



# Capabilities and competencies as a source of competitive advantage in a mature market

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### **Capabilities and competencies as a source of competitive advantage in a mature market**

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### **Abstract**

As the company strives for a new, mature market, it needs a competitive advantage to stand out and avoid price competition. The need for competitive advantage is even greater when the products are commodities and the company and product brands are not well-known. The competitive advantage must be sought from internal capabilities and competencies, from their ability to respond to the market demands innovatively. The strategic management process can map inner strengths and weaknesses as well as external opportunities and threats, which create the basis for strategic choices and defining competitive advantage.

The target of the study was to map the functionality of the strategic management process in the Case company, and the possibility of the company's capabilities and competencies serving as a source of competitive advantage. The capabilities and competencies were assessed against the resource-based view criteria for valuable (V), rare (R), inimitable (I), and non-substitutable (N) resources. The study also investigated the ability of the business-level mission to guide the development of the capabilities and competencies and the future state of the business. The qualitative research method and the Case study were chosen as the study approach. Empirical data was collected through interviews, focus groups, observation, and secondary data.

Based on the results, the strategic management process is functional, but there is a danger that the information obtained will remain a static snapshot. Attaching concrete actions to the identified development targets that make the model more dynamic is essential. The mission was perceived as unambitious and static. The study identified four capabilities and competencies critical to the Case company. Those were the environmental leadership, expertise, innovativeness, and brand-building know-how. Only skills related to environmental leadership fulfilled all the VRIN characteristics. The study found development targets for all four capabilities and competencies and where their ability to create a competitive advantage can be improved. It also became clear that the company's sources of competitive advantage are based on more than one capability or competence. It is a unique combination of values and actions, which is difficult to copy.

The research topic is an exciting approach for the industry in question to map its market situation and reflect the internal ability of the Case company to meet the needs of a mature market creatively and successfully. The research offers insights, development targets, and ideas for further research regarding individual capabilities and competencies, market areas, and competitors.

### **Keywords/tags (subjects)**

Competitive advantage, capabilities, competencies, strategic management process

### **Miscellaneous (Confidential information)**

Appendices 4, 6, 9, 10 and 11 are confidential and removed from the public thesis. The basis for secrecy is section 24(17) of the Act on the Openness of Government Activities (621/1999), a company's business or trade secret. The period of secrecy is five (5) years, the secrecy will end on 14 March 2028.

Laurén Tiina

## Yrityksen kyvyt ja osaamiset kilpailuedun lähteenä kypsillä markkinoilla

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### Tiivistelmä

Yrityksen pyrkiessä uuteen, kypsään markkinaan, se tarvitsee kilpailuedun, jolla erottua kilpailijoista ja välttää hintakilpailu. Kilpailuedun tarve on entistä suurempi, kun tuotteet ovat hyödykkeitä, jotka eivät erilaista yritystä kilpailijoista ja yritys- ja tuotebrändit eivät ole tunnettuja. Tällöin kilpailuetua on haettava sisäisistä kyvyistä ja osaamisista, niiden kyvyistä vastata uuden markkina-alueen vaatimuksiin innovatiivisesti. Strategista johtamisprosessia voidaan käyttää sisäisten vahvuuksien ja heikkouksien sekä ulkoisten mahdollisuuksien ja uhkien kartoittamiseen, mitkä luovat pohjan strategisille valinnoilla ja kilpailuedun määrittelylle.

Työn tavoite oli kartoittaa strategisen johtamisprosessin toimivuus Case yrityksen tapauksessa sekä yrityksen kykyjen ja osaamisten mahdollisuus toimia kilpailuedun lähteenä. Kykyjä ja osaamisia arvioitiin resurssipohjaisen teorian näkemyksiä vasten arvokkaista (V), harvinaisista (R), kopioimattomista (I) sekä korvaamattomista (N) resursseista. Työn tavoitteena oli lisäksi tutkia liiketoimintakohtaisen mission kykyä ohjata tarvittavien kykyjen ja osaamisten kehittämistä sekä mission kykyä määrittää tulevaisuuden tahtotila. Laadullinen tutkimusmenetelmä ja tarkemmin Case tutkimus valikoitui käytetyksi lähestymistavaksi. Empiirinen tieto kerättiin käyttäen haastattelua, fokusryhmiä, havainnointia ja sekundaarista dataa.

Tulosten perusteella strateginen johtamisprosessi on toimiva mutta vaarana on, että sillä saatu tieto jää staattiseksi tilannekuvaksi. Tämän välttämiseksi nähtiin, että tunnistettuihin kehityskohteisiin on oleellista liittää konkreettiset toimet, jotka tekevät mallista dynaamisemman. Liiketoimintakohtaisen mission koettiin olevan kunnianhimon ja staattinen. Tutkimuksessa tunnistettiin neljä Case yritykselle kriittistä kykyä ja osaamista. Nämä olivat ympäristöjohtajuus, asiantuntijuus, innovatiivisuus ja brändin rakentamisen osaaminen. Vain ympäristöjohtajuuteen liittyvät taidot täyttivät kaikki VRIN-ominaisuudet. Tutkimus tunnisti selkeitä kehityskohteita kaikille neljälle osa-alueelle, joilla niiden kykyä toimia kilpailuedun lähteenä voidaan kohentaa. Selkeästi tuli myös ilmi, ettei yrityksen kilpailuetu rakennu vain yhden kyvyn tai osaamisen vaaraan vaan se on yksilöllinen arvojen ja tekojen yhdistelmä, mitä on vaikea kopioida.

Tutkimusaihe on kyseiselle toimialalle mielenkiintoinen lähestymistapa kartoittaa sen markkinatilannetta ja peilata siinä toimivan yrityksen sisäistä kyvykkyyttä vastata kypsän markkinan tarpeisiin luovasti ja menestyksellisesti. Tutkimus tarjoaa näkemyksiä, kehityskohteita ja runsaasti ideoita lisätutkimukselle yksittäisten kykyjen ja osaamisten, eri markkina-alueiden ja kilpailijoiden osalta.

### Avainsanat (asiasanat)

Kilpailuetu, kyvyt, osaamiset, strateginen johtamisprosessi

### Muut tiedot (salassa pidettävät liitteet)

Liitteet 4, 6, 9, 10 ja 11 ovat salassa pidettäviä, ja ne on poistettu julkisesta työstä. Salassapidon peruste on Julkisuuslain 621/1999 24§, kohta 17, yrityksen liike- tai ammattisalaisuus. Salassapitoaika on viisi (5) vuotta, salassapito päättyy 14.3.2028.

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# 1 Introduction

The research is about finding the sources of competitive advantage for professional cleaning business in Sweden. Competitive advantage is the company's ability to seize the opportunities offered by the market and neutralize the threats they create better than average (Sigalas, 2015) while creating unique value for customers (Barney, 1991). A resource-based view examines a company's internal resources, capabilities, and competencies (Barney, 1991), while a market-position view connects it with its external environment (Porter, 1991). The research examines how combining two traditional, distinct sources of competitive advantage, resource-based view, and market position benefit defining the sources of competitive advantage in mature markets.

## 1.1 Background

The professional cleaning industry is a part of our daily lives. It has a comprehensive impact on the safety and comfort of our facilities in different areas of society (Suomen Siivoustekninen Liitto, n.d.). *The International Association for Soaps, Detergents and Maintenance products, A.I.S.E.* (2014) emphasizes the importance of professional cleaning for health and well-being and illustrates in Figure 1 the benefits of professional cleaning and what we expect from it.



Figure 1. The benefits of professional cleaning. (Adapted from A.I.S.E., 2014, p. 2)

Professional cleaning is present in all public facilities like schools, restaurants, hotels, offices, hospitals, not to mention different industries or commercial laundries (A.I.S.E. Brussels, 2015). Well done cleaning extends the life cycle of the facilities, helps maintain their value, and enables the

basic functions of society (Suomen Siivoustekninen Liitto, n.d.). However, the cleaning industry has suffered invisibility and a lack of appreciation, but the covid-19 pandemic changed this. The cleaning industry offered the methods for countries and businesses to re-open and stay open. *The European Cleaning and Facility Industry, EFCI (2021)*, covers cleaning and facility services sectors in Europe, has grown steadily over the past couple of decades, employing 4.2 million people in 2018 and generating a turnover of 129.7 billion euro. Although the pandemic highlighted the undeniable importance of the cleaning industry to society, it caused a decline in the number of employees and turnover through widespread public and private lockdowns (EFCI, 2021).

But lockdowns did not negatively affect the overall use of professional cleaning and hygiene detergents at the EU level. *The International Association for Soaps, Detergents and Maintenance products, A.I.S.E. (2021a)* reported that the turnover of professional cleaning and disinfectant products grew by almost 23% to reach 8.8 billion euro in 2020 (7.8 billion euro in 2019). The growth concentrated in the healthcare sector and disinfectant products; meanwhile, the lockdowns negatively affected the cleaning products and services used in the building care (offices, hotels, airports), kitchen and catering services, and professional laundry (A.I.S.E., 2021a). The cleaning industry has been a very traditional and slowly changing industry, but in recent years, new types of methods, products, and services (Interclean, 2021) and the digitalization and robotics of cleaning have begun to emerge (Palvelualojen ammattiliitto, 2020; Interclean, 2021). A.I.S.E. (2021b) supports the industry's involvement in the circular economy and sustainable development, which provides an easy way for the industry's customers to participate in this development. In practice, this means bio-based raw materials in cleaning chemicals instead of fossil fuels based and packaging made of recycled plastic instead of virgin plastic (A.I.S.E., 2021b).

At the same time, strict tendering policies, especially in the public sector, often limit the profits and the willingness of companies providing cleaning services to invest and experiment (Palvelualojen ammattiliitto, 2020). The barriers to entry in the cleaning service industry are relatively low; there is no requirement for high capital investments or formal education. The result is an intensive competition. The European Cleaning and Facility Industry, EFCI (2021) reported that in the European cleaning industry operated nearly 300,000 companies in 2018 that offered cleaning and facility services. Correspondingly, the International Association for Soaps, Detergents and Maintenance products, A.I.S.E. (2021b) represents the network of over 450 companies that manufacture detergents and maintenance products for the professional cleaning industry in Europe. 85 % of

these are small and medium sizes companies, but there are also some global players. In Sweden, 27 companies are part of A.I.S.E. (2021b) network, and all together there is around 40 competitors for Case Company (Cupole, 2019). Due to the fragmented end-customer market and the consolidation development among resellers, price pressure is high in Sweden (Cupole, 2019). These things make the industry a challenging place for the companies involved to succeed. They need to find a way to differentiate and to be winners in a tough competition. This thesis examines the professional cleaning industry from the point of view of the cleaning detergent manufacturer.

## **1.2 Motivation of the Research**

### ***Industry perspective***

Against the background, it can be concluded that the market of professional cleaning detergents is mature and growing only slightly (Cupole, 2019). To be profitable and thriving in this industry, companies need a carefully chosen strategy (Barney & Helstrey, 2019, p. 27), a winning attitude (Lafley & Martin, 2013, p. 20), and what is most relevant a distinctive competitive advantage (Porter, 1996). The Swedish market operates over 40 local and international players, some with powerful brands (Cupole, 2019). The field is challenged with the current trends to use fewer detergents and cleaning products due to the emergence of new technology and the development of new surface materials that require less cleaning agents. Eco-labelled products are an essential requirement, and the next step is to make eco-friendly solutions further along the path indicated by A.I.S.E.

Additionally, resellers are strong players. They often operate nationwide, and in some cases, they are international firms that cover several markets. Cupole (2019) found that retailers strive to stand out by offering superior distribution, a wide range of products, and services and training for their customer's cleaning staff. To respond to price pressures in the industry and improve margins, retailers have focused and launched their own brands (Cupole, 2019). The conclusion is that the power of buyers, resellers (Porter, 2008) is substantial. A traditional detergent company must find a competitive advantage that appeals to both resellers and end-users to stand out and succeed.

### ***Company perspective***

Case Company is a family-owned, large company that operates in ten countries in Northern Europe. During the last few years, the company has grown rapidly through acquisitions and organic

growth. The business has changed to be more complex than earlier. To make the strategy more approachable company's management introduced a new strategy, which emphasizes a winning attitude and the need for trade-offs. The corporate-level strategy guides all the company's markets and industry segments to gain a competitive advantage. However, the company operates in many industries that differ from each other, so it is valuable to explore business-level strategies and competitive advantages in more depth. This research aims to help to gain a deeper understanding of capabilities and competencies needed to create a competitive advantage in the specific business segment and market position within the framework of a corporate-level strategy.

Sweden was selected as the target country because the Case Company has the most significant potential to grow in professional cleaning segment in there. In the spring of 2019, the company made an acquisition in Scandinavia, which resulted an organization in Sweden. However, professional cleaning was a new segment for this organization, and the covid-19 caused challenges to start a new kind of business. Case Company is still a relatively small player in this market segment, even though there have been exports to Sweden before the acquisition. On the other hand, in Finland, the company has a long history, strong brand, and it is the market leader in the professional cleaning segment. This background creates a situation where the business-level strategy can mean different things for these two markets, and there is a need to investigate the Swedish market separately. The results of this thesis can be utilized as the Case Company grows into new markets in the future.

### ***Personal perspective***

The researcher of the thesis is part of the international Solutions Management - team in Case Company. The team target is to create value for the customers and the company and profitable growth. Case Company operates in the field of hygiene in many different customer segments that differ significantly in the products they use and their methods of operation. The author works as a Solutions Manager for the Professional Cleaning and Textile Wash segments represented in all markets where Case Company operates. The researcher's interest in this topic arises from her work. It is her responsibility to identify the needs of the markets together with local sales organizations and, based on that information, create profitable solutions for the sales to introduce to customers. The researcher also wants to develop her strategic understanding of creating a competitive advantage and finding tools that can be applied in the future as Case Company moves to new markets.

### 1.3 Research Questions and Theses Structure

As described above, there is fierce competition for market share and profitability in the professional cleaning industry. There are plenty of competitors, the market is mature, and this creates high price pressure. Retailers are strong players, and the end customer field is fragmented. Case Company has been exporting to Sweden for several years and switched to operating on a subsidiary basis about three years ago but is still a relatively small player. The change from exports to the subsidiary's business model changed the operation and profitability structure. The Case Company has chosen a differentiation strategy because cost leadership is not available for it. Differentiation requires the ability to stand out from competitors with a different competitive advantage, and this demands unique competencies, capabilities, and position in the marketplace.

Covid-19 made it difficult for the new organization to integrate into the professional cleaning business in Sweden. A small and relatively new player must be able to stand out and offer a range of products and services, which will create value for resellers and end customers. The current opportunities and threats created by the environment must be identified and reflected in the company's capabilities and competencies. As well as identifying the opportunity to place a company in the market so that it stands out from the competition. In a high-competitive market, this is not an easy task. This thesis responds to the challenge by addressing the following two research question:

- **How does the strategic management process facilitate the identification of the sources of competitive advantage?**
- **How do the capabilities and competencies with the desired differentiation strategy contribute to creating a competitive advantage?**

To answer these research questions, the researcher will use a qualitative research approach. The primary data is collected in the focus groups and thematic interviews internally at the Case Company, as well as through the researcher's own observation from customer visits. The study utilizes secondary data such as market and distributor studies commissioned by Case Company. By analyzing data collected from different sources, the thesis aims to find the company's internal competencies and capabilities that correlate strongly with the needs of the Swedish market. Furthermore, if it is possible to achieve synergies by combining Case Company's competencies, capabilities, products, and services, which are value-creating for customers and difficult for competitors to copy.

**The structure of the thesis** follows the traditional scientific structure of the thesis. It includes three sections. **The first section** covers the cover page, abstracts, content, list of figures, and tables. **The second section** starts with an *introduction* in chapter 1. Chapter 2 is *a literature review* that represents relevant concepts for the research, explores different competitive advantage sources, and introduces the theoretical framework for the research. Chapter 3 deals with *the methodology* that includes the research approach and context and describes how the data was collected and analysed. The chapter also includes a description of the data verification. Chapter 4 presents the *results* of an empirical study. The final chapter in the section is chapter 5, the *discussion* that analyses the research overall. **The third section** consists of references and appendices.

## 2 Literature Review

Chapter two begins by laying out the theoretical dimensions of the research. The literature review is divided into the following sections. The elements of the strategic management process are discussed in Section 2.1, which facilitate the company in determining the market-specific required capabilities and competencies and internal state of firm-specific capabilities and competencies. Section 2.2 defines the terms of capabilities and competencies and their role in the pursuit of competitive advantage. Section 2.3 presents the various sources of competitive advantage and its sustainability. Finally, section 2.4 concludes the literature review and presents the theoretical framework for the empirical research.

The literature review aims to define the theoretical framework for conducting the empirical part of the research. In more detail, the theoretical framework is the map of how to do the research and how to answer the research questions. The literature review needs to be collected systematically to form this map that enables comprehensive and transparent search. The researcher searched literature using keywords like; competitive advantage, sustainable and temporary competitive advantage, the sources of competitive advantage, resource-based view, VRIN, capabilities, dynamic capabilities, competencies, strategic management process, strategic analysis (internal and external), SWOT, and general strategies. The selected theories are widely used, discussed, and cited in scientific literature, and there can be seen an explicit integration and focus between keywords, research topic, and research questions. The researcher used different databases like ProQuest, Business Source Elite, ResearchGate, Theseus, Janet, Google Scholar, Academia, Emerald, Ebsco, and SSRN. The systematic literature review was conducted in October

and November in 2021, and it covered theories widely to gain a deep understanding of selected topics.

## **2.1 The Strategic Management Process**

There are several different definitions of strategy. It is said to be a plan, pattern, position, perspective, and ploy (Mintzberg et al., 1998), Porter (1996, p. 68) stated that “Strategy is the creation of a unique and valuable position, involving a different set of activities.” and the strategy is a theory how to gain competitive advantage (Barney & Hesterly, 2019, p.26). Porter (1991) connected the questions of how firms differ, behave, choose strategies, and organize their management closely to the success or failure of the firm.

Porter (2008) listed five forces in 1980, which define the industry’s structure that determines the industry’s profitability in the medium and long run. These five forces are rivalry among existing competitors, the threat of new entrants, the power of suppliers and customers, and the threat of substitute products or services. Porter (2008) saw that the company must protect against these forces and shape them for its favor when it wants to succeed in its strategy and gain a sustainable competitive advantage. However, the view has received criticism since it handles the topic merely at the industry level than at the firm level. The industry structure largely determinates the strategic possibilities to firms and the competitive rules in the field and does not give much attention to firm-specific assets (Teece et al., 1997). Additionally, Barney (1991) challenged the five forces model that observed mainly external opportunities and threats than the firm’s internal resources. He concluded that companies inside the industry are heterogeneous, and the resources are not perfectly mobile between firms, enabling sustainable advantage creation (Barney, 1991).

Another criticism of the theories mentioned above is that conditions are perceived as pretty stable. D’aveni et al. (2010) argued that the environments evolve to be more dynamic due to exogenous and endogenous changes, and in some fields, one can talk about high-velocity environments. A strategy could be more as dynamic maneuvering than a stable position and advantages temporary (D’aveni et al., 2010). There are several different interpretations of the strategy and competitive advantage and what factors influence that. Changing environment, industry, competition, firms’ resources, and assets, among other things, pose a challenge to the

strategist. Barney & Hesterly (2019, p.27) propose using the strategic management process when formulating a strategy to facilitate the process. Figure 2 shows the elements of this approach.

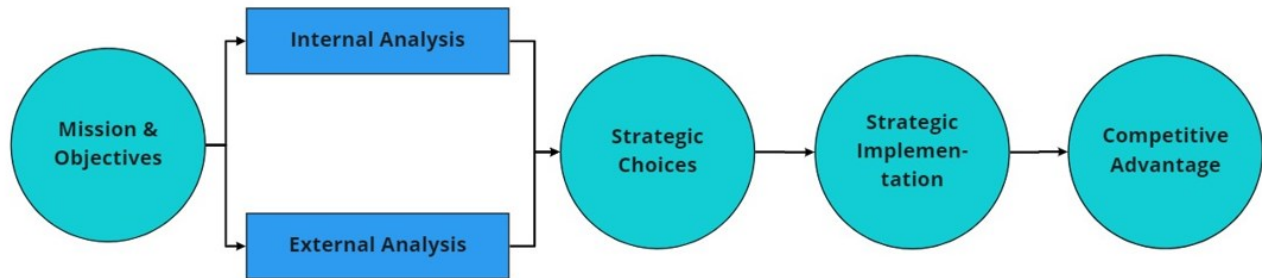


Figure 2. The Strategic Management Process. (Adapted from Barney & Hesterly, 2019, p. 27)

**The strategic management process** guides the firm to form its strategy carefully and systematically, which increases its possibility of choosing a successful strategy that contributes to the company achieving a competitive advantage (Barney & Hesterly, 2019, p. 27). The following subsections examine the relevant parts of the process to determine a clear strategy and the required capabilities and competencies, referring to the mission and the two different versions of the strategic analysis, internal and external, and the importance of strategic choices.

### 2.1.1 Mission and Objectives

Pearce (1982) explained that the **mission** statement defines the firm's unique purpose and the scope where it plans to operate in product and market terms. It describes what the company aspires to be in the future (Pearce, 1982). According to Bartkus et al. (2006), the mission includes the firm's values or philosophy, a sense of direction and a control mechanism, and motivational and inspirational tools. A good crystallization of an effective mission statement highlights the company's individuality and is simultaneously inspiring and relevant to all stakeholders (Hitt et al., 2005, p. 32).

According to Bart and Hubfer (2004), the mission statement is one of the most widely used management tools globally, and at the same time, despite the definitions, one of the least understood

strategic tools. They stated that the components that affect and are part of the mission are pretty well understood, but their ability to influence the anticipated performance is still unclear. Mas-Machuca and Marimon (2018) defined the chain from mission statement to organizational performance, containing two essential mediation steps. The first step is employee involvement in mission definition. Good communication alone is not enough. The only way to get employees to work towards common targets is to ensure a comprehensive understanding of the meaning of the mission. The second step is organizational mission fulfilment which aims for a mission-driven organization that encourages and motivates employees to achieve better results. Only involving employees and organization enables that the mission will turn out to be tangible results.

One more critical aspect of the mission is the perspective raised by Drucker (1986, pp. 56-59), which emphasizes placing a satisfied customer as the most crucial factor in the mission. He thought that the satisfied customer is the mission and purpose of every business, and the company should look at its business from the customer's perspective. This way company can do a clear mission that enables precise and realistic objectives. However, Bartkus et al. (2006) argue that the connection between mission and financial performance is still unclear. They found that only value and philosophy components positively impacted financial performance since that can allow the company to differentiate itself from competitors and attract stakeholders. Lafley and Martin (2013, pp. 18-20) converted the mission into winning aspirations since the firm's purpose is to win, and the aspirations should tell what winning means for the company. They stated that when the mission includes a winning attitude, it creates a framework for all the other strategic decisions.

Well planned **objectives** are time-framed, measurable, and ambitious yet realistic (Alsem, 2007, p. 255). When objectives are measurable, the company can use them to monitor the fulfilment of its mission (Barney & Hesterly, 2019, p.28), and implement performance management, which helps employees and organizations to perform better towards objectives (Halachmi, 2005, pp. 502-516). Kaplan and Norton (1993) found that financial metrics alone will not help improve performance in the future since those measures the performance that has already taken place. Vuorinen (2013) also pointed out that the financial metrics often miss the things which could predict future success, such as customer or employee satisfaction.

Kaplan and Norton (1993) explained that well-chosen metrics streamline company operations, such as resource allocation, making it easier for management to make trade-offs without losing

company key resources. Financial metrics are needed, but other metrics that can measure the performance from the customer perspective, internal business processes, or learning should support those (Kaplan & Norton, 1993). Continuous monitoring of the metrics will offer up-to-date information, improve the company's decision-making process, and enable more significant growth (IntraFocus, Lead and lag indicators, n.d.).

### 2.1.2 Strategic Analysis

The strategy differentiates the company from its competitors and creates a unique offering for a carefully selected customer group. To keep up with the accelerating competition, a company must have a clear strategy to create and develop competitive advantages (Porter, 1998). According to Vlados (2019), achieving a clear strategy requires an understanding of both the external and internal environment of the company as comprehensively as possible for the company to achieve success. In this work, companies often use SWOT analysis, an established tool for mapping their environment (Vlados, 2019). Kotler et al. (2017, p. 51) defined that the SWOT analysis means assessing a company's situation in terms of its strengths (S), weaknesses (W), opportunities (O), and threats (T). According to them, a firm's strengths include its internal capabilities, resources, and positive situational factors, and correspondingly, weaknesses cover internal limitations and negative situational factors, both relate to the company's **internal** operations and thus affect the company's performance (Kotler et al, 2017, p. 51). Opportunities and threats are **external** factors that are either favourable factors or trends for the company or, respectively, unfavourable factors in the company environment (Kotler et al, 2017, p. 51).

Although SWOT analysis is widely used, it has received plenty of criticism. Nixon and Helms (2010) studied 141 articles that dealt with SWOT analysis. The main finding was that the SWOT analysis is *vague and simplistic*, not supporting strategic management in today's dynamic and complex market-led business (Nixon & Helms, 2010). They found out that SWOT analysis is often a situational analysis that does not offer real solutions to benefit from the opportunities or leverage strengths, and it can be prone to personal experiences, beliefs, skills, and attitudes, which should not be the case (Nixon & Helms, 2010). Popescu and Scarlat (2015) study clearly emphasized the turbulence and unpredictability of the environment, which places new demands on the strategic planning tool. They agree that SWOT analysis is a good start that provides the base for formulating objectives and strategy, but it does not offer solutions to implement a strategy (Popescu & Scarlat,

2015). In addition, the SWOT analysis is a static description that needs to supplement with more dynamic analysis tools, which enables the continuous monitoring of the internal and external environment, and provides an opportunity to identify potential risks and uncertainties quickly and respond to them quickly (Popescu & Scarlat, 2015).

The SWOT analysis's criticism is about the static nature of the model and the lack of integration of the results to the strategy and its implementation. The analysis does not provide practical solutions to seize opportunities and strengths or combat threats and eliminate weaknesses. Linking analysis to practical strategy work and its implementation is an essential part of strategy work and requires more attention. The development of new models can challenge or complement the current SWOT analysis.

Creating a strategy that adapts to a dynamic market demands strategic analysis first investigates external factors outside the company that affects its strategy (Aaker & McLoughlin, 2010, pp. 21-39). Hitt et al. (2005, pp. 39-41) wrote that the **external analysis** is a broad concept presented in Figure 3. Hitt et al. (2005, pp. 39-41) listed that, on the top level, it covers the firm's general environment that involves elements of society that affect the industry where the firm operates. The next level is the industry environment that influences the company, its competitors' actions and responses, and the industry's profitability potential (Hitt et al., 2005, pp.39-41). The last level is the competitor environment which includes an assessment of the goals, strategies, assumptions, and capabilities of significant competitors (Hitt et al., 2005, pp.39-41).

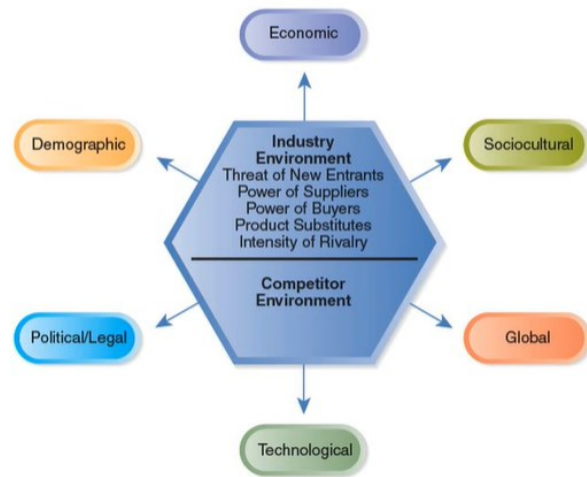


Figure 3. The External Environment. (Adapted from Hitt et al., 2005, p. 39)

As external analysis seeks to reveal the opportunities and threats coming from the outside of the firm, the analysis should begin with an understanding of the general external environment in which the firm operates, which is likely to influence a company's strategic choices (Barney & Hesterly, 2019, p.29). Firms seldom have much control over the elements of the **general environment**, but to be successful, they need to understand how these elements and their implementation affect selecting the appropriate strategy (Hitt et al., 2005, p.40). Barney and Hesterly (2019, pp. 50-53) describe external elements as follows; *Demographics* define the distribution of a population in society by age, sex, marital status, income, ethnicity, and other personal characteristics. Awareness of these can help understand buyer behaviour, which gives the company an indication of market size. *The economy* assesses the general state of the economic system, such as prosperity, unemployment, demand for goods and services, recession, and depression. Failure to understand *the sociocultural* environment can be a fatal mistake for a company and affect a company's ability to gain a competitive advantage. Culture covers society's values, beliefs, and norms and tells what is acceptable and what is not. *The global* environment defines the events that can affect worldwide like civil wars, political coups, terrorism, wars, famines, and regional economic recessions. *Technological* change can be an opportunity for a firm to create new products and services or a threat when it challenges a company to rethink its technological solutions. The last segment of the general environment that affects firms is *the political and legal* conditions: the laws and the legal system of society that directly impact business.

The next level of the external analysis is **the analysis of the industry** in which the firm operates. As mentioned earlier, Porter (2008) listed the five forces that form the industry's structure. Figure 3 presents these forces. According to Porter (2008), the industry structure defines the competition and profitability inside the industry in the medium and long run. Unlike elements of general analysis, a firm can influence the structure of an industry when it understands how five forces have impacted the industry's current profitability (Porter, 2008). Porter (2008) states, that this allows the company to anticipate and influence profitability and competition in the future. Understanding the structure of the industry provides a good foundation for a company's strategic decisions and it helps a company position itself favourably in the industry (Porter, 2008). Porter (2008) underlined that the most important forces for strategy planning are those that have the most significant impact on profitability. However, a holistic analysis of forces cannot be ignored, and a company needs to understand how the change in one force affects the other (Porter, 2008).

The final step of the external analysis is the **competitor analysis**. Aaker and McLoughlin (2010, pp. 41-59) defined that first, a company must determine who its competitors are. This can be approached either in a customer-oriented way, by considering what choices the customer makes and from which options he chooses, and from the point of view of the appropriateness of the product (Aaker & McLoughlin, 2010, pp. 41-59). The company needs to notice also indirect competitors in this approach. Another option for identifying competitors is to define strategic groups within which firms pursue a similar competitive strategy, have the same features, and have the same types of assets and competencies (Aaker & McLoughlin, 2010, pp. 41-59). Aaker and McLoughlin (2010, pp. 41-59) noticed that a thorough competitor analysis can tell a lot about current and future opportunities or threats in the industry, help anticipate competitors' reactions, or reveal some strategic uncertainties that are good to monitor. Analysing the size, profitability, growth, image, objectives, strategies, cost structure, exit barriers, strengths, and weaknesses, among other things, will help the firm to understand its competitors better (Aaker & McLoughlin, 2010, pp. 41-59). Once the assets and competencies of competitors are identified based on the analysis, the next step is to compare the company with its competitors. Aaker and McLoughlin (2010, pp.41-59) stated that the sustainable competitive advantage is usually achieved by combining one or more assets or competencies relevant to the industry and firm's strategy, enabling the company to create a superior market position that sets it apart from its competitors.

Although this is the most common model to conduct external analysis, it has got criticism. Aaker and McLoughlin (2010, pp. 21-39) argue that the *customer analysis* should be the first step in the external analysis since the needs of specific customer groups can define the industry, and based on this, the company can recognize its competitors. Customer analysis helps a company identify market segments, customer motivation, and unmet needs. In this way, it provides an excellent source for mapping opportunities and threats. According, Aaker, and McLoughlin (2010, pp. 21-39), external analysis cannot be a one-time event every year, but it must be an ongoing process that benefits the company's local organizations.

The external analysis identifies the conditions, opportunities, and threats posed by the environment, and it offers possibilities for what the company might choose to do (Hitt et al., 2005, pp. 70-81). The **internal analysis** defines the firm's strengths and weaknesses (Barney & Hesterly, 2019, p. 86). It analyzes the firm's internal environment, its unique resources, capabilities, and core competencies, the things that determine what a company can do (Hitt et al., 2005, pp. 70-81). The difference between the outcomes of the two analyses is in Figure 4.

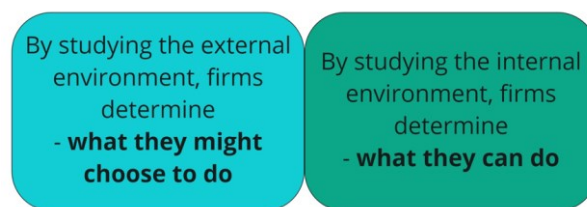


Figure 4. Outcomes from External and Internal Environmental Analyses. (Adapted from Hitt et al., 2005, p. 74)

By matching these two outcomes, the company designs, select, and implements its strategy with the target of fulfilling its mission (Hitt et al., 2005, pp. 70-81). Aaker and McLoughlin (2010, pp. 99-112) explained that the internal analysis is much deeper and more prosperous than external analysis because of the amount of information available and its essential role in defining strategy. The analysis usually includes different aspects, such as the financial performance since these are readily available and indicate the market situation of the product and the success of previous strategies (Aaker & McLoughlin, 2010, pp. 99-112). The more challenging part is the analysis of performance which often indicates long-term prospects like customer satisfaction, brand loyalty,

product quality, and organizational capabilities (Aaker & McLoughlin, 2010, pp. 99-112). Aaker and McLoughlin (2010, pp. 99-112) stressed that a company should focus on the assets and competencies which are the foundation of its strategies and competitive advantage.

Hitt et al. (2005, pp. 70-81) highlighted the rapid change in the external environment that changes the sources of competitive advantage and fosters companies to investigate their internal resources and capabilities as a source of new competitive advantages. This requires the organization to have the ability to learn, the courage to experiment, and the readiness to change since, by doing so, companies can respond to the accelerating pace of change in the environment (Hitt et al., 2005, pp. 70-81). The internal analysis includes the elements shown in Figure 5. According to Hitt et al. (2005, pp. 70-81), this approach sees a company as a bundle of resources and capabilities different from other companies. These resources and capabilities can create a unique market position for a company. As the picture shows, capabilities rise from resources and create core competencies and ultimately competitive advantage. The main task of internal analysis is to understand how best to utilize a bundle of internal resources and capabilities.

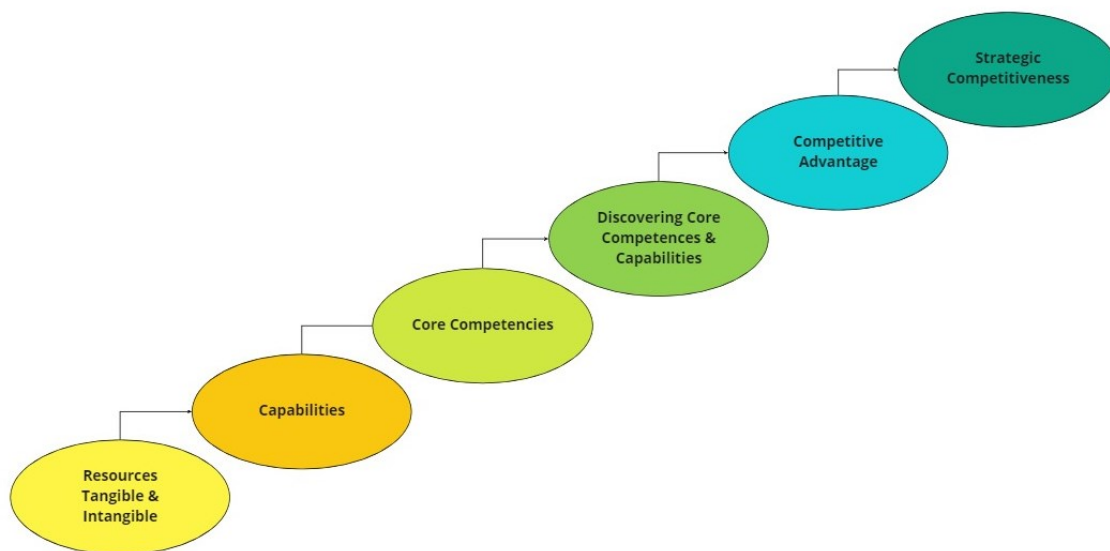


Figure 5. Components of Internal Analysis Leading to Competitive Advantage and Strategic Competitiveness. (Modified from Hitt et al., 2005, p. 75)

The chain described in Figure 5 illustrates how the firm aims to meet the strategic competitiveness and create value for its customers. The performance of products and the features that customers are willing to pay for determining customer value (Hitt et al., 2005, pp. 70-81). From other perspectives, value is defined in terms of resources and capabilities. When a company, with its resources and capabilities, can take advantage of the opportunities offered by the external environment and, on the other hand, mitigate the threats it creates, the company's resources and capabilities are value-creating (Barney & Hesterly, 2019, p.112). Hitt et al. (2005, pp. 70-81) explained that bundling resources and capabilities innovatively create new core competencies and value and thereby seeks higher incomes. Combining a company's internal core competencies and external market position is the firm's main channel to create a competitive advantage (Hitt et al., 2005, pp. 70-81).

However, it is not easy to recognize and maintain valuable resources and capabilities that have evolved and are the sources of core competencies (Hitt et al., 2005, pp. 70-81). According to Hitt (2005, pp. 70-81), uncertainty, complexity, and organizational conflicts make decision-making challenging and identifying the right core competencies difficult. Such an environment requires leaders to have courage, self-confidence, accountability, and tolerance of uncertainty and change (Hitt et al., 2005, pp. 70-81). For strategy work, this is essential, as no strategic choices can be made until the firm has identified its capabilities and core competencies. The resources, capabilities, core competencies, discovering core competencies, and competitive advantage is discussed in chapters 2.2 and 2.3.

### **2.1.3 Strategic Choices for Business-Level Strategy**

Porter (1991, p. 101) stated that "...the essence of strategy is choice." Strategy connects a company to its environment, and both strategy and organization live and are flexible and change with both exogenous and endogenous changes to maintain a competitive advantage (Porter, 1991). Firms can have many strategies (D'Aveni, 2010) or even own strategies for each competitor (D'aveni et al., 2010). Corporate-level strategy defines how the firm achieves the competitive advantage when it operates in many markets or industries simultaneously, and the business-level strategy includes the firm's activities which it performs in one market or industry (Barney & Hesterly, 2019, p.29). According to Hitt et al. (2005, pp. 105-106), business-level strategies are a firm's core strategies that determine how the company will compete. The effective business-level

strategy divides and connects resources, capabilities, and core competencies with the firm's external environment (Hitt et al., 2005, pp. 105-106).

Martin (2014) pointed out that making strategic choices can be a daunting process that requires tough decisions and trade-offs in the face of an uncertain future. Decisions that inevitably cut opportunities and options. To facilitate the decision-making process, the strategy process should be kept simple and avoid excessive planning and the focus should be on revenue-related decisions, which means customers (Martin, 2014). According to Lowendahl and Revang (1998), customers should be seen broadly in a business-level strategy, and they stated that the core of the strategy is the ability to "build and maintain relationships to the best people for maximum value creation, both 'internally' (to firm members) and 'externally' (to customers)." (p. 3). Lafley and Martin (2013, pp. 14-20) emphasize the importance of deep customer understanding and putting it at the heart of the strategy. Based on their experience, they created a Five Choices Framework to assist decision-makers in strategy work. In this model, the company makes strategic choices by answering the following five questions (1) What is our winning aspiration, (2) Where will we play, (3) How will we win, (4) What capabilities must we have, and (5) What management systems do we need (Lafley & Martin, 2013, pp. 14-20).

According to Lafley and Martin (2013, pp. 14-20), these questions help to keep strategy simple and straightforward. The first question explains the business's purpose and mission, which should motivate all those involved and create a desire to win. The second defines where to play and where not to play. It delimits the business-level operating area geographically according to product groups, customer segments, and distribution channels. The third question, how to win, tells the business-level competitive advantages and value proposition. The fourth step explains what capabilities are required to achieve these. The last questions discuss the management support systems. It is essential to remember that strategy work is an iterative process where different parts influence each other. Changes in some questions can lead to rethinking another part of the model. It is comforting to know that there is no perfect strategy.

## **2.2 Capabilities and Competencies**

When discussing the capabilities and competencies, there is a need to understand the difference between resources, capabilities, and competencies. As depicted in Figure 5, resources are the first

step to competitive advantage and strategic competitiveness. Sirmon et al. (2007) defined that the company's resources are the foundation on which the company develops its capabilities. Furthermore, capabilities use company resources in a coordinated manner to achieve the desired outcome (Helfat & Peteraf, 2003). However, in strategic planning, core capabilities and core competencies are equated to mean the same thing (Long & Vickers-Koch, 1995). On the contrary, there is a clear distinction between these terms. Yang (2015) defines core competencies as a combination of technologies, knowledge, skills, and professionalism controlled by the company. Core capabilities are a unique leadership ability of core competencies, such as product lifetime management, resulting in the emergence of core products and new business (Yang, 2015).

Traditionally, literature divides resources into tangible and intangible resources, as in Figure 5 (Caves, 1980). Tangible resources consist of the company's machinery, buildings, and equipment, and intangible resources are its routines, culture, reputation, and the skills and experience of its staff. Barney (1991, p. 101) defined company **resources** as "... all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness." According to Badrinarayanan et al. (2019), Barney and Arkan (2001) later summed up that the resources are tangible and intangible assets the company uses to implement its strategy. At the same time, they defined a finer division of resources, dividing them into physical, financial, human, and organizational resources (Badrinarayanan et al., 2019). On the other hand, Ray et al. (2004), argued that resources and capabilities are the same things as a company's tangible and intangible assets, which the company uses to develop and implement its strategy.

However, there are differences between these terms. Static tangible and intangible resources (Helfat & Peteraf, 2014) need supporting mechanisms that integrate, redefine, renew, or change a company's resource base to respond to a changing environment (Kamasak, 2017). Teece (2007) suggests that capabilities make resources behave dynamically and create new configurations that allow a sustainable competitive advantage in a high-velocity market environment. Long and Vickers-Koch (1995) proposed that there are so-called threshold capabilities that companies have to possess to be in the business. Such capabilities include, for example, in-house support functions such as human resource or law and financial skills, but these kinds of capabilities are not likely the source of competitive advantage (Long & Vickers-Koch, 1995). Instead, the company's most critical and distinctive resources, the so-called core capabilities, create a competitive advantage.

### 2.2.1 Core Capabilities and Core Competences

Long and Vickers-Koch (1995) stated that **core capabilities** create value for firms' customers and other stakeholders and, companies should share those between business units to achieve high performance. By doing so, the company also shares core competencies, values, and practices and links core capabilities to serve the entire company's strategy. Long and Vickers-Koch (1995) presented the idea that core capabilities result from core competencies and strategic processes, and by strategic process, they meant business process that forms core competencies into products and services that produce high value to customers. A competent and strong leadership notes all stakeholders and develops these processes (Long & Vickers-Koch, 1995). Therefore, the development of core capabilities is a strategically important process as they play a vital role in the success and growth of a company and are a source of competitive advantage (Lin et al., 2013). Sirmon et al. (2007) emphasize that to be successful, a company must invest in continuous learning and knowledge building, allowing the enrichment of existing capabilities and the innovation of entirely new ones.

Prahalad and Hamel (1990) agreed that a company should share **core competencies**, particularly skills, knowledge, experience, and technologies, across the company since competencies are strengthened when used and distributed, unlike physical assets. However, they argue that core competencies are the source of company competitiveness and competitive advantage (Prahalad & Hamel, 1990). To illustrate this, Prahalad and Hamel (1990) described the company as a tree with roots as the core competencies, the tree trunk is the core products, the branches are different business units, and the leaves are the end products. Therefore, the core competencies nourish the core products, which foster the competitiveness of different end products. The core competencies enable access to several markets, significantly increase the benefits of the end products for the customer and are difficult to copy (Prahalad & Hamel, 1990). These features provide product and market diversification (Prahalad & Hamel, 1990) and allow the company to offer innovative products earlier than competitors and at a lower cost (Yang, 2015).

Although there are differing views on which core capabilities or core competencies are the sources of competitiveness, the theories also have unifying factors. Both perspectives encourage sharing these characteristics across business unit boundaries company-wide, which often requires renewing the strategic architecture and managerial culture (Prahalad & Hamel, 1990). An organization

that works like this is looking for innovative ways to use core capabilities across units (Long & Vickers-Koch, 1995). Yang (2015) also combined core capabilities and competencies as drivers of firm competitiveness and forces for long-term success. Another unifying factor is the creation of value for the customer. Long and Vickers-Koch (1995) created the core capabilities value chain, which facilitates companies to find points in their value chain where margins are highest and the most critical points in meeting stakeholder needs. They stressed that the value chain should start and end with the company's key stakeholders. The value chain creates the maximum value when a company uses core capabilities to develop the broadest possible range of products and services.

According to earlier research, Yang and Yang (2011) studied different definitions of value and concluded that the most relevant analysis is from the customer's perspective. **Customer value** has many definitions; Smith and Colgate (2007) concluded that it is the value received or experienced by the customer and, for the firm, the value over the life cycle of the customer relationship. Woodruff (1997) saw customer value more from a customer's perspective and defined it as the customer's perceived preference and how the customer evaluates product features, performance, and usage consequences that facilitate (or prevent) the achievement of customer goals and objectives. A simpler and shorter definition of customer value is the statement: What the customer gets divided by what the customer pays (Heard, 1993). Because core capabilities should increase customer value, the unique and innovative values that customers want and are willing to pay for will enhance a company's competitive advantage (Dude & Renaghan, 1999), the entrance to the new markets (Yang & Yang, 2011), and the competitiveness of the firm (Yang, 2015).

As discussed above, Long and Vickers-Koch (1995) proposed that core capabilities are the source of sustainable competitive advantage, as they emerge around an organization's knowledge, skills, and process over time and are therefore difficult to copy. Prahalad and Hamel (1990) combine the same characteristics with core competencies emphasizing inimitability. Long and Vickers-Koch (1995) recognized the static nature of core capabilities as sudden changes in those are often challenging. To prevent this, it requires the company to understand its core capabilities concerning industry opportunities. This demands the company's strategic planning to define a vision for the organization meaning its strategic purpose and the needed capabilities to create the desired

competitive advantage and the desired opportunity among customers, which the company redeems by creating the most outstanding value by using its core capabilities (Long & Vickers-Koch, 1995), or by its core competencies (Prahalad & Hamel, 1990).

The strategic planning must also notice maintaining current core capabilities and developing new capabilities to ensure customer value creation in the future (Long and Vickers-Koch, 1995), since customer needs are becoming more and more demanding, which challenges companies to constantly develop higher quality products and services and improve their processes (Willis, 1996). The core competencies perspective also emphasizes the importance of building competencies, as they are often the result of long-lasting continuous improvements, and failure to develop them can prevent, for example, expansion into new markets (Prahalad & Hamel, 1990). Long and Vickers-Koch (1995) suggest that strategic planning should include a feedback system that enables continuous learning and better response to different stakeholders' future needs.

### **2.2.2 Dynamic Capabilities**

What are dynamic capabilities, and how do they differ from other capabilities controlled by the company? Ambrosini and Bowman (2009) emphasized that to be a dynamic capability, it must influence the firm's resource base and form resources into new bundles or configurations that help the firm maintain or enhance its competitive advantage. Teece et al. (1997) defined dynamic capabilities as the management's ability to integrate, build, and reshape a company's external and internal skills, resources, and competencies to respond to a rapidly changing environment. Later Teece (2007) added that dynamic capabilities refer to unique and hard-to-copy capabilities harnessed to create, expand, develop, and protect a company's unique assets. Dynamic capabilities identify and shape external opportunities and threats, exploit opportunities, and maintain a firm's competitiveness by modifying the firm's intangible and tangible assets when needed (Teece, 2007).

Winter (2000) represented a new term for dynamic capabilities as organizational capabilities that are high-level routines, which implementation gives organizational management options to achieve the desired outcome. Therefore, dynamic capabilities are routines that integrate the evolutionary perspective and organizational learning into the capability development process over time. Routines are understood as learned, repetitive, and patterned behaviour based on tacit

knowledge and objectives (Winter, 2003). However, Teece et al. (1997) argued that routines are too vague to describe organizational capabilities, and there is a need for more defined organizational and managerial processes. Nevertheless, they recognized the path dependencies of capabilities as reflected in past investments and refined routines, although these are not dynamic capabilities but limit the firm's future behaviour (Teece et al., 1997).

The research has listed many dynamic capabilities such as research and development management (Helfat & Perera, 2003), supply-chain management (Barney, 2012), customer relationships and product development (Eisenhardt & Martin, 2000), learning and post-acquisition integration capabilities (Zollo & Winter, 1999), human capital, networking capabilities and business processes (Kamasak 2017). Teece and Leih (2016) formulated that dynamic capabilities are higher-level activities that drive the company's other activities to produce high-demand products and services. As the company seeks sustainable profitability, it must be prepared for the uncertainties caused by the environment and build and maintain agile management and flexible organizational culture, as these are hallmarks of strong dynamic capabilities (Teece & Leih, 2016).

However, Winter (2003) questioned whether there are even dynamic capabilities. She concluded that if dynamic capabilities are similar to other capabilities based on patterned activity and differ only in their attitude to change, it cannot be assumed that a firm has a highly patterned process for a high-velocity market. Therefore, there may not be dynamic abilities. Winter (2003) stressed that, if this were the case, there would not be any capabilities that would change the product, processes, scale, or the market like dynamic capabilities do. Eisenhardt and Martin (2000) also highlighted the difference in dynamic capabilities in different market situations. When the market is moderately dynamic, dynamic capabilities can form based on traditional routines (Winter, 2000) and produce the expected outcome (Eisenhardt & Martin, 2000). In a high-velocity market, dynamic capabilities are simple, experimental, and volatile processes that rely on new knowledge to create an adaptive but unpredictable outcome (Eisenhardt & Martin, 2000).

Eisenhardt and Martin (2000) stressed that while dynamic capabilities have been described as unique and challenging to copy, they contain standard features, so-called "best practices," associated with superior efficiency. This all suggests that companies can develop convergent dynamic

capabilities from many starting points and along different paths, and therefore, dynamic capabilities are more homogeneous, interchangeable, and substitutable in a broader sense than previously thought (Eisenhardt & Martin, 2000). On this basis, Eisenhardt and Martin (2000) concluded that dynamic capabilities alone are not a source of sustainable competitive advantage, instead the long-term competitive advantage is based on dynamic capabilities for configuring the resources earlier, wiser, or luckier than competitors. It makes sense for a company to use its dynamic capabilities to build new resource configurations and look for new marketplaces in a highly dynamic market. In this case, the goal is a series of temporary competitive advantages (Eisenhardt & Martin, 2000).

### **2.3 Competitive Advantage**

An essential question in strategic planning is how companies achieve and maintain a competitive advantage (Teece et al., 1997). Porter (1985, p. xxi) introduced the term competitive advantage in 1985 and stated that “...Competitive advantage is at the heart of a firm’s performance in competitive markets.” For him, it meant thinking of a company as a bundle of related activities that produce lower costs and superior customer value. Although the concept of competitive advantage is a widely accepted strategic term, its definition has remained blurred, especially in practical strategy work (Sigalas, 2015). Is competitive advantage the same as sources of competitive advantage such as location, technology, product features (Powel, 2002), valuable, rare, inimitable, and non-substitutable resources (Barney, 1991), position (Porter, 1996), or is that superior performance such as economic value (Peteraf & Barney, 2003)?

Rumelt (2003) considered whether a firm has a competitive advantage when it beats all competitors or even when the firm maintains its position and outperforms the average. Long and Vickers-Koch (1995) stated that competitive advantage arises when a firm balances its internal capabilities with external opportunities. According to Prahalad and Hamel (1990), the real reason for competitive advantage is the ability of management to share critical skills across the firm, allowing for rapid response to external opportunities and delivering value. South (1981) defined competitive advantage as a philosophy that advises a firm to select only those markets where winning is likely. Based on these different statements, Sigalas (2015) concluded that science often confuses the terms competitive advantage, sources of competitive advantage, and superior performance, which are not the same things. The confusion stems from how scientists and practicing managers use the

competitive advantage term in different contexts to mean different things and determine competitive advantage through its sources or the concept of performance (Sigalas, 2015).

To clarify the difference in terms, Sigalas (2015) divided **the sources of competitive advantage** into three categories which each has different perspective on competitive advantage

- industry organization theory emphasizes *mobility barriers, entry and exit barriers*, as a source of competitive advantage,
- the market-led theory focuses on assessing a *company's market position* as a source of competitive advantage and suggests that the company should choose either cost leadership, differentiation, or focus strategy, and
- resource-based theory/view sees company-specific *valuable, rare, inimitable, and non-substitutable resources* and *capabilities* as a source of competitive advantage.

Sigalas (2015) stated that **competitive advantage** is broadly the ability of a firm to take advantage of market opportunities and neutralize threats better than the industry average, where **the superior performance** is economical and operational performance above the industry average. Barney (1991) defined that firm has a competitive advantage when no other company pursues the same value creation strategy and a sustainable competitive advantage when no one can copy its value creation strategy in a short period. **Competitive parity** is when the company can create the same economic value as its competitors, and **competitive disadvantage** occurs when a company creates less economic value than companies in the industry on average (Barney & Hesterly, 2019, p.31).

Next, the literature review examines two sources of competitive advantage; the company's market position and resource-based view, which are the relevant sources of competitive advantage from Case company's point of view. Mobility barriers are excluded from literature review and empirical research as they provide a clear new area for research. Secondly, the literature review studies the nature of the competitive advantage over time and whether a sustainable competitive advantage is possible to achieve or whether only temporary competitive advantages are available or

is it so than Arie de Geus (1988, p. 71) stated, “*The ability to learn faster than your competitors may be the only sustainable competitive advantage.*”

### 2.3.1 Market Position as a Source of Competitive Advantage

Porter (1996) stated that “... strategic positioning means performing *different* activities from rivals or performing similar activities in *different ways.*” (p. 62), since that enables to produce a unique mix of value (Magrette, 2012). Porter (1985, p. 11) emphasized the importance of positioning and choices that enable a company to cope with the five forces (see 2.2.2 Strategic Analysis) better than its competitors. At the same time, he argued that a company’s competitive advantage could arise on two options, low costs or differentiation. Porter (1985, pp. xv-xx) included the value chain concept in competitive advantage theory, which highlighted the thinking of a company’s activities as strategically essential factors in cost generation and differentiation. These activities connect the firm’s internal resources and capabilities and its external market position. Porter (1991) explained that this bundle of activities connects a company’s internal strengths and weaknesses to respond to external opportunities and threats. **Strategic choices, like what activities a company performs and how it assembles and integrates those, create a competitive advantage.** Figure 6 shows the value chain and the internal elements of the company that affect the creation of economic value.

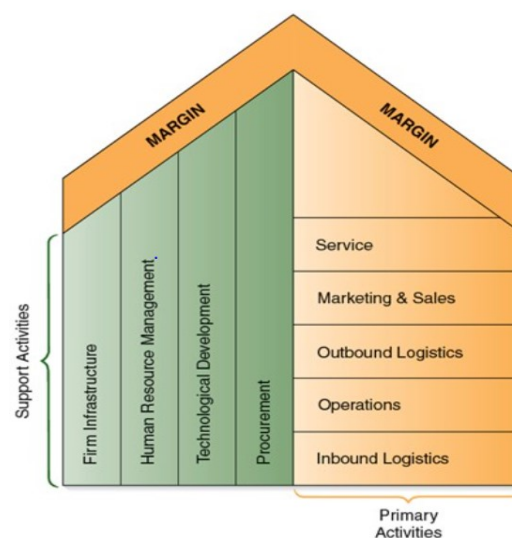


Figure 6. The Value Chain. (Adapted from Hitt et al., 2005, p. 89)

Value chain thinking has the advantage of systematically analysing a firm's operational activities (Lin et al., 2013). Porter (1985, pp. 38-39) divided activities into primary and supportive activities, as shown in Figure 6. Primary activities cover the production of a physical product, its sale and delivery to customers, and aftersales functions. Supportive activities enable the implementation of primary activities. The generic name for these activities is value activities, which are firm-specific activities, therefore building blocks of competitive advantage. The margin represents the economic value of the firm's activities. Porter (1996) wrote that a company's competitive advantage and **sustainability** arise from the fit between its different activities, reinforcing each other. The compatibility of activities creates a complex chain for competitors to imitate and creates a sustainable competitive advantage.

According to Porter (1996), the cost advantage results in performing activities more efficiently than competitors, and the advantage of differentiation arises from the activity choices made and the unique performance of the activities. Operational effectiveness, meaning performing functions better than others, impacts both firm's cost position and ability to differentiate, but operational effectiveness is not a strategy (Porter, 1996). It is essential to make choices, trade-offs and decide what to do and what not to do since this makes the company unique (Magretta, 2012). Porter (1985, p. 12) stated that offering everything to everyone usually leads to mediocrity and lower returns and reveals that the company has no competitive advantage. Market positioning and performing better than average in the specific industry leads to *three generic strategies*: cost leadership, differentiation, and focus.

When the firm decides to obtain a **cost leadership** strategy, it sets the goal of producing products at the lowest possible cost in the industry, which typically means mass production, economies of scale, standard products, and finding all possible sources of cost advantage activities (Porter, 1985, pp. 12-14). Cost leadership means that the company aims to serve many customers but satisfy only a few of their needs (Porter, 1996). **Differentiation** arises from a company's choices to be a unique player in the industry in some dimension that generates extensive customer value (Porter, 1985, pp. 12-14). The company strives to meet customers' unique needs with high quality, brand, and performance and receives a premium price in return (Stonehouse & Snowdon, 2007). So, the company serves a few customers but satisfies a wide range of their needs (Porter, 1996). Porter

(1985, pp. 12-14) pointed out that differentiation can arise anywhere in the value chain. **Focus** strategy concentrates on serving a narrow market segment by tailoring its value chain to meet the needs of this group. The company can choose the cost focus by finding the cost advantage in the target segment or the differentiation focus by finding differentiation in the target segment (Porter, 1985, p. 15). The company can serve many customers and satisfies a wide range of needs in a niche market (Porter, 1996). According to Magretta (2012), **integrated cost leadership, differentiation, and focus** strategies are possible. When the company has chosen the customers and needs it aims to serve, it can tailor its value chain. This enables the company to be differentiated, low-cost and focused at the same time. However, Porter (1985, pp. 16-17) emphasized the need to choose and pursue one of the generic strategies. A company that tries to pursue all generic strategies and fails is usually below average in performance and does not have a competitive advantage.

The concept of generic strategies has received a lot of criticism for its strict view that the company should aim for only one of the generic strategies. The studies suggest that cost leadership and differentiation could be combined (Stonehouse & Snowdon, 2007). Porter (1985, p. 18) challenged this view by claiming that differentiation is usually costly and cannot be connected to cost leadership. Researchers interpreted that the generic strategies take too little account of the company's internal resources, competencies, and capabilities, which they see as a source of competitive advantage (Long & Vickers-Koch, 1995; Prahalad & Hamel, 1990; Barney, 1991). According to Barney (1991), this kind of environmental model only indicates a firm's resources to seize opportunities or minimize threats. To create a sustainable competitive advantage company needs to add features to these resources (Barney, 1991). Barney (1991) also argues that this model does not notice the diversity of firms and their resources within an industry.

From the point of view of dynamic capabilities, Teece et al. (1997) highlighted that the only way to gain diversification is to build and extend existing capabilities; products should not be the focus of attention but of different competencies and capabilities. The dynamic capability perspective notices the company's assets with which the company aims to achieve competitive advantage and how those assets are utilized and re-utilized in a changing environment (Teece et al., 1997). On the other hand, Stonehouse and Snowdon (2007) claimed that resource and capability-based theory had been seen to be too inward-looking at the expense of customer attention and provide only a few practical tools for bundling resources and competencies to create a competitive advantage.

However, the resource-based theory provides an essential complement to strategy development and the definition of competitive advantage (Stonehouse & Snowdon, 2007). Stonehouse and Pemberton (1999) pointed out that resources provide the ingredients for activities and the competencies and capabilities provide the knowledge to perform the activities

### 2.3.2 Resource-Based view as a Sources Competitive Advantage

**The resource-based view (RBV)** emerged as an alternative to Porter's five forces and general strategies models. It approaches the strategy from the inside out, emphasizing the company's internal strengths and then choosing how to make the most of them (Barney, 2021). However, the roots of the RBV are in history. Ricardo (1817) described the ability of inelastic resources to create profitability by analysing the profitability of farms and their ability to create abnormal profits in a situation where the supply of fertile land had been fixed (Makadok, 2001). Approaching today's understanding of the resource-based view, one of the first articles was Wernerfelt (1984), which highlighted the importance of internal company resources to firm performance. However, Barney (1991) raised the resource-based view more broadly as a source of sustainable competitive advantage and a determinant of firm competitiveness.

Barney (1991) claimed that a firm's resources need to be valuable (**V**), rare (**R**), inimitable (**I**), and non-substitutable (**N**) to be able to create a sustainable competitive advantage. Only intangible resources possess these VRIN features since those cannot be easily bought or copied by competitors. However, studies emphasize thinking about the resources more broadly, and the criticality of tangible resources in creating a competitive advantage should get more attention, as intangible resources alone are seldom able to create a competitive advantage (Sirmon et al., 2011; Kamasak, 2017). On the other hand, Kamasak (2017) found that intangible resources have a more significant influence on firm performance than tangible resources.

Barney (1991) stated that valuable resources seize opportunities and eliminate threats in the company's environment. Resources are rare if only a few firms in an industry own these valuable resources (Barney, 1991). The factors which make resources inimitable are historical uniqueness, causal ambiguity, and social complexity. *Historical uniqueness* stems from a specific historical event, such as the emergence of a unique and valuable corporate culture or a successful location in history. According to Barney (1999), history can also affect resources inimitable in other ways,

such as when an organization has to go through a long and challenging learning process to get the resource it wants. When there is no shortcut to obtaining such a resource, the situation is called *path-dependent*. The second factor that Barney (1991) claimed affects the resources inimitable is the *Causal ambiguity* which describes a situation where the relationship between a company's resources and its competitive advantage is unclear. *Social complexity* describes a situation where a company's resources result from a socially complex phenomenon. Such factors include the company's reputation or organizational culture that affect the company's success but what competitors find difficult to copy. It is not easy to copy a competitive advantage, which formation is not fully understood.

According to Barney (2001), RBV includes the assumption that resources and capabilities are heterogeneously distributed across the industry. As a result, companies become differentiated and maintain these differences and a stronger competitive position for a long time. Barney (1991) assumes that these heterogeneous resources are at least partially immobile, which explains the persistence of heterogeneity. Together, these characteristics, heterogeneity, and immobility create the conditions for a sustainable competitive advantage (Barney, 1991). However, Sirmon et al. (2010) pointed out that RBV concentrates only effects of a firm's strengths to competitive advantage and does not recognize the effect of firm weaknesses. They claim that this has limited the understanding of competitive advantage. Exploring strengths and weaknesses simultaneously provides a more accurate picture of a company's outcomes and better profitability.

The RBV perspective focuses on creating strategies by leveraging existing company-specific resources and focusing on the company's internal functions (Teece et al., 1997). RBV does not explain creating future valuable resources or regenerating existing valuable, rare, inimitable, and non-substitutable resources in a changing environment (Ambrosini & Bowman, 2009). These things make the theory static in nature. The theory does not explain how a sustainable competitive advantage is maintained (Teece et al., 1997) or how resources create value (Sirmon et al., 2007). Eisenhardt and Martin (2000) propose that dynamic capabilities contribute to the competitive advantage by reorganizing the resource base since those can create, integrate, reassemble and release resources, but the dynamic capabilities are not competitive advantages. Capron and Mitchell (2009) stressed that the capability-based view would supplement the resource-based view by understanding the nature of dynamic capabilities as attributes to change a firm's existing

resources and affect the firm's long-term survival in a dynamic marketplace. Sirmon et al., (2007) recognized the importance of managers in resource management and integrating this process into a company's changing competitive environment. They saw resources management as a three-step process: *structuring* the resource portfolio, *bundling* resources to form capabilities, and finally *leveraging* capabilities to offer customer value.

However, a sustainable competitive advantage is not achieved by owning valuable, rare, inimitable, and non-substitutable resources. Instead, the company must be able to exploit those full potentials (Newbert, 2007). Ray et al. (2004) presented possibility to compound two theories of the sources of a firm's competitive advantage, the activities-based view and resource and the capabilities-based view. The first one proposes the firm success because of what it does and the latter because of what it is. Ray et al. (2004) recognized that only connecting resources and capabilities in a firm's business process and activities enables introducing those to the markets, recognizing their value, and realizing their full potential to create a competitive advantage. Thinking the other way round, the resources and capabilities that a firm possesses can limit a firm's ability to choose activities and business processes it aims to accomplish, and this causes the differential effectiveness of these processes (Ray et al., 2004).

### **2.3.3 From Sustainable Competitive Advantage to Temporary Advantage**

How about if there is not a sustainable competitive advantage? Studies have argued that sustainable competitive advantage is rare and short-aged in high-velocity markets (Ruefli & Wiggins, 2003). Researchers have concluded that only occasionally dynamic capabilities and organizational flexibility may allow a sustainable advantage in this kind of environment (D'Aveni et al., 2010). Ojha et al. (2020) concluded that dynamic capability like innovation speed is a critical factor in enabling a company to take advantage of the opportunities arising from a turbulent environment and create advantages for itself. According, Sirmon et al. (2007), the high level of uncertainty in the competitive environment is due to changes in the structure of the industry, the stability of demand, and the possibility of environmental shocks. More detailed innovations and technological development can change the industry structure, different states of demand (growing, mature, declining) affect the level of uncertainty, and in the face of environmental shock, the firm needs to find new ways to recombine its current resources and obtain new ones to form new capabilities and competitive

advantages (Sirmon et al., 2007). Sirmon et al. (2007) stated that maintaining a competitive advantage requires the company to continually develop new capabilities that create more value for the customers than competitors in dynamic and uncertain environments. In other words, changes in environment structure can destroy the competitive advantage obtained from these factors (Huang et al., 2015). These issues conclude that the competitive advantage is often temporary in highly uncertain markets (Sirmon et al., 2007).

Eisenhardt and Martin (2000) came to the same conclusion and saw that it makes sense for managers to seek temporary competitive advantages with new configurations of resources using dynamic capabilities in a dynamic market. D'Aveni et al. (2010) concluded that constant strategic innovation is needed to succeed in fast-changing environments. Huang et al. (2015) combined industry organization theory with market position and the resource-based view. They concluded that because all these theories aim for outstanding competitive success but from different starting points, they complement each other and create a temporary and sustainable competitive advantage (Huang et al., 2015). Huang et al. (2015) found that a strong market position creates only a temporary competitive advantage due to increased uncertainty. However, a temporary advantage allows for better profitability and enables the company to acquire the necessary VRIN resources and capabilities to achieve sustainable competitive advantage (Huang et al., 2015).

On the other hand, Eisenhardt and Martin (2000) argued that dynamic capabilities are perhaps not so rare, inimitable, or not transferable and therefore not sustainable than earlier thought. According to D'Aveni et al. (2010), this increases the need to see resource- and capability-based competitive advantages in the interim and as a series of temporary competitive advantages. Dagnino et al. (2020) concluded that increased competition and uncertainty undermine and threaten all previous sources of competitive advantage.

In industries where mainly temporary competitive advantages are available, companies should constantly look for new technology, organization, and strategy solutions to stay competitive and succeed (D'aveni et al., 2010). On the other hand, Sirmon et al. (2007) emphasized the need to explore market opportunities, and in a situation where market change is continuous but not fast-paced, this process can guarantee long-term competitive advantage. Huang et al. (2015) and So-

Ioduch-Pelc and Sulich (2020) propose that a company can have both a sustaining and a temporary competitive advantage simultaneously, and these can reinforce and shape each other. However, the company needs to balance advantages to respond to rapid environmental changes while still sustainably developing customer value over the long term. These actions allow the company to respond quickly and flexibly to change.

## 2.4 Theoretical Framework

Based on the literature review can be concluded that an essential question in strategic planning is how companies achieve and maintain a competitive advantage. Competitive advantage is the ability of a firm to take advantage of market opportunities and neutralize threats better than the industry average with a unique value creation strategy. Competitive advantage is sustainable when no one can copy a firm's value creation strategy in a short period. It is essential to keep the customer at the centre of strategic planning as this will enable the firm's value creation strategy produces the unique and innovative values that customers want and are willing to pay for. The elements of the strategic management process facilitate the formulation of competitive advantage. The purpose of the mission is to guide the development of the right capabilities and competencies and determine the company's market positioning. The mission serves as a guideline for strategic analysis, which scans the company's external and internal environment. To avoid the static nature of the strategic analysis, practical strategic choices help overcome weaknesses and threats and exploit strengths and opportunities.

Case Company operates in a moderately changing mature market, not in high-velocity environments, but the change is continuous. To respond to the changes in customer needs, the company needs core competencies like technologies, knowledge, skills, and expertise, and core capabilities that are leadership ability of core competencies. Since the change is continuous, that requires ongoing assessment of market opportunities and estimates of the need for dynamic capabilities, which can help respond to changes in the company's external environment by reorganizing the company's resources, capabilities, and competencies.

A literature review revealed many sources for competitive advantage, and which were often mutually exclusive options. The opposite view emphasized combining the company's internal capabili-

ties and competencies with its external market position. This combination was seen to be a channel to create a hard-to-copy sustainable competitive advantage. This research combines two different views of the sources of competitive advantage to chart a path to sustainable competitive advantage. Case Company's target is to be an innovative expert organization, which requires internal solid capabilities