving in 1,200 restaurants in Nordics, such as Finland, Norway, Sweden and Denmark. Fazer Food services are combined from such brands as Amica, Wip, Wilberg, and Fazer. (Fazer 2016.)

### 6.1 Strategy

The Fazer group has a strong strategy, which is controlling the way, how the company is operating. More than that, it is developing all the time. Their brand strategy consists of the different point, to have strong brands line. The first task is to demonstrate value-added benefits. The second one is to be responsible and to prioritize the Fazer brand in terms of innovation, investment, and marketing. Moreover, the company is adapting and developing in order to grow on the market.

One more important thing to mention is that Fazer is orientated on different target groups, and the way, how strategy is presented and explained, is understandable for everyone. Fazer Group strategy is still following the historical benchmarks, which are guiding present-day company. Their main mission is to create taste sensations. More than that, Fazer is orientated on



local and international groups. Each of them inspires entity to adapt and provide inspiration with their product lines.

Besides, the company has three strategic initiatives and five strategic pillars, which are always running the strategy. Fazer is built on strong brands, with a good reputation, which is responsible for business and society. Moreover, it has high-performance culture. One should note here that it is following consumer`s needs. (Fazer 2015, 11.)

## 6.2 Financial and Strategic SWOT Analysis

Table 4 is presenting SWOT analysis of Fazer group. A SWOT Analysis are helping to gain insights into the past and think of the possible solutions to existing or potential problems-either for an existing business or new venture (Kime & McGee, 1).

Table 4. SWOT Analyze of Fazer (SWOT Analysis 24 2017)

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Existing distribution and sales networks</li> <li>• Experienced business units</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Cost structure</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• New markets</li> <li>• New acquisitions</li> <li>• Growing demand</li> </ul>	<b>Threat</b> <ul style="list-style-type: none"> <li>• Tax changes</li> <li>• External business risks</li> <li>• Increase in labor costs</li> <li>• Government regulations</li> <li>• Financial capacity</li> </ul>

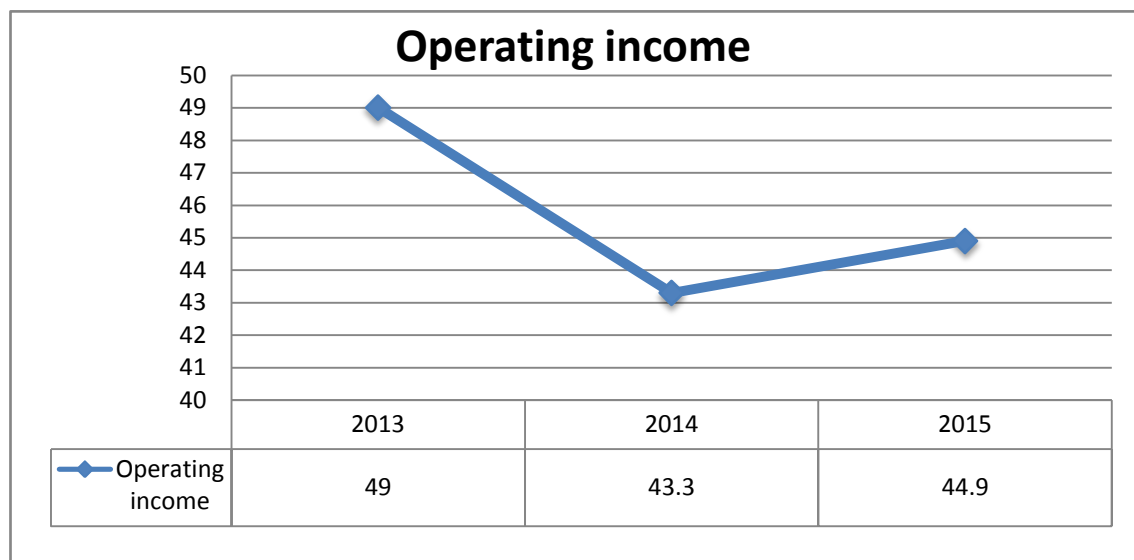
## 6.3 Fazer Financial Report Analyses

Table 5 is presenting Fazer operating income. Based on the analyze of the annual report of Fazer group, we can figure out that Fazer's market shares in confectionery decreased in Finland during 2014. More than that, Finland, is one

of the biggest markets for the company, that is why it has so huge impact on company's operating income.

