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THE LOGIC OF BUSINESS STRATEGY

A case study of Kone Group

Thesis

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ABSTRACT

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<p>The research is aimed at providing an overview of how Kone Corporation employs strategy as a driver for competitive edge. This research discussed in clear sense, the term strategy. More so, this study addressed how Porters 5-forces drives manufactures market position including KONE. This paper also reviewed Kone adoption of new equipment, modernization and innovation as a strategic techniques</p> <p>The research also addressed how major trends in elevators and escalators industry is shaping how KONE strategy responds in relation to perceived changes. The study focused on KONE eco-efficiency approaches to production. The study also discussed on KONE internationalization of strategy by ways of acquisition techniques. Some major achievements made by KONE in this regard were also discussed. This includes introduction of less carbon emissions products launched by the company.</p> <p>This research adopted qualitative methodology in analyzing data collected. Therefore, the use of interviews and SWOT analysis were chosen. With this method, strength, opportunities, and weaknesses and of course threat of KONE strategy also discussed. The research discussed possible ways to help Kone Group achieve sustainable strategic market position. Recommendations on how KONE could strengthen its strategy and market position in most market where the company enjoys comparative lower market share.</p>		

Key Words

Auto walks, competition, drivers, elevators, escalators, Kone Oyj, strategy.

ABSTRACT

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CONCEPT DEFINITION

E&E - Elevator and Escalator

MRL- Machine Room Less

EMEA – Europe Middle East and Africa

LEED - Leadership in Energy and Environmental Design

TWH – Terawatt Hours

OEM – Original Equipment Manufacturer

ASEAN – Association of South East Asian Nations

ISPMS - Integrating Strategic Performance Measurement System

SWOT – Strength, Weakness, Opportunities, and Threat. An evaluative parameter with which a business is measured in relation to its weakness, strength among others.

PESTLE – A model of evaluating a business entity from political, economic, social, technological, legal and environmental standpoint.

1 INTRODUCTION

According to Chandler (1962, 13) strategy is an art of determining essential long run objectives of a firm, thereby adopting the needful activities, as well as deployment of resources for the purpose of achieving the sets of objectives. (Thompson & Martin 2005, 8-9.), postulated that strategy is an approach to achieve overall company goals. Where firms seek to proffer possible best ways to attain these goals. Researchers have argues many time that there are no “one size fits all” definition for strategy. On this background, it is logical to state strategy is topical and very relevant to future prospects of all business entity. It is presume that leveraging on capabilities to withstand changing business space is most profitable strategy. For that reason therefore, this research adopts only one or two relevant definition for the purpose of this research.

Over the decades and till date, companies and organization are preoccupied and as well faced with the internal and external issues relating to company’s efficiency performance. And also stable level of profitability resulting from fierce competition. In a bid to achieve value for their investment such that they break away from the pervasive challenges. The importance of strategy as a very useful tools became apparent. Given the high level of interest and enthusiasm therefore. Strategy as a matter of fact, increasingly becoming very crucial as it boarder essentially on operational success of the firms. Although, developing or formulating a very competitive one is clearly broad but very needful. It is however, defines how a business is going to compete effectively with perceived competitors. It also boards on what the firm’s target should be and with what policies. (Porter 1980.)

Strategy as a vice for success well goes far beyond the present day academics. It is however traced back to the early days of art of war. At the time when the ability to win battle by strategy were very popular. Soon afterwards, the warmongers appreciated strategic and tactical avoidance of war thereby allowing business to flourish. Till the year 1800, the adoption of business strategy revolved around creation exclusivity and monopolies. This means strategy as a matter of concepts remain vital and topical from period to period. Its relevance therefore in the business world today, and apparently in future. It will be notwithstanding and by no means underestimated (Aurik, Fabel & Jonk, 2014.)

In fact, the history of the Standard Oil Company, a book written by Ida Tarbell occasioned a new record in history of strategy. In his book, John D. Rockefeller was depicted as a money grabber who was said

to have had tactics and effective skill at monopolizing the oil trade. Rockefeller consequently exercised his influence especially to an excessive degree by taking over his competitors businesses over time. At point in time, more than 90 percent of North American refinery were not only attributed to Standard Oil. It was practically under control of the firm and its subsidiaries. Thus, its influence over oil refining and distribution was very strong and successful, to the disadvantage of its rivals. (Ida Tarbell, 1904.)

Hence, it is argued that rule of competitiveness in business is contingent upon industry structure and strategies adopted by firms. The fact is that intensity of competition in particular industry is neither an issues of ill-luck nor coincidence but of economic structure established beyond behavior of potential rivals. In other words, the ability to thrive beyond boarder depends on whether a firm could offer additional value of utility at bearable cost. Consumers in reality are always keen and sensitive to value and cost. Not limited to but including creation of long lasting relationship, and cost effective products or if you like a service. In this light, creating future oriented goals which resolves around provision of rare, inimitable, least cost products and services is very essential. In consistence manner, competition in business usually downsize return on investment. It is deem that more future proof strategies should be employ as it gives room for coherent set of competitive edge. (Porter 1980.)

Apparently, many management research has proven the essence and of course the benefit of strategy as measurement of firm's productive performance. An approach termed SPMS-Strategic Performance Management System. It is preferably adopts more often in accounting system (Ittner & Larcker 2003). Numbers of researches revealed the fact that the system is a very useful one but very conflicting. On the contrary, (Hogue & James 2000.) indicated the SPMS has a great linkage with organization performance and in very positive ways. They further stressed that results of Ittner et al (2003) study are a bit misleading. (Neely and Bourne 2000). In their own analysis revealed that failure rate of implementing integrating strategic performance measurement system (ISPMSs), was as high as 70 percent. Their study further revealed, many company does not have a balance scorecard.

But for this purpose of this thesis, we are more particular about the degree to which a strategy impact firms prospects. The essence of well formulated strategy will be briefly addressed. In addition, we will examine extent to which relying ISPM can yield incremental result particularly when the right business strategy is chosen. It is thus a convention, that firm's performance can be more successfully improved as long its strategies is aligned with performance measurement (Lee & Yang 2011). Conventionally, strategy, operational activities coupled with strategic performance measurement responsible for employees behaviors which enables improved performance and thereby resulting in firm's prospects.

2 THE TERM STRATEGY

Countless authors, researches and academicians have introduced numerous and various kind of definition. But all boils down to being on top of game as far as business is concerned. As clearly defined strategies is the firm's goal driven plans of action created to align capabilities and resources in response to opportunities and threats in an industry's environment. It is asserted however, strategic management as an art of analyzing the prevailing situation, creating appropriate strategies, thereby deploying the strategies into force, evaluating and replacing the strategies if necessary (Coulter 2010, 5).

Definitely, strategy is what firms does or doesn't do, to fulfil its goals in a competitive market. For instance, Apple strategy is to deliver quality product with advanced features of its products to ensure competitive advantage. Dell's strategy is to deliver directly to customers, a built-to-order computers and more recently, other computer related services.

Conversely, Southwest Airlines strategy is quite another. For the firm, the strategy is to provide world class satisfaction that value high frequency low-cost flights. (Finkelstein & Borg 2003). They are of course three things to be considered. First, if you know to Who, What and How, you know the strategy. Second, strategy is just as much about what you decided not to do, as it what you do. And if you do everything, you don't really have much of a strategy. Lastly, not all strategies are created equally. Strategies should be based on internal competences that customers valued enough to pay for and that customer easily replicate it (Finkelstein et al 2003.)

2.1 Overview of Phenomenon

The topic "Strategy" became very imperative and inevitable in business world today as global market transform into one large competitive business entity. The ability to develop strong reliable future oriented strategic planning, certainly ensures effective competitiveness. Therefore it is logical to state strategy is what distinguishes an entity from other's planning and perhaps other competitors. In reality, it is of course the function of competitive advantage. In fact, it is argued that existence of other competitors help a great deal. Because it practically helps stronger strategies revamp firm's strength in relation to that of its competitors (Kearns 2010). Hence, every firms which aspire to remain vibrant and relevant in

the game of business must be able to create a competitive strategy, whether explicit or implicit. (Portal 1980).

As discussed earlier, failures of firms to thrive is evidently connected to inability to create, form and deploy required strategy. Whereas the business environment is increasingly becoming turbulent and competitive. The challenges here is not limited only to creation of strategy. But also, formulation of well aligned strategy that can be easily monitored. A strategy may be developed explicitly or implicitly. In fact, this evolving across varying activities from all functional department within the firm. Based on this system, each functional unit will therefore pursue methods best suitable for such professional orientation. However, the essence of all these departmental approaches does not necessarily yield best result. Thus careful and due diligent on strategy formulation is very crucial.

2.2 The Purpose of the Research

This research is aim at providing an overview of Kone Oyj using strategy as a drivers for competitive edge. This research shall also discuss in clear terms some salient reason of using strategy as an instrument in emerging business. Kone Oyj value chain process among other things shall also be discussed. This research also seek to look into Kone Oyj strategic prospect in relation to their competitors. This paper also intends to briefly assess the position of other players in the industry. Possible ways to improve the group existing market position is to be reviewed. This paper also intends to focus on impact major trends in the industry on KONE strategy. In other vein, Kone Oyj approaches towards new technology, modernization and innovation, also a subject of our discussion.

However, this research adopted qualitative methodology in analyzing data collected in the course of investigation. Therefore, the use of interviews and SWOT analysis were used. With this method, strength, opportunities, weakness, and of course the threat of KONE Oyj strategy is discussed. The research investigation is conducted in Finland. Because the company under study operation headquarters located in the country. The timeframe of study being is less than to six months. The strategy of Kone Oyj is considered as the company have proven to have very strong strategy over time. It is believe that the aforementioned firm is one of the leading Finnish companies identified when business strategy matters as a key instrument of competition.

2.2.1 The Structural Analysis of Industries

The reason for strategy formulation as far as competition is concerned essentially rest upon the nature and the company's environment. It is very clear that relevant environment is much broader. In fact, the encompassing social and economic forces are the key of the firms industry's environment with which it competes. In a clear context, industry structure is a strong and influencing agents contributing to emerging competitive rules and potential strategy applicable to firms. Besides, forces outside the industry are also of significance relevancies. Hence, these forces somewhat affects all firms in the industry though indirectly. But this ordeals resolves around the differing ability of firms to handle them with utmost care.

In other words, the intensity of competition in an industry has never been a question of coincidence or bad luck. But to certain degree, competition in an industry deeply rooted from unexpressed economic structure and somewhat beyond the behavior of perceived competitors. It well said that collective strength of these forces ultimately affects profit potential in the industry where the profit potential return can be assessed in the long run on invested capital. (Porter 1980, 3.) In reality, many markets if not all are driven by competitive forces which continuously remain feasible. For the smart companies, aiming at becoming very competitive is crucial. The need to be conscious of these forces becomes imperative.

More importantly, Knowledge of the underlying sources of competitive pressure gives headway and preliminary steps for a strategic agenda of activity (Porter 1998, 22). That is to say, the principle of plan has far reaching effect on company success. It is therefore a thing of utmost carefulness for company when making choice where it will compete as regards competing players in the industry. In spite of that, effective strategies can be otherwise developed, soon after the line of actions and resources have revealed that competitors cannot efficiently achieved their laydown objectives (Pitts & Lei 1996, 55.) Essentially, companies have to make choice by assessing the internal strengths and weaknesses without compromising the potential opportunities and threats externally emerging from the industry's environment. (Porter 1980, 3.)

The Five Forces That Shape Industry Competition



from "The Five Competitive Forces That Shape Strategy" by
Michael E. Porter, *Harvard Business Review*, January 2008

FIGURE 1. Driving forces for industry competition (Porter 1980, 4)

The diagram above outlines the main features of the structure of the industry. It clearly emphasizes factors determining the strength of each force as it helps reveal the industry profitability. Because these competitive forces influence to a significance level, individual company's prices for product or service as the case may be. It is however, required cost of input in relation to investment in an industry. (Porter 2006; Sorri 2010, 8.) The diagram explains in clear terms possible activities and ways in which each actor behaves towards one another. This can be done either overtly or covertly. There are also huge competing action and responses from other parties depending on what is at stake at a given point. In addition, the most important thing as described in the diagram is that there are natural competition or rivalry wherein

all player intend to exert or exercise certain kind of dominance. Further explanation will be hereunder discussed in some subheadings below.

2.2.2 Threat of New Entrants

New entrants to a market to an industry poses a great challenge and unforeseen threats to existing competitors. The presence of new entrants may help create a new capacity, as the willingness arises to gain market share, and ordinarily substantial resources. The end results which is slight reduction in price or inflated cost by the incumbents to reduce profitability level. Often, companies opting for diversifying from other line of business through acquisition into the industry do creates shake up, as Phillip Morris did with Miller beer. Probably, the acquisition into an industry with effortless view to attain a market position ought to be seen as entry. It's however not necessarily be viewed as creation of entirely new entity. Similarly, the survival of new entrants solely depends upon an existing barriers to new ones. The conventional assumption is that the higher the barriers the lower the threat to existing players. In simpler term, if the barriers are high, the new entrants must be ready for sharp-edged rebound from well-established competitors. In this light therefore, the threat of new entry becomes very low (Porter 1980, 7).

Porter further highlights six major barriers to entry. These are economies of scale, product differentiation, capital requirement, barrier of switching cost, access to distribution channel and lastly cost disadvantage. Economies of scale – by this he meant a situation where the unit cost of a particular product declines as a result of increases in total volume per period. Economically, scale of operation discourages entry by imposing a large scale on newcomers and thereby facing strong reaction from well entrenched firms. Even, when enters with small scale they will be face with acceptance of cost advantage. In reality, both might be unfavorable venture. Economies of scale can be feasible in almost all line of business, with purchasing, marketing, service network and manufacturing not excluded. For example, scale economies in Finnish transport industry might probably be the key barriers to entry in Transport service as regards Finnish government and VR Railway. This attracts huge resources, capital investment and required service standard.

Secondly, product differentiation is another great challenge to prospective entrants. This is naturally uneasy to come by. Because existing firms have been identified with their brands. Thus, making loyal customers to prefer staying with them as past advertisement, consumer service, differences in products has proven they are reliable. Third barrier is capital requirement. This factor most time remain a great

difficulty as some businesses by nature are highly capital intensive. This means huge financial resources need to be deployed to gain entrance into these kind of business. The fourth is barrier of switching costs, where situation demands in respect to bargaining power of either suppliers or buyers. This essentially influences dominancy in relation to price between the two actors, the buyers and suppliers. The fifth, access to needed distribution channel through which secure distribution of products is very essential. For instance, downstream business may be faced with this more than somewhat. Since require channel of distribution may be partially controls by the state or totally managed as Government Corporation. This may thus create a great barrier to entrance into this industry. Lastly, cost disadvantages independent of scale is another potential challenge to a newcomers. Because existing firms may have been identified with cost advantages which may be difficult to replicate by new entrants, regardless of their size and attained economies of scale. He however gave lists of factors which may be consider as most critical advantages. These are proprietary product technology, favorable access to raw materials, favorable locations, government subsidies among others (Porter 1980, 7-12.)

2.2.3 Buyers

It is definitely not incorrect to assume that buyers are one major factor in an industry. It make no economic sense to produce either a product or service with no potential buyers feasibly identified. For this reason, the role played by buyers can not be underestimated. One major of which is harnessing their interest to ensure they bargain at possible lower price. Having said that, the interest of suppliers on the other hand, is to trade at substantial level of profit. The fact is that all sellers or suppliers intent is to achieve at least a fair market share and of course secure considerable profit. Usually, these individual interest conflicts as a party exert level of power over the other. This often depends upon who has the dictates of price at a given time.

(Porter 1984) argued that most time buyers force down the prices by insisting on high quality products, services or compare competitors prices. Hence, all these are done at the cost of industry profitability. The features of the market situation therefore, influence the power of the most key buyers group in the industry. Although, number of circumstances may contribute to power intensity on the part of this group. These may not be well examined in this study as further details may be a subject of particular market and its structures. (Porter 1980, 24.). In other words, the response of buyers and ability to determine market price is clearly dictated by certain factors such as; how many buyers are there in the given market, how large is their order, what is the switching cost to these buyers from one competitors to others. Lastly,

are these providers strong enough to be a market price giver among others? The idea is that when you have large providers in given market, they tend to have less power as to determination of price. It is certainly vice versa, if otherwise they appears to be more powerful and likely to determine the price at point in time.

2.2.4 Suppliers

Unlike the buyers, suppliers may consistently seek to raise prices. This power may be overuse to the disadvantage of their buyer counterpart. They may even threaten to reduce the quality of raw materials to make adjustment for envisaged increase in price. Consequently, the profitability of an industry may be flattened by this activity and players in that industry may find difficult to recover the cost increases in their prices. This tend to make supplier very powerful but too often to the extreme. Even though, there are certain condition which naturally vest this power on suppliers. These are hereunder highlighted; Supplier may become powerful if market is dominated by few competitors where such suppliers is more concentrated than the industry they sells to. More so, if there are no rooms to contend with other substitutes products for sale to the industry. When industry is not an important customer of the suppliers group, to mention but the few. It is worthy of note that, as long these conditions is presence the suppliers group remain dominant and powerful. In short, the impact of substitutes can be seen as overview of overall elasticity of demand in an industry.

2.2.5 Substitutes

Traditionally, there is always seeming competition virtually in all industry, as far as there are presence of substitute products. In broader sense, Substitutes inhibits the potential return of an industry thereby creating a price ceil for which firms within industry can profitably offer. The assumption is that the lower the price offered by the substitutes, the tougher the ceiling on industry profit. However, identifying the close substitute is a function of finding other products that has same characteristics or perform same function as the product of the industry. A typical example may be Electricity industries in most part of the world today. The traditional source of energy being hydroelectric and fossil fuel including Coal, Oil and Natura Gas, now being replaced with Nuclear energy. This is made possible with unrelenting advancement in technology and science. (Porter 1980, 23-24.)

He further stressed that threat of substitutes is contingent upon availability or put simply the presence of substitutes. He also asserted that switching cost of buyer to seller and in this instance manufacture will determine the level of threat. This portends the higher these cost the less the threat. On the contrary, the lesser the cost of switching the higher tendency of substituting the existing products at a point in time. The nature and composition of market is well defined by power dominance either by buyers, sellers, as well as existing competitors. Though, their respective interest differs to a greater degree. The buyers are among other interested in optimizing its limited finance such that they bargain for possible least price. This however does not has to do with compromise to expected quality. The ideology is that any seller whose price is consider a bit cheaper may be opt for. Presuppose their products offering meet the expectation of buyers. In essence, the relative act of substitution is not feasible if all things being equal. And if otherwise, the power of buyers revolves around switching to substitutes. It is however uncertain what the buyer's interest may be when two or more sellers offer almost similar quality and price.

2.2.6 Intensity of Rivalry among existing Competitors

The rivalry among competitors in an industries is no way different from the one found in football context. Using such tools as tactics and consistent skill improvement helps a great deal. Application of all kind of stuff like discounted price, strong advertisement, sales promotion, warranties and improve customer care can be adopted. Competition arises as one player feel pressure from others and quest to improve their respective position in the market. This is more than somewhat natural. Whereas, competitive move by one player may leads to prompt retaliation or untoward counter efforts by others. Hypothetically, it is assume that firms in that circumstance are mutually dependent. Although, the manner by which action and counter response emerges may not perhaps make the initiating firms better off. (Porter 1980, 7-8.)

It may however cause setback for an industry if moves and counters escalated. The great example is that of Samsung Mobile and Apple Incorporation. Apple introduced Iphone 7 by breaking away from conventional designs and features. Weeks afterward Samsung came with retaliation. By introduction of Samsung galaxy 7 which were later ban by some airlines for containing explosives materials. As revealed here, the counter move by Samsung never make it better off. He further argued that competition is driven by willingness of each competitors to optimize their respective interest. And this apparently conflicts in practical sense, as their individuals may somehow inhibits others competitors interest. For that reason, most company seems to act proactively such that they leverage on the weakness of their competitor. Thus the more proactive a player appears the higher the propensity to remain powerful and competitive.

2.3 Generic Competitive Strategies

Generally speaking, breaking barriers resulting from Industry's Five Competitive forces is always tough and demanding. In a bid to overcome this therefore, most firms need to adopt three potential successful generic strategic approaches. That is, overall cost leadership, differentiation techniques and focus. These approaches are proven very useful to outperform other firms in an industry. In some cases, firm may quest to pursue more than one approach as its main target. It might be a bit challenging and rarely possible. But the firm's strong commitment and multi-faceted organizational support will definitely help ensure effective implementation. Particularly, if there are more than one primary target. Adopting this approaches industries structure possibly mean all firms can earn high returns. While in others, success simply mean adopting one of the approaches may be necessary, only to achieve acceptable returns in an absolute sense. (Porter 1980, 34.)

2.3.1 Overall Cost Leadership

It is assume that first strategy to deploy is cost leadership approach. Because of common continual increase in the experience and counter reaction that may arises within an industry. Ideally, the first thing, is to achieve overall cost leadership within the industry. Usually, this is done through set of functional principles aimed at this primary objective. Cost leadership however, requires an aggressive construction of efficient-scale facilities, consistence reduction in cost, overhead control, avoidance of marginal customer accounts and minimizing cost at all levels such as R&D, service, sales force and marketing and many more. As a matter of fact, the only good and reliable way of attaining this is habitual managerial attention to cost reduction.

Providing service or producing at a very low cost with no compromise to quality, good service among others. Firm's capability to achieve this at the expense of others will make it a low cost relative. Hence, this is achieved, the firm will be placed above average return within such an industry. Even in the presence of fierce competitive forces. It means this position is costless and appear to work as a defensive mechanism against forces from competing actors. In other words, low cost position usually help safe guard against involving barriers of the five forces. For instance, the only power exert able by buyer is to force down price. But in this circumstance, the power play tussle from buyer is somehow reduced or eliminated. Even, low cost position provides defense against powerful suppliers. Because it creates more

flexibility to withstand input cost increases. It involves high capital investment with which to equip the production line facility to mention few. (Porter 1980, 35.)

Similarly, a low cost techniques is very useful to help gain scale of economies and thereby giving room for cost advantage. It appears more instrumental to ensure cost is minimized. Clearly, the idea is to avoid waste of time, human and financial resources. It is very important to note, ability to operate this kind of system definitely determine how the business performs in the area of profit maximization. On the contrary, attaining a low overall cost position usually demands a high relative market position, and such advantages as favorable access to raw materials. It often requires strong product design to ease manufacturing and maintaining products related cost. Based on this, all major customer can be served in a manner to build volume. That said, high margin return obtainable by adopting low cost position is evidently unequal. The margins can therefore be reinvested in new equipment and modern facilities such that it secures cost leadership. This reinvestment is perhaps prerequisite. Because it seems to help sustain a low cost position over time. (Porter 1980, 36-37.)

2.3.2 Differentiation Technique

Differentiation Strategy is simply service or product development with respect to unique characteristics that caters for customer's needs. Differentiating firm's product or service is second generic strategy. At this point, creating something very unique or inimitable is very vital. That is, firm product or service must be able to stand out amidst flocks of products. According to Porter 1980, differentiation may ostensibly take many forms, put simply in design or brand image. For instance, MacBook products from Apple incorporation remain very unique for it built in antivirus security features made possible by UNIX operating system. This evidently made Apple more secure and safe than its rival PCs. It is designed with respect to quality, thus giving customers' durable and cost effective product.

The idea of differentiation is clear cut, is to ensure that prospective firm remain a price giver. Unlike group of buyers whose interest is to force down price. Adopting differentiation may eventually help firm dictate market price for a given product or service. (Quickmba 2010). The perspective of customers as to differentiating a product is somehow interlinked with customer loyalty. Hypothetically, product differentiation to a very large extent may serve as an entrant's barrier as the needs to meet up with the

existing standard resulting from products uniqueness is always challenging. Given this situation of differentiation in relation with economies of scale to production, marketing strategies and manner of distribution, there is tendency for high barriers incomers into the industry. (Porter 1980, 9).

2.3.3 Focus

The last among the strategy is “focus” though not the least. The idea this time around is focusing on a particular group, or let’s say segment of products even geographical market. Just like differentiation, focus may also takes varying forms. In contrast, low cost and differentiation does achieve industrywide objectives. Whereas, the focus strategy deals with different thing. It practically builds to serve certain segment exclusively. Each functional policy is developed therefore for this objective. The strategy rationale is that firm be able to chart its strategic target more efficiently and effectively compare to their competitors whose target are perhaps more broad. In return, the firm may better meets the needs of this segment by way of differentiation. In fact, this may be done with lower cost without compromising effective service to these targeted clientele. It is assumed however, from whole market viewpoint that focus strategy does not attain differentiation or that of low cost. It does attain one or both. Presuppose it narrows down target to a particular segment of the market (Porter 1980, 38-39.)

3 KONE STRATEGIC OUTLOOK

Continual increase in demand for more modern buildings resulting from prevailing global urbanization has create a new dimension in construction, electrical and equipment industry. This therefore accelerate demand level for both medium and high rise buildings where electrical equipment such as elevators and escalators is needed. With the involvement of most government today, provision of public buildings and the expansion of cities is somewhat unprecedented. Considering the OECD statistics which speculates that population of 60 years old and above will increase from 18% to 31% by 2050. This will definitely lead to demand increase for buildings accessibility and mobility devices. Since most buildings are to be high rise structures. Kone concentrates majorly in main areas where there are limitless potentials. These are mobility equipment and servicing.

Most firms in this industry adopt what is termed “a loss leader strategy” for new equipment. This is a management accounting in which a product or service is sold below obtainable market price. This is practically aim at drawing future contracts (Cantoria 2011.) Thus, high margins is created by the market. It is therefore creating an endless increase in demand as far as urbanization still in force. The continuity provided by family ownership over the time period is de facto an asset to Kone Oyj, as to development of a strong performance culture argued the Kone CEO. As stated earlier, Kone specializes in two board markets; new equipment, maintenance and modernization particularly in the area of elevators and escalators. The higher sum of the firm’s revenue comes from Europe. The company apparently enjoys a steady growing market also in the EMEA. (Kone Group 2014.)

It is however asserted by Cantoria (2011.) that rapid development in developing countries and Persian Gulf including Asia is of greatest opportunities to the industry’s growth. As of May 2017, Kone Oyj is ranked 44th top multinational performers, 73rd world best employers and 56th innovative company by the Forbes Magazine. Presently, Kone is ranked the forth, among the top world’s five elevator and escalator provider. It is however attained no less than 8,784 MEUR net sale only, in the year 2016. Kone also has huge employment base with no fewer than 50,000 employees. The company also has nothing less than 1,100,000 equipment in Kone Oyj maintenance base. And no fewer than 100 authorized distributors and agents in over 60 countries around the world. (Kone Annual Review 2016.)

It is no doubt that there will constant demand and clear possibility that market will continuously expanding. Until the present, Finland, Germany, Switzerland, and the United States being most profitable market for elevators not excluding moving stairways. Countries like China and India are revealed to have great prospects. It is uncertain this markets portends continuous performance not only in the area of construction, escalators installation but also maintenance and repair services. In the world market today, most particularly the developed world, the age long nature of buildings and low energy efficient infrastructure where population is ageing brings probable opportunities to the industry. The major players are Otis, Schindler, Kone and United Technologies Corporation. (Statista 2016.)

Key figures

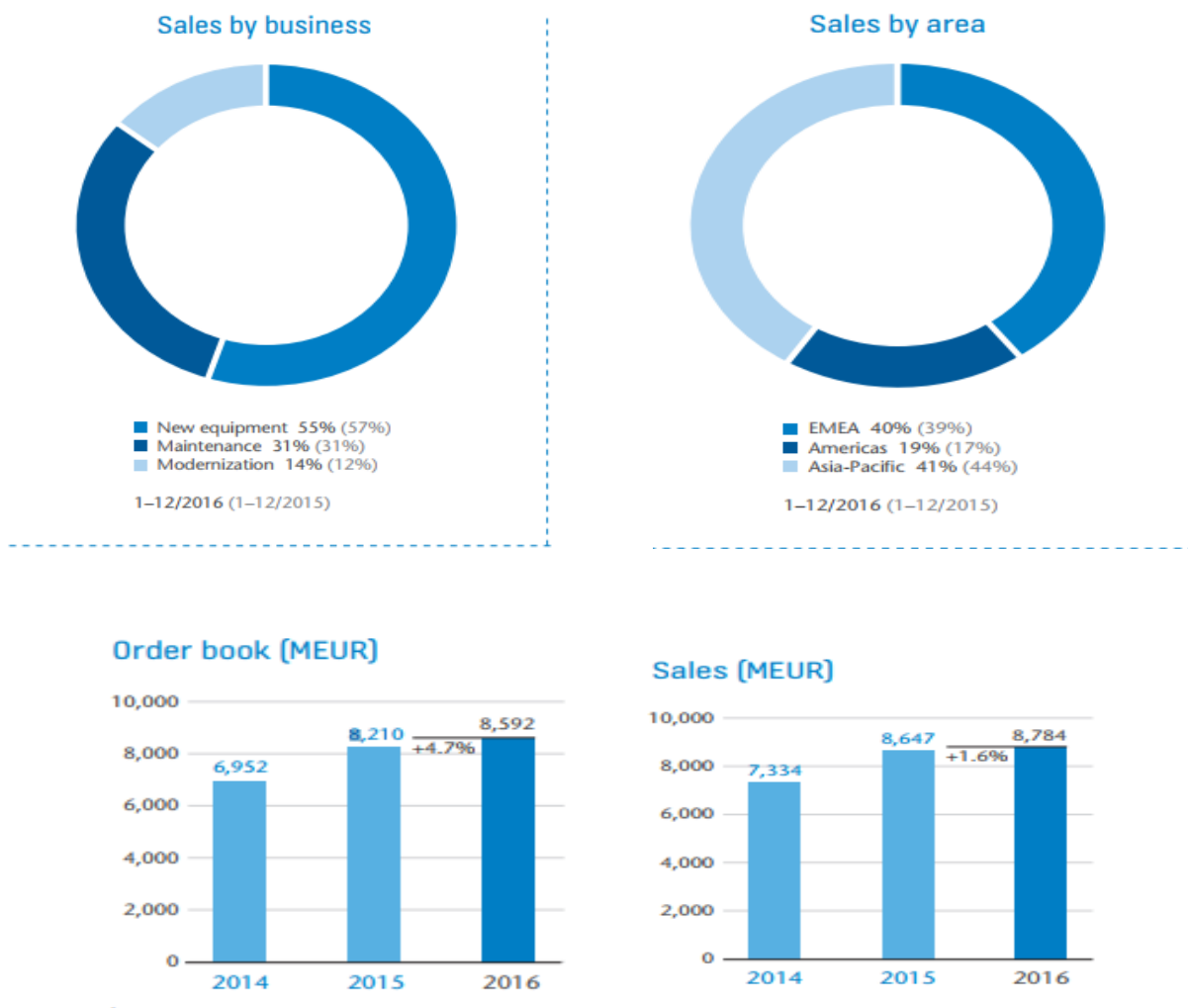


FIGURE 2. Sales for the fiscal year 2016. (Kone Group Annual Review 2016.)

3.1 Business Model

Kone Oyj being one of the world's topmost E&E provider, the value for customer is seen as major priority. The company ensures equipment is monitored throughout the entire lifespan of buildings. This is done such that safety of users is well ascertained. Besides sustainable innovation known for, ceaseless habit towards creation of new equipment solutions is also one of the core competence. This includes creating, providing adequate and consistence maintenance of the equipment in operation. While the company at all time strive to offer modern solutions to aging equipment. Hence, the overall objective is never neglected, the mission is not just to create elevators, escalators, auto walks. But to integrate new equipment, maintenance and modernization. For this reason, an eco-friendly products is guaranteed, as well as safety use (Kone Group 2016.)

3.2 New Equipment

Kone business ideology is clear cut, provision of sustainable and flexible products such that it performs the expected function is given serious attention. That is which why creation of new equipment is necessary. This may depends perhaps on structure or buildings designs. The major equipment therefore are elevators, escalators, auto walks, automatic doors and integrated access control. This products are well built to suit the varying needs of customers. Consistent review of designs and high tech innovation to somewhat degree is crucial. As the modernization market grew globally with positive development across regions. The need for proactive follow up is evident. Kone customers are majorly developers, builders, architects and building owners. It is however assume that the growth drivers for this kind of industry are but not limited to urbanization and changing demographics nature of most world population. In 2016 alone, Kone delivered approximately 136,000 new elevators and escalator units.

3.3 Maintenance

Maintaining these equipment performance is very important in that monitoring services secures efficient people flow. Building owners, housing incorporation, and facility managers are major customers who demands proper servicing and maintenance. The number of servicing is continually growing. More than 1,100,000 units are serviced in 2016. This of course an evident increase in Kone maintenance base compare to previous fiscal year. It is revealed that the said growth was driven by continuous communication

level between Kone maintenance base and their customers. In fact, the acquisitions are also said to be a contributing factor to this growth. Relatively, the balance of maintenance contract resulting from numbers of contract won or lost were slightly negative but later leveled by the end of same year. Another noticeable factor was usual impact from equipment taken out due to building closures. Consequently, the share of service sale and maintenance of total sale during the year was 45% and 31% respectively.

3.4 Modernization

At a very significant level, modernization at Kone Group remains a focal point. That is to say, creation of customer value with great sense of modernization is one of focus areas. Responding to prospect in the global modernization market is one thing, creating potential and proactive pull of demand is quite another. Whereas, modernization adds great value to various customers and end users, though in different manners. In no doubt, Modernization has been helpful as it boarder not just on safety but reliability, accessibility and more importantly energy efficiency. Nonetheless, the process of modernization has a good result of which is an improved life-cycle performance of the equipment. This is consequently bringing value increase for the buildings. (Kone Corporation 2014.)

3.4.1 Major Trend: Energy Conservation and Sustainability

To a very large extent, it appears energy conservation and sustainable drive have a seeming impact in the industry. In the past, hydraulic lifts, are predominantly in use. But now, it is replaced with advanced technological, energy efficient, space saving and eco-friendly one. This refers as MRL (machine room less elevators). It was revealed that sales of the MRL elevators surpass that of hydraulic with no less than 160 Million USD only in the year 2012. Thus increase revenue level of the vendors in that market. The same year, global MRL market was about 18.7billion USD. Despite the fact that the price of MRL twice the price of hydraulic. Its capability to offer 50 to 75 percent energy efficiency and needless effort for a deep hole for cylinder or building separate machine room is a huge advantage. Evidently, MRL energy efficiency help provides LEED (Leadership in Energy and Environmental Design) certification to buildings (IHS Incorporation, 2013).

Kone as one of the major elevator and escalator vendor have gone beyond the usual practice. In a bid to keep her objective and interest abreast, the company since the year 2007 cease from hydraulic production

to MRLs. This means escalators and their elevators designs are modern and automatic. This allows self-turn-off, signals and indicators and light in the cab changes to a LED lighting system. More so, the wall panel is an eco-friendly design. These panels are usually made from urea formaldehyde-free materials. A similar improvement is the replacement of geared machines with gearless equipment. These new equipment are more efficient as it reduces heat generation such that air conditioning in machine room is needless. This is a tremendous accomplishment in the industry. (Motala 2013.)

3.4.2 Kone Oyj Strategic Phase

The main objective under this subheading revolves around Kone strategy for 2017-2020. This section defines Kone strategy as tagged “Winning with Customers” by the company. The objective of the strategy is to drive the differential further by drawing the customers and prospective users to the center stage of development. Since the seeming increase in level of urbanization grows continually. Creating most efficient and user friendly equipment’s becomes more crucial. In the meantime, Kone Oyj focus perhaps not necessarily on return on investment. But attention is based on products quality and safety of life putting all these in E&Es manufactured. To do this, KONE defined four “Ways to Win” as an ingredient to achieve the goals.

The first is collaborative innovation and new competencies. Second, customer-centric solution and services. While fast, smart execution and true service mindset are third and fourth. In practical sense, business development initiatives at KONE including solution and service development are well guided by these modus operandi. This however done in a manner that consider putting the people first. In other words, all customers including employees are therefore considered very sensitive area of focus (Kone Annual Review 2017).

In addition, Kone Oyj aims at maintaining a stronger local accountability. While simultaneously strengthening customer face function in country firm. Where the area organization and global function are tasked with bigger role of supporting and enabling the countries to focus on delivering customers-centric value. This involves sharing expertise and resources more efficiently. The program under discussion estimated to generate nothing less than EUR 100 MILLION annual cost savings. This cost savings are expected to be achieved gradually with full impact from the end of 2020 onwards. Drawing from previous estimates, the aftermath of which may come with negative effect, the measure may lead to reduction in job. According to Kone CEO, It is projected that no fewer than 1,000 jobs may be lost

globally in the last three year period ending in 2020. It is assumed this might be as a result of advanced tech and automation approaches to its process of manufacturing in nearest future.

3.4.3 Competitive Analysis

Below figure shown, a strategic group analysis of E&E firms with respect to their various market position. And their respective products, services and presence in global market. It also depicts relative position of Kone Corporation compare to its competing players in the industry.

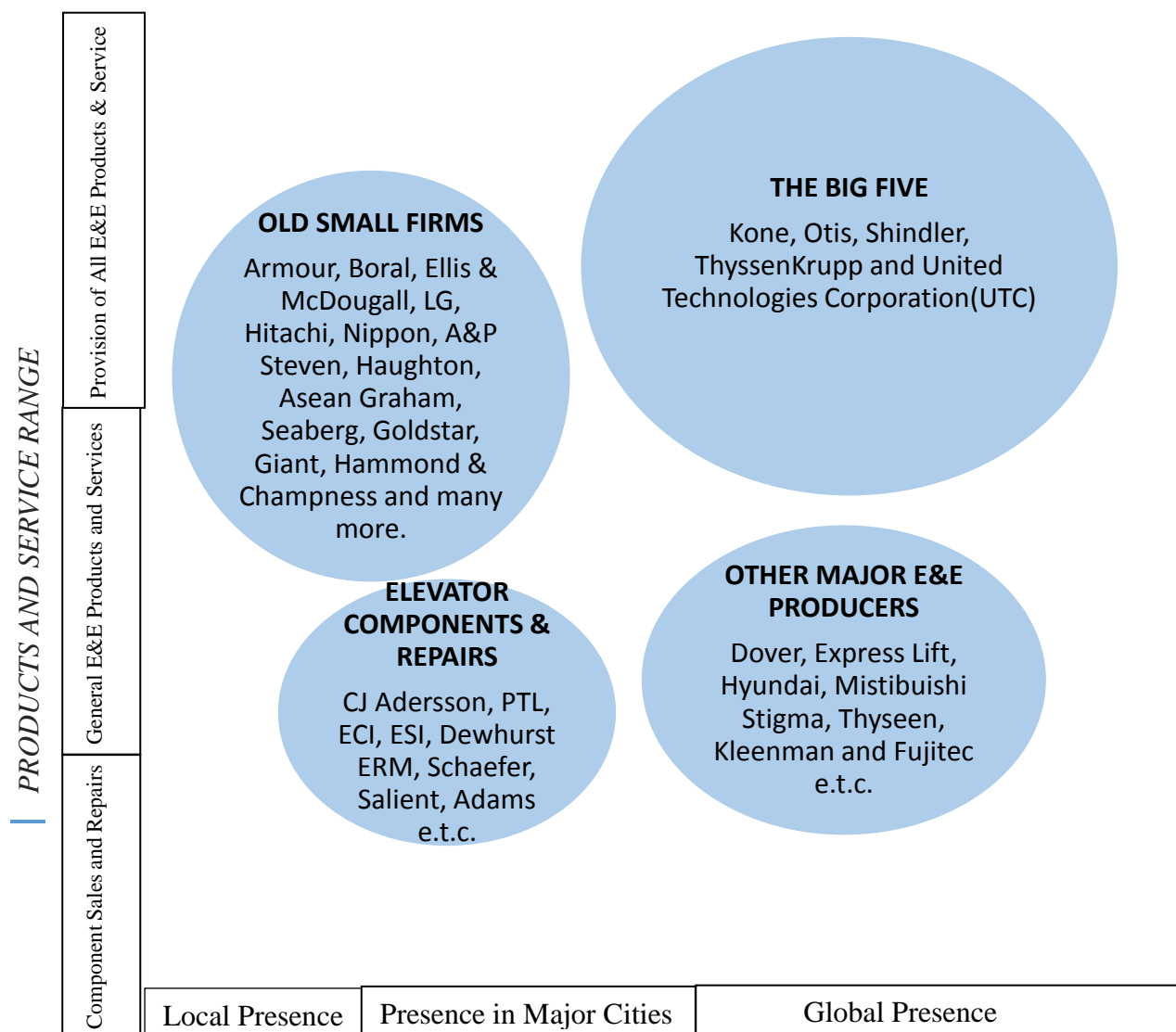


FIGURE 3. Major E&E Operators and their geographical presence (AEK Consultants 2016).

As revealed, the world largest of all the elevators and escalators providers is Otis Group. The firm itself is subsidiary of United Technologies. The company happened to provides no less than one fifth of its parent company sales. Otis has presence at least in 200 countries across the globe. Though it based in the United States. But its business outlets reaches almost all region in the world. It services ranging from installation, maintenance, E&Es upgrading service. Production of gearless and energy efficient elevators which has 75 percent energy reduction capacity is another area where the company has achieved proven strength. However, it is noteworthy that only 20 percent of the Otis total sale generated in its local market. The largest sum of its sale are accrued from sales across other geographical market (Prkonceptanalytics 2013.)

According to Statista 2017, Otis as the world's largest producer of vertical transportation systems has huge net sales in the tune of 12.44 Billion USD. The estimates however, represent the company's net sales for fiscal year between 2009 and 2016. Furthermore, Otis Global Major Projects Group manages large and complex projects around the world. Its team has proven experience in service provision of iconic high rise buildings. The group handle project execution, deployment of resources, optimization and many others. The Otis High Rise Contract and Logistics is another key Unit. It is the firm center of excellence where high rise project management and support is managed. The Unit alone has well over 100 seasoned and experienced multinational team.

Schindler is another factor in the E&Es business. The company occupies the second position in the industry. It known to be topmost in terms of volume and sales most particularly in escalators manufacturing. But takes second position and next to Otis in the manufacturing area of elevators. Its products and services target majorly the high rise, mid and low buildings. Other transporting equipment's such as walkaway are also part of the company focus. The company enjoys sizeable market hold in United States. Its customers not limited to but includes Government, Construction firms and Estate Consultant. Some of its products can be found in White House and the Pentagon. The company manufactures modern elevators, escalators and moving walk away of different nature. It also specializes in installation and servicing. The company uses advanced engineering tech, including mechanical and microprocessor technology in products designs. The company has no fewer than 1000 offices and presence in over 100 countries across the globe.

In the area of employees, the company seek to attracts, and as well acquires the very best of expertise across the regions in the world. The company ensures adequate supports for employees in term of training and retraining in the developmental of new skills and potentials. The company invest hugely in

developmental training of all employees across all functions. In fact Schindler created additional 1500 new positions at different units. At the end of 2016 Schindler has total more than 58 000 staffs. Schindler's focus on customers is also something very strategic. With its management in transit and mobile equipment's such as moving walks, escalators, elevators. The company provides new ways of installation, maintenance and advanced service support and solution. Such that it caters for not just the present but also future demands. Being one of expert in modern mobility equipment, Schindler pose to make a better and safer world. The quality oriented products are the key and cores of its principle. This provides reliability performance of products through its mobility solution system.

Schindler Strategy, on the other hand, supposedly designed to make use of huge opportunities offered by market where it leverages on capacities to achieve in the long run a substantial return on investment. The company have been growing considerably in recent years. It grows stronger and consistently with a relative increase in operating profit including revenue. Schindler make feasible progress in operational processes area. This not excluding its ability to achieve its specific global initiatives implementation goals. It is noteworthy, that new market for installation weakened in general in the year 2016. On this background, number of order received by the company rise at least by 4.1% to CHF 10374 million compare to what it obtained in previous year in tune of CHF 9967 million. (Schindler Review 2016.)

ThyssenKrupp Elevator is also famous and one of E&E provider. The company specializes in high quality passenger transportation system. It relies on technology intelligent and innovative solution. The firm have no fewer than 80 outlets and presence nearly in 150 countries. Besides the technical outlets, the company have over 900 sales and service centers across the globe. Just this year the company sale scale up to 7.5 billion in Euros. The firm's employee's workforce is also very huge as company engage over 50,000 employees cutting across professional expertise. The company also focus on sales on ship building, marine tech, and plant tech including automobiles. (ThyssenKrupp, 2017.)

ThyssenKrupp as diversified group does not spare effort to embrace sustainable means approach to business. That answers the question of why the company adopts robotics intelligence. This is done to assure safety and in compliance to human right resource efficiency. ThyssenKrupp corporate strategy and core business revolves around more sustainable approach to human transportation system. It combines engineering expertise and technological competence to business. This aim at providing sustainable better way of transporting human, and goods. The firm therefore adopts a management process based on 360 degree value chain viewpoint. Just recently spending on research and development grows significantly.

In fact, research and development intensifies up to 2.5% of sales. This excludes trading and distribution businesses.

ThyssenKrupp environmental care is somewhat important as the firm leverage on energy efficient potentials. The group operating units is tasked with monitoring and compliance processes. The target is to increase energy efficiency sustainably by 3.5 TWh by year 2019 to 2020 as compared with previous fiscal years. Thus the operational environment and energy management can be improved. The implementation of ISO 50001 energy management systems and ISO 14001 environmental systems is adopted by end of 2020. (ThyssenKrupp, 2017.)

3.4.4 Kone Group Value Chain

This section examined the company's value chain as it emphasizes both primary and supportive activities. Apparently, Kone Group value chain is based on five developmental segments. It is however referred to as "Must Win Battle Area". These developments segments are briefly discussed hereunder.

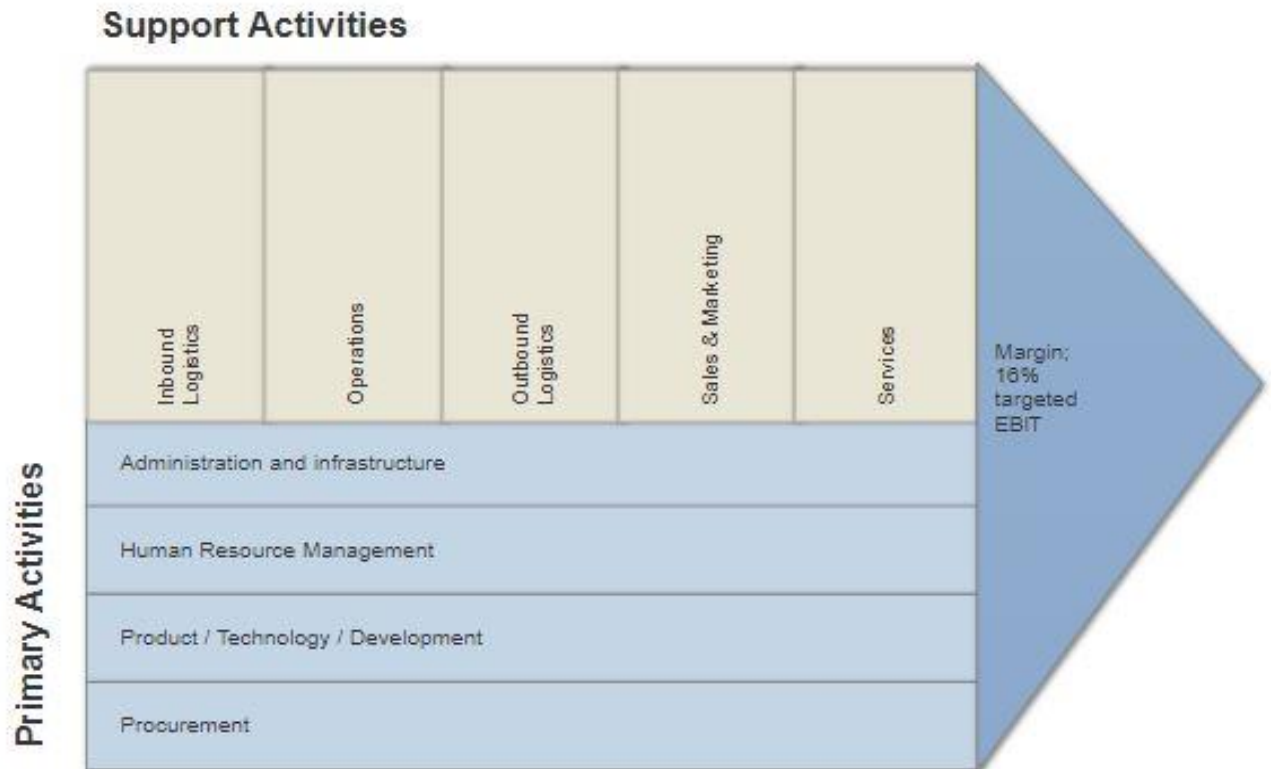


FIGURE 4. Kone Oyj's Value Chain. (AEK Consultant 2016.)

Customer Experience: In this segment, the company adopts best practice interaction engineered towards putting customers first. Under this section, the company engage their customers being one of stakeholder in the business. This is carried out such that the company gained understanding of their respective needs. The practices has been seamlessly proven useful. Employee engagement is the perhaps the second approach. At this section, the company seeks to provide an environment that support development and skills improvement of all employees. Therefore the company leadership is based on inspiring innovative empowerment. It follows by another important segment, Innovative solution for people flow. Under the section, provision of eco-friendly innovative designs with engineering technology is in practice. Service leadership is quite another. Where equipment lifecycle enhancement is assured through proficient expertise. And thus helping the company to proffer quality based performance. And last, is the delivery chain excellence wherein cost effective management from supply, delivery even at installation is managed. This evidently very sensitive so as to ascertain the company runs at very possible least cost.

It is noteworthy, Kone leverage on outsourcing approach in such manner that almost all the components are cater for by 3PL. In fact, nearly 80% of all the components system supplies is sourced from supplying agent all around the world. Though the supplies is fragmental in nature. But the company works very closely with these suppliers to enable quality assurance. The company takes upon itself the potential material increase if at any point in time unstated in the given contract. The process is evidently viable as most factories are catered for by the suppliers in same countries. This is aim at stimulating distribution and delivery channel as well as logistic efficiency improvement. Besides issue of standardization in the company held is with utmost care. For this reason the company's core product are highly standardized. Though this depends on vertical purpose it serves.

The tenet of standardization helps Kone in the achievement of economic of scale. Core products nonetheless remain enjoys similarities throughout the regional markets. Besides uniqueness of the products in all market. This process gives great advantage to the company as it becomes a low cost producer with respect business volume. Also, the company assembly is streamlined to ensure lean operation. Due to this just 9% of their employees given task at in the assembly line. This therefore supports managing small manufacturing facilities. Interestingly, Otis as a great top player in the business of elevators and escalators is currently seeking to emulate this strategy. In a bid to assure a standard inclined design for verticals projects. It is assume this process has capability of attaining customer perspective.

4 KONE STRATEGY INTERNATIONALIZATION

Internationalization is evidently a huge and complex process to come by. Because it required a great deal of work by the prospective companies. It also includes research investment in different area of interest as this gives headway for internationalization process. In actual sense, the process involves number of huge risks, the potential companies therefore need to hold a strong reason for considering this huge strategic decision (Grunig & Morschett 2012, 27.) In other words, considering internalizing is not just a process but a needful decision at a given point in time in business lifecycle. This suggest that potential company must have reach a point where expansion and internalizing operation is necessary. Having consider the level of success and market position in local environment.

For the past few decades, internationalizing a firm's strategy has been front burner issue. This means companies have to chart a way to make an existing strategies works internationally. Such that it helps cope with consistence competition in other market other than the company's local market. In reality, enterprise internationalization strategy is defined by the choices and processes companies deploy so as to switch from local operation to global operation systems. Corporation internationalization process is the art of connecting, integrating to international business and economic practice. Thus, corporation process of internationalization ought to be examined. This includes components which influence the formulation of the process as well as likely results of internationalization. Practically, the outcome however changes the manner by which an enterprise metamorphosed from small entity to large ones. This involves inter alia the company operational process and value chain from being a domestic to international. Jin & Duan (2011.)

According Kotapati, ways by which companies internationalize their business is not limited to just a reasons. Patently, there are numbers of approaches employed for expansion, or put simply a market entry. Though this approaches by every means depend largely on their respective reason for entry. It can be otherwise argued that no single approach of entry may be effective. In fact, major reason that prompt entry for companies differs. This includes tariffs rate, transportation cost, marketing cost and product adaptation to mention few. So what is a good reason for a particular company may not be of good to others. Against these backdrop, most companies identifies best market entry strategies suitable for their business while making choice of approach. This research therefore hereunder discussed few approached companies are likely to use as far as internationalization is concerned.

4.1 Research Interview

The section describes the findings of the interview conducted. The representative of Kone Oyj were interviewed where numerous questions were responded to by the representative as the respondent. These questions were tailored towards the company's manner of strategy. The questions include but not limited to "What are the strategic approaches adopted? What are those factors that make KONE strategy unique? How does Kone Oyj aim to strengthen its competitive strategies?"

The findings revealed at least three techniques adopted by Kone Oyj in the area of internationalization. These strategies are comprehensively discussed under each of the subheadings below.

4.2 OEM Strategy

The acronym here simply means Original Equipment Manufacturer. While the approach itself suggests the potential firm make use of its resources and equipment for manufacturing, and for other companies' products. By the means, the firm then introduced their products into the global market via other firm's distribution channels. It is no doubt that given company stands to benefit more opportunities if this kind of approach is in force. When considering internationalizing at KONE, the company's new equipment and competitive landscape need to be assessed. On that premise, the company holds a consolidated and handful of OEMs globally. Apart from the former, the company also maintains strong OEMs in the local market. As for the service of which the company categorized into two classes, maintenance and modernization. As for Kone Maintenance Unit, OEMs are fragmental in nature. Under the unit, OEMs are not just fragmented. But has a significant market share with many small to mid-sized local players around the world. On the other hand, both OEMs and smaller firms enjoy good market shares in the area of modernization. It is noteworthy that KONE as of the year 2015 has the largest OEMs in the E&E industry.

4.3 Direct Exporting

Exporting as a means of entry strategy can be divided into two classifications; direct and indirect. Direct approach is an entry strategy whereby companies sell its products directly into given markets aiming at penetrating into the market. This portends the firm commit directly into international market. This may be very expensive and involves some level of risks. Though the company will have the ability to manage its

brand and operation in the new market depending if it scale through. This may be difficult to achieve under indirect approach. Unlike the former, indirect approach suggest adoption of agent in local market through whom their products is to be introduced and promoted in the new market. A typical example of Kone direct exporting into new market was that of Hong Kong's Express Rail link project in 2015. The exporting approach was ostensibly direct.

Though, the project was carried out in collaboration with MTR Corporation. In that project alone, Kone Corporation supplied more than 130 elevators and dumbwaiters. With this project, it indicated that is managing smooth flow of no fewer than 90,000 users' everyday only at the station terminus. This project is facilitated by Kone Oyj Asian Pacific Area office. Based on the foregoing it is assume the company have been using direct entry strategies at least in this market.

4.4 Investment or Acquisition Strategy

This type of strategy premise on the idea of taking advantage of potential capital investment feasible in the market. This in practical sense take form of mergers and acquisition. Definitely, using this approach makes initiating company to attain a stronger strength thereby controlling market forces. Thus benefiting from global competitiveness capability. The company under investigation, more often than not, appears to use this approach. It is revealed that Kone Corporation has been using this method for decades. The company first acquisition was done actually in 1968 when the company acquired Asean Graham business. A few years afterwards, numerous acquisition were also carried out giving the company a redefine market positioning. One of which is buyout of Sabiem Elevators Pty of South Africa. Also in 2004 Kone Corporation acquired one of leading engineering company in India. A front-line elevator business called Bharat Bjilee BBL.

In addition, Kone Corporation attain a new feat in February 2010. When it acquired a Spanish elevator firm, ASBA Mantenimientos S.L. The said acquisition further strengthen its business engagement in Spain. It also helped the company to improve and extends the maintenance and modernization operation to Catalonia area. In June same year, acquisition of Reliant Elevator Company being the largest independent E&E firm in Oregon, United State were also sealed. The acquisition suggested Kone Corporation gained a leading and strong position in elevator business in the state of Oregon. The most recent acquisition achieved by the company happened in January 2011. Where Kone Corporation acquired escalator and elevators business of CNIM of Canada. This does not limited to but includes all the firm's

maintenance contracts. With this alone, over 1200 escalators and elevators is maintained in Ottawa, Toronto and Montreal Metropolis by Kone Corporation. Kone Corporation 2017.

4.5 Kone SWOT Analysis

The figure below represents the Kone Oyj Swot analysis as revealed among others, the company area of strength. It however shown number of steps adopted in the past few years to further strengthen the company's operation and core competencies. For instance, alliance with Toshiba is one, while leveraging on strong brand and market leadership is quite another. The weakness of the company is also highlighted. This includes relying on Europe for large sum of its sale. Potential opportunities that may be exploited by the company in various market of interest were also discussed. The company's threat is also examined, one of which is product cannibalization. Further explanation on the analysis is discussed below under different subheading.

Strength <ul style="list-style-type: none"> ✚ Alliance with Toshiba ✚ Strong Brand/ Market leadership ✚ Reputation ✚ Vast Resources ✚ Strong acquisition Strategy 	Weakness <ul style="list-style-type: none"> ✚ Exchanging Rate Fluctuation ✚ Reliance on Europe ✚ Website undetailed information
Opportunities <ul style="list-style-type: none"> ✚ Strong growth in Asia and Australia ✚ Strong and R&D Operation ✚ Acquisition Potentiality 	Threats <ul style="list-style-type: none"> ✚ Declining United State Market ✚ Strong Competition ✚ Product Cannibalization ✚ Varying Government regulation

FIGURE 5. Kone Oyj Swot Analysis.

4.5.1 Strength

It is shown over time that Kone alliance with Toshiba help created a huge strength. As a result Kone growth in Asian region experiences continuous increase. The collaboration further strengthens Kone business interest in Asian Market. Apparently, it helps the company in the area of cost reduction via joint research and developments project. The company has been benefiting a great deal from this agreement. Another factor that contributes to the strength is the company capability to manage vast resources across all region. With the techniques economies of scale is attained, and on the contrary it helps raise barrier to entry. Thus, minimizing competitive threat.

Noticeably, well trained expertise and employees at Kone managing research and development unit are also a factor. Because they always strive to keep the company on top of the business game. In fact, the company strong brand is de facto a core capability that cannot be underestimated. This enable Kone to enjoy a market leading position and of course an increasing level of competitiveness. Strategy of acquisition has also been a beneficial to Kone Corporation. It appears the company hold a strong belief in leveraging on takeover potentials anytime opportunity present itself. Owing to this, the company acquired over 20 companies not only in Asia but across the globe in less than 15 years. It is assume it is done to further strengthen the corporation business.

4.5.2 Opportunities

It is not untrue, Kone Corporation have a sizeable opportunity in many market across the globe. In fact, the company order receive in the area of E&E has been on the high side most particularly in the Asia-Pacific region. It is important to state unequivocally that this market does have its level of competitiveness. But the company was able to break the hurdles and therefore create a stable business interest. It is logical to state that Kone Corporation should handle these growth with utmost carefulness as the relative stagnation in most developed market show a slight upward slope. And that portend a great opportunities for all elevator and escalators manufactures and vendors with no exclusion of Kone. Though, it may attracts stiff competition to which Kone may enjoy a substantial advantage due to its market positioning and level of its investment in Research and Development. It is observed the company strong and vast resources continuously supports development of innovative new technologies.

4.5.3 Weakness

Fluctuating exchange rates is clearly a bothersome factor that affect the company prospect in most market. Just like it could affect any prospective company. Though, this can be very obvious particularly in developing market where the company has operation presence. A typical example is that of Asian markets. Lack of detailed information as to product price is considered a weakness. The company website only entails description for elevators and escalators. Whereas potential customers may want to obtain products price at a glimpse. However, reliance on Europe is somewhat a weakness. In no doubt, the corporation have a noticeable business interest almost every market across the globe. But relying on Europe for the substantial amount of it sales.

4.5.4 Threats

First of among all, is the declining nature of US market which is evidently threatening Kone interest. Over the years now, the market is undergoing a downward slope where the aftermath has attendance on the escalators and elevators business. Another threats, of course is the cannibalization of product. Undoubtedly, KONE Oyj has a strong research and development aiming at search for new innovations, technology. But unavailability of new markets is always a matter of problem. The major concern here is that new technological developments, far too often than not capable of eliminating sales accruing from other business areas. This practically pose a great threat. In addition, strong competition resulting from many of Kone competitor. These competitors are of course are equal size or bigger as well as resources and experience. The barriers to entry are relatively stiff. But it perhaps posing a danger to Kone Business. It is of course not safe to assume the situation is going to change when left unattended to. However, there is need for proactiveness in all facet of operation.

4.6 Kone Oyj Corporation-Porter's 5 forces Analysis

Threat of new entry- The issue of entrants into this industry is somewhat characterized low level of threat. Because there are fewer competitors in the market who has dictate of price. In other words, there are less global manufacturer with which the company competes in this market. One of which is Otis of United State. It is revealed that entry into this market requires huge capital investment. However, domination of market by these big manufacturers creates a great barrier to entry. The only perceived threat

are coming from the smaller companies that provides cheaper maintenance servicing. But despite that fact, there is an indication that most customer prefer quality and durable products compare to what smaller companies can offer. Therefore, these companies cohort cannot be considered as threat whatsoever.

Power of Supplier-Kone reliability and fair dealings with their suppliers are is very commendable. The company ensure all their suppliers complies with its supplier's code of conduct. Giving the fact that the company has no fewer than 20 suppliers across the regions. This of course gives the company a price dominance over them. It means supposing bargaining power of these stakeholders are relatively lower. In practice, Kone provides customers focus products, thus they however collaborate with their suppliers to ensure suppliers meet customers specification. Though the company source materials from local market in which it operates. But this is done in manner that does not jeopardizes the quality of products. It is assume the company usually bargain for possible reasonable price, given level of switching cost.

Power of buyers- There is relative high power of buyers noticeable in the market. Though this depends on number of factors one of which is economic wellness of market a point in time. For instance if a country experience economic boom, it is an indication that business cycle will reach peak phase. Thus economic activities rises and business sale increase therefore driving price upward. At this point, countries, government and building consultant will show interest in business. On the contrary, in a situation of economic instability there is tendency for low level business prospect. Another major factor that influences buyer's power is product lifecycle. In spite, low customers switching cost, but Kone innovative synergy may downplay the buyer power.

Competitive Rivalry-Competition between Kone and its competitor is somehow volatile. The company major competitors are Otis, Schindler and ThyssenKrupp. There are also smaller companies such as Dover, Hyundai, Fujitec, Sigma and Kleenman whose products by no means competing with Kone. The biggest among all is Otis being subsidiary of United Technologies group. The company operate in nearly 200 countries across the globe including Europe and Asian Pacific. As said earlier in page 19, the company known for profound record in the production of gearless elevators which has 75% energy consumption reduction.

Another major rival is Schindler Corporation. This company on the contrary focus majorly in high rise buildings. Vast majority of its project are found in US market particularly government projects and many

others. Unlike the former, it appears Kone is taking game beyond perceived limit. With takeover techniques, the company is competing very fairly. As of now, the Finnish elevator manufacturer remain the market leader in China market. Despite the tense market outlook the company still manage strategic financial position. And there are possibility that this favourable situation may remain unchanged over a time period. Nonetheless, propensity to maintain this position is contingent upon the company ability to retain existing customers. (Reuters 2017.)

Threat of Substitution- Kone is recognized across the markets for pioneering an eco-efficient elevators and escalators. Indisputably, the company occupied a forefront in innovative solution that support energy management. And from all indication, there seems to be less risk of substitute. Because only very few competitors can compete effectively in the area. Kone brainstorming new KONE EcoDisc hoisting machine is a great achievement, yet to surpass. In fact, the former is regarded more efficient compare to 2010 design release with which the company attained A-class energy efficiency ratings (VDI standard 4707). The company has limitless passion for energy efficiency innovation. Besides, an automatic LED lighting system is another unique feature with which the company's products is differentiated in the market. (Kone Corporation 2016.)

4.7 KONE Pestle

This study assume using Porter's PESTLE analysis will help assessed KONE strategy from different perspective. As the approach has proven very useful. Because it addresses among other things, major factors that has tendency of impacting the Kone Strategy in many ways. This includes the company political engagement in the markets of operation. KONE strategy can also be assessed from economic viewpoints, using this method. Talk less, assessing the company among other from technological and environmental viewpoint. It is of course, very apparent these component are relatively interrelated. Either in direct or indirect manners.

Hence, the relationship here is somehow comes with bothersome effect. In fact, the relationship between the two elements are of greater concerned. Not only to companies but also to government bodies and international institutions. In short, the company is here under assessed from social, technological, and legal standpoint. Above all, with the method, this study attempted to review the company from environmental perspective. The intent is to examine whether the company is doing the needful in the area of environmental protection.

4.7.1 Political

Just like any other corporation which seek to operate in many countries, and different markets across the world. Kone recognizes the varying regulatory and policies obtainable in different countries. The company always strive to ascertain their business schemes are not shortfall of government requirement. Different aspect of its business ensure a great compliance. In other words, Kone at all time seek to adapt to existing status quo. However, the company has nearly 450,000 customers spread all over the global regional markets. Though that figure does not represents customers in other facet of business. It is revealed this amount are mainly for customers in maintenance area of business. For instances, issues of import has to follow exclusively various HS-Codes and description put in place by different government. A typical example is that of ASEAN Harmonized tariff system.

4.7.2 Economical

Kone Corporation has been relatively scaling up its profit compare to its rivals. As revealed in the 2016 annual report made public few months ago. A substantial amount of economic achievement is noticeable. No less than 12 % of the company total sale represents amount accrued at least from modernization area. When compared with previous year, the figure represent 2% increase in that area alone. In fact, 40% of the total sales are from EMEA markets. Whereas the sale in previous fiscal year was slightly lower in comparison. Another economic success recorded by the corporation was 19% sales increase achieved in US market. We may say that achievement is owing to take-over agreements in state of Oregon and some other part of the market. Nonetheless, the Asian-Pacific region is a market where the company has been recently achieving an economic feat.

All in all, the sales totaled 8,784 in million Euros. Apparently, the company has high propensity to achieve more economically most especially in the Asian-Pacific markets. However, the reality in the markets may change slightly in the future given the strategic forces resulting from other big manufacturers. Though the company at this very moment appears to have competitive edge. But this does not suggest the situation will remain unchanged. Kone Oyj should therefore prepared for market fluctuation and strategic schemes resulting actualizing business by other big players. (Kone Annual Review 2016.)

4.7.3 Social

This is one key area that makes the elevators and escalators manufacturer including Kone Corporation. Considering the demographic nature of most developed nations including developing one. The demographic nature is directly contingent upon the kind of buildings suitable for such social environment. For decades, there are evidence of urbanization champion by most governments across the world. The assumption here is very clear as it boarder on certain perception. It could be simply asserted that, the aging the society the higher the propensity of urbanization. And if such circumstances is reached, certainly there will be high demands for elevators and escalators. It is of course, a favourable situation for E&E providers. It is perhaps becoming a norms that most new building project are most likely of high rise. Owing to this aforementioned, E&E markets may continually remain vertical in nature. For this reason, Kone production unit have to take cognizance of customers specification as characterized by various markets.

4.7.4 Technological

Unlike years before, issues of technological know-how is rapidly changing how company becomes strategic. It is more or less a thing of necessity particularly in escalators and elevators industry. With the level of advancement in technology, the new innovative brands are assume to enjoy fairly large patronage. A great example of new technology is inherent KONE Oyj Ecospace elevators most exclusively for low rise buildings. Another beautiful new technology is KONE Oyj Ecospace MRL Traction. Just in June 2016, a new KONE Monospace500 was also launched in United State to facilitate a better safer people's mobility. It is however developed with improvement to the previous products. It is observed that new innovation at Kone is a subject of time as the company at all cost improves ways of designs and features. Kone Ultra Rope is quite another technological end product, a new of its kind in the industry. The cable is carbon fiber with high friction coating which eliminates the need for floor transfers. This of course was designed to support ever growing high rise buildings projects. As far as the company is concern modernization does not limit the capability to engineer best possible safe equipment.

4.7.5 Legal

Given the varying atmosphere in which KONE Oyj operates across the globe. It is pertinent to state the company does operates within legal ambit. Since most markets have different laws and legal framework

guiding business including elevators and escalators manufactures and vendors. In reality, these laws may differs relatively from market to market. But all the provisions no matter the level of difference, all boils down to safety of people. Kone however aware of all the rudiments associated with dealings in these markets. Thus, a good elevators and escalators at Kone does not only entails quality but also passenger safety. It is ideal to argue that being in conformity with legal provisions may mean a business prospect. While the departure from that may affect business. Presumably, Kone as a company with a strong business ethics always strive to ensure compliance.

4.7.6 Environment

Apart from maximizes profit in business, taking cognizance of the business activities effect on immediate environment is quite a topical phenomenon. Because the effect of human activities is detrimental to nature. Let alone the manufacturing which in various ways has been contributing uncontrollably a huge environmental hazard. Some company are mindful of the manufacturing aftermath while some are care-free. For that reason, there are a lot of regulatory policies adopted by most developed nations to protect the environment. With this mechanism companies are charged with strict compliances. Against the backdrop, KONE Oyj as eco efficient organization is for best practices in this area. Just recently, Kone projects plant located in Finland is built in line with LEED platinum environment Certificate. This Platinum is of course the highest certification level in international renowned LEED environmental certification system. It means eco-efficient solutions were considered while constructing the building.

Besides the environmental efficient culture at KONE Oyj is perhaps second to none. We may say that is one of major reason that Kone is making a great achievement. The fact is that all Kone production are designed in line with Kone environmental policies. The policy is premised on developing sustainable, smart cities and of course carbon low communities. It is noteworthy, KONE Oyj is the first company to achieve the best A Class energy efficiency classification for elevator installation ISO 25745. Practicably, this are made possible through application of smart technology and green vehicle fleet to minimize emissions while maximizing efficiency simultaneously. Thus modernization at Kone evidently is a subject of environmental friendliness. Nonetheless, the company is known for range of high-tech solutions from retrofitting LED lights to a completely a new E&E with energy regeneration system.

5 CONCLUSION

The aim of this study sought to assess the logic of using strategy as effective for competition. It exclusively focus on a case study of KONE Oyj. The research however sought to review manner by which companies in the industry driven by market forces premises on competitive strategy. The research also addressed among other things, how KONE Oyj use strategy for competing with its perceived rivals in markets across regions. The technological adoptability at KONE Oyj in relation to elevators and escalators were also discussed. New innovative and modernization as integral part of Kone Oyj also reviewed. Most essentially, the capability of KONE Oyj to proffer an energy efficient and zero emission were discussed in the study. This research revealed that best possible and viable strategic production techniques does not ends at producing just a quality. But a headway in the industry is driven by ability to offer eco-friendly and less carbon emissions products with no compromise to quality and customers safety.

Further investigation revealed that elevators and escalators industry is vertical in nature. Whereas relative competition is evident among the top 5 competitors in the industry including KONE Oyj. This research further shown KONE Oyj is growing relatively in all markets most particularly in ASEAN-PACIFIC. It is revealed that markets is however polarized by ways of engagement. Apart from the fact that fairly larger amount of KONE Oyj sales are from Europe. This study shows substantial amount of KONE projects are carried out recently in Asean Pacific markets. While its immediate competitors OTIS Corporation, practically holding a stiff grip over larger market share in North America. It could be assumed that circumstances in United State market revolves around OTIS long customer's loyalty and retention over time. Interestingly, KONE Oyj to somewhat degree is also breaking a new ground in the said market. Most particularly with the take overs deal sealed in state of Oregon.

This study also discussed the extent to which the trends in the industry has been shaping how elevators and escalators vendors engages compare to immediate past. Replacement of hydraulic which was prevalent in the past, with eco-friendly and space saving machine called MRLs. This research revealed the cost of producing of MRL is as twice that of hydraulics. But the fact that it is more sustainable and efficient justifies the given price. Besides capability of this new machines to help stem energy consumption to at least 50-70 percent is a welcoming development in the industry. Even, before some its rivals KONE Oyj adapted swiftly to new trending designs as it reiterates the company ceaseless passion for energy efficiency. Consequently, the study revealed LEED certification could be attained provided MRL

is adopted in the construction of building. This study revealed a typical example LEED platinum certified buildings built by KONE in Finland.

All in all, it is very pertinent to state, KONE Oyj environmental approach is a great strategic approach in the industry. The company streamlined a policy mainly to combat an environment hazard resulting from manufacturing activities. This study revealed KONE Oyj environmental policy A Class certification ISO 25745 focuses on reduction of carbon footprint. With inclusion of durable improvement to energy and material efficiency such that water consumption is minimized including the volume of waste and hazardous elements. Investigation revealed KONE Oyj have been able to cut down carbon footprint between year 2008 and 2016. It further shows that relative to order received, over 60 percent carbon has been minimized. This includes scope 1 direct energy and cooling gases as well as scope 2 indirect electricity and district heat. (Kone Annual Review 2016.)

5.1 Recommendations

KONE should endeavor to remain innovative as it appears the industry's efficiency rest upon ability to provide inimitable technological equipment. Development of its core competencies towards engineering more future oriented products is necessary. Because there are great indication that trends in the market are likely to change in future. If the market is driven by technological innovative Research and Development, thus the need for sustainable innovative competencies will definitely be manufacturer's strength. Though the nature of products needed in various markets may differs somewhat, as the population structure of each markets is different.

KONE Oyj should also strengthened its marketing strategy in most market where the company business is yet to entrench. Such markets like Persian Gulf and Africa still needs penetration. The market strategy in United States market also needs to be reviewed such that the company can operates beyond break-even point. As revealed the smaller firms in the market appears not to pose a threat, but the major threats noted are from the dominant actor. It is no doubt, its major rival, OTIS dominates this market. But it is assume that marketing strategy like cost differentiation may help both in short and long term. Hence this may give KONE Oyj a great propensity to exploit potential opportunities in these markets.

5.2 Limitations

This research is limited by its scope of title as the major focuses is on KONE Oyj as a subject. Given the sensitivity of data in the area of investigation. Data relating to strategy are somehow regarded as classified which the company hold with utmost care. Major information therefore, sought for from secondary sources while the remaining part were primary. Since this study exclusively address KONE Oyj adopting innovation and acquisition strategy as a competitive instrument. This study cannot be said to be valid as the holistic strategy adopted by all companies for in the industry.

Therefore, it is recommended that further study should endeavors investigate how KONE Oyj could use OEM strategy among other, as a means of penetrating markets of interest in future. Other research can also extends study to other strategies capable of improving the company sales and profitability.

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Research Interview

The Logic of Business Strategy. A Case Study of Kone Group Strategy

Interview Questions

What is logic behind Kone Strategy?

What are the strategic approaches adopted?

Who are the immediate perceived competitors?

What are those factors that makes KONE strategy unique?

In what markets does KONE operates?

How does KONE key into new trends in the industry?

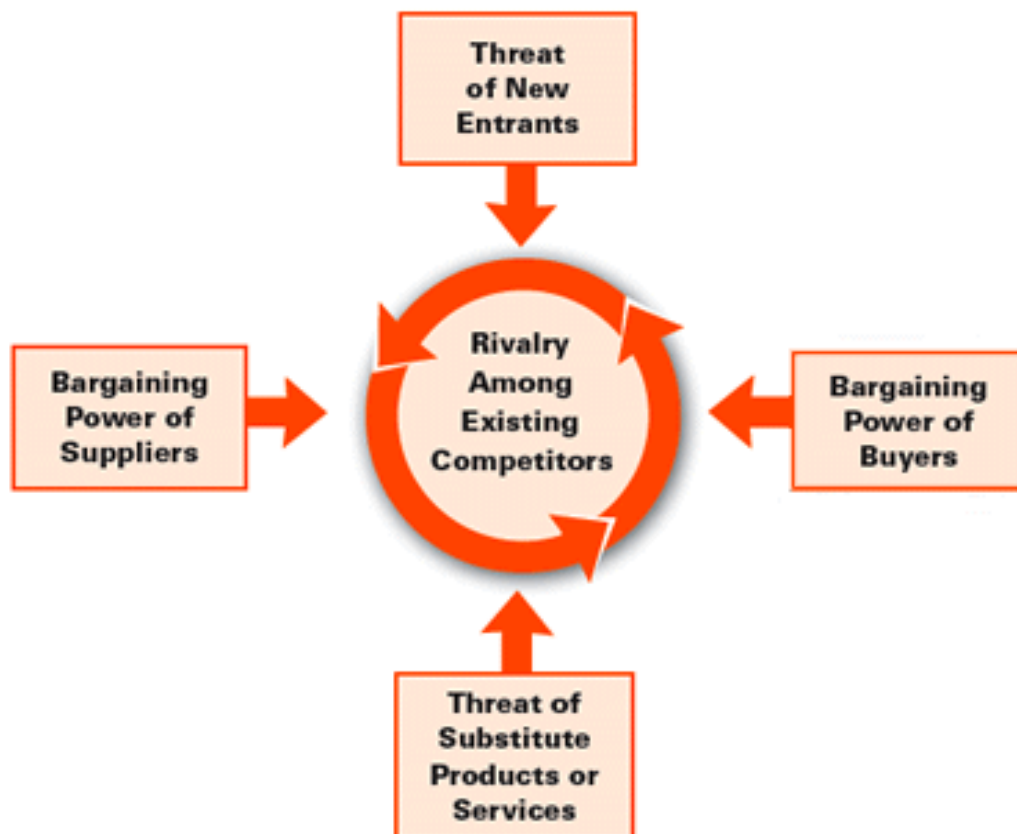
How important is innovative designs, research and development to KONE?

How does the company address environmental challenges?

What are the strategic challenges the company faces in most market?

How does KONE could strengthen its competitive strategies?

The Five Forces That Shape Industry Competition



from "The Five Competitive Forces That Shape Strategy" by
Michael E. Porter, *Harvard Business Review*, January 2008

Key figures

Sales by business



■ New equipment 55% (57%)
 ■ Maintenance 31% (31%)
 ■ Modernization 14% (12%)

1-12/2016 (1-12/2015)

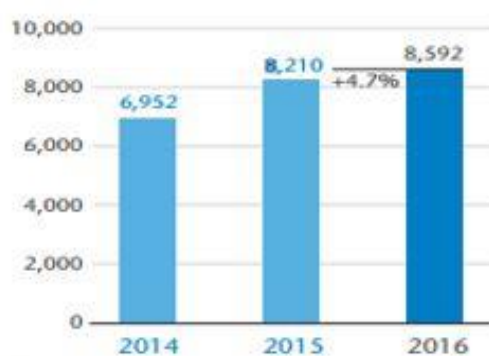
Sales by area



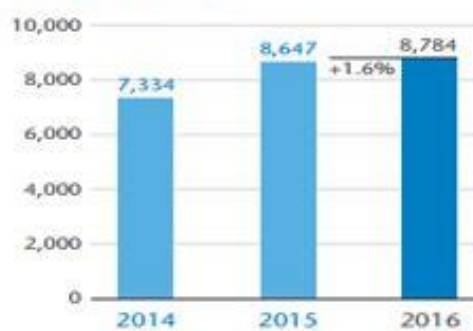
■ EMEA 40% (39%)
 ■ Americas 19% (17%)
 ■ Asia-Pacific 41% (44%)

1-12/2016 (1-12/2015)

Order book (MEUR)



Sales (MEUR)



Elevators and Escalators Strategic Group Analysis

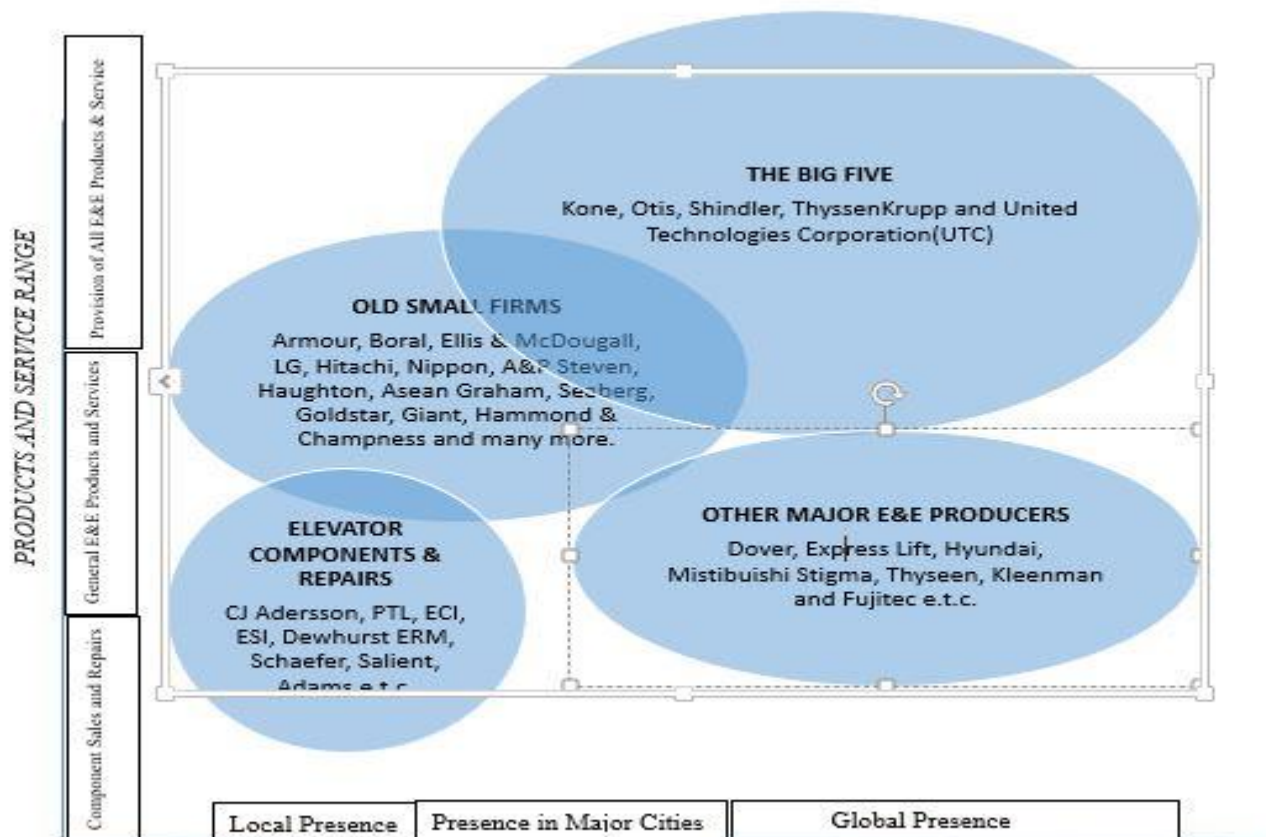
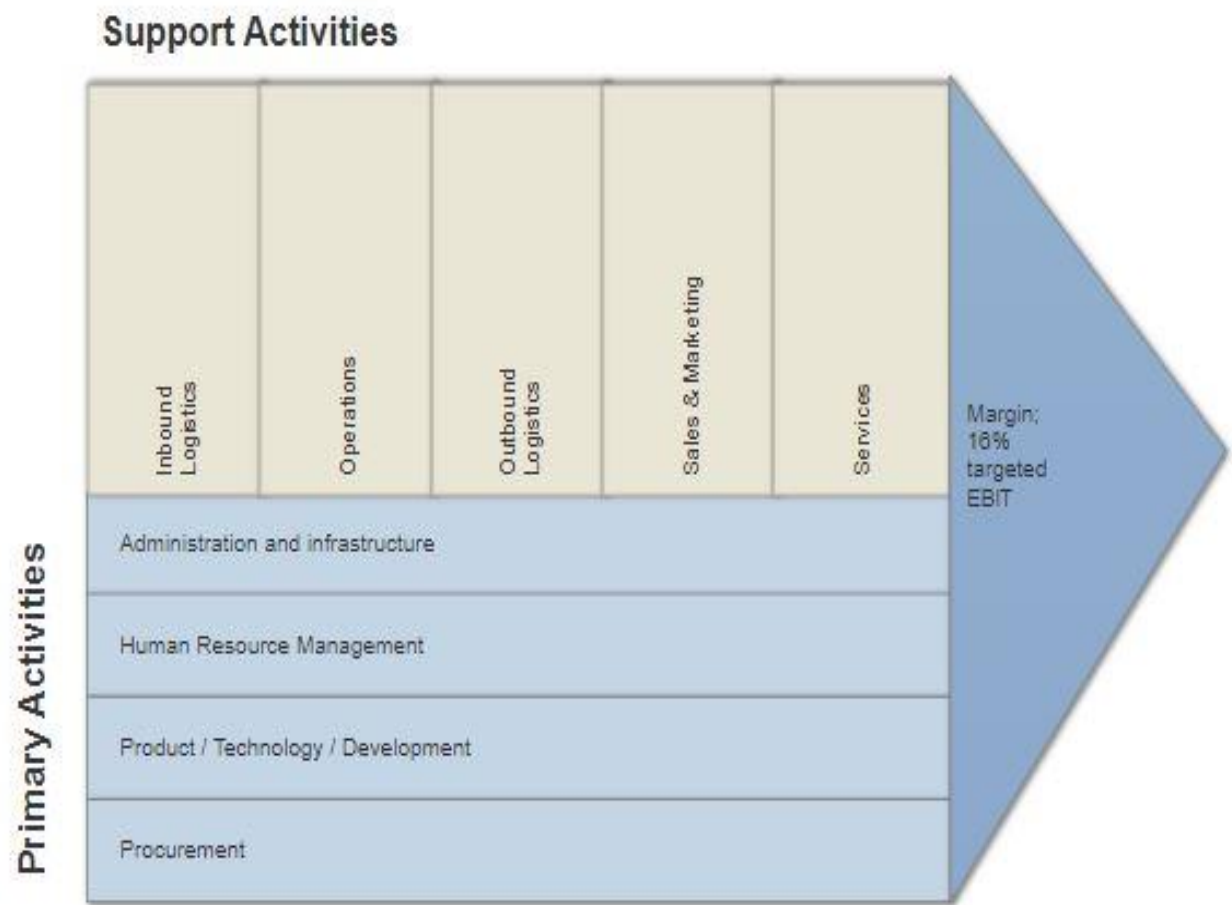


Figure 3. Major E&E Operators and their geographical presence (adapted from AEK Consultants)



Kone SWOT Analysis

<p>Strength</p> <ul style="list-style-type: none"> ✚ Alliance with Toshiba ✚ Strong Brand/ Market leadership ✚ Reputation ✚ Vast Resources ✚ Strong acquisition Strategy 	<p>Weakness</p> <ul style="list-style-type: none"> ✚ Exchanging Rate Fluctuation ✚ Reliance on Europe ✚ Website undetailed information
<p>Opportunities</p> <ul style="list-style-type: none"> ✚ Strong growth in Asia and Australia ✚ Strong and R&D Operation ✚ Acquisition Potentiality 	<p>Threats</p> <ul style="list-style-type: none"> ✚ Declining United State Market ✚ Strong Competition ✚ Product Cannibalization ✚ Varying Government regulation