If to look on 2015, operating income was not much higher than the previous year, according to the increase of process for raw materials around the world. However, net sales in Russian and Swedish parts were increasing, to compare with Finnish side. The business environment in Fazer's key markets continued to be challenging in 2015. The economic situation in Finland remained weak. The continued economic downturn had a negative impact on net sales especially in Finland, Denmark and Norway.

Table 5. Operating Income of Fazer (Fazer 2015,31)



#### 6.4 Risk Management

Risk management's duty is to perform with their strategy and business targets, to analyze all risks, which might affect company's stability, monitor and assume threats and opportunities. More than that, each department has its own tasks in analyzing risks for a specific area and operative activities. (Fazer 2015, 62.) The management of Business Areas, Business Units and Group functions are responsible for the identification and evaluation of the risks of their respective areas and for mitigating these risks as part of their operative activities ( Fazer 2015,37).

## 7 CONCLUSION

Risks management and strategic planning are the most important aspects while establishing or leading the company. Independent of the geopolitical area or what size it has, to run the business successfully owners should meet up and analyze all uncertainties they might meet on the market.

It is always a huge possibility to be attacked by some uncertainties, whether that large or small business. Different types of risks are closely connected with the size and industry of the business. In case with small businesses, it is easier to predict and protect from risks, as owners are more involved in business process and know about strong and weak sides of the entity. From another point, it is more opportunities to suffer from these risks, as it is usually not enough resources to cover the loss and failures.

If to take a look on situation with big entities, it usually follows the rule the larger the business, the greater the risks. Besides, there is always a possibility to forecast and predict them, and it has more resources and investments, to cover the loss and failures.

Financial strategy and financial management of the companies are also different, as the size of the companies is different. Smaller the company, less bookkeeping needed, because they have less operational areas and smaller product lines, if to compare to larger entities. As Walters (2004) mentioned, financial management of large companies differ from small companies in terms of their internal and external financial audits. These audits ensure the correctness of financial statements.

### 7.1 Comparative Analysis of Companies

Above was presented two different companies, Fiskars and Fazer. Based on analyzing of their operations and strategy, both of them has certain factors, which were affecting their stability on the market. On the one hand, both, Fiskars and Fazer have almost same financial risks management and have similarities in their strategic orientation for the market. Regarding operational risks, both companies can be affected by changes in pricing of raw materials, or

geopolitical problems. Those risks had a huge impact on both companies in 2014-2015. On another hand, how they are operating on the market and what they are selling to their customers are different. Fiskars has more operating areas, and it has more risks, which might affect their stability, one of the main risks to meet up, is compliance risks, because each geographical area has their own laws and regulations, which might affect the income of the company.

- Strategy orientation

The main strategy of both companies is to create strong brand portfolio with products, which are going to meet up target's needs. Fiskars' mission is to enrich lives with lasting products that increase enjoyment and solve everyday problems through their functionality, innovation, and design. While Fazer's aim is to offer products and services that the majority of people can relate to and value, today and tomorrow.

- Geographical areas

Fiskars is more global orientated, while Fazer is more orientated on the domestic market and countries located on the short distance from the home country

- Risk management

Basic idea of risk management is same for all types of companies, to analyze and manage risks which might affect stability on the market. Fiskars' overall objective is to identify, evaluate, and manage risks that may threaten the achievement of the Company's business goals. The aim is to secure personnel and assets, ensure the uninterrupted delivery of products to customers, and protect the Company's reputation, brands, and shareholder value from developments or damage that may undermine the Company's profitability or adversely affect its assets. In case with Fazer and their risk management task is to support the implementation of the Group's strategy and business targets, secure the recognition of risks affecting the company's business, assess, monitor and anticipate threats and opportunities affecting business and secure the continuity of operations.

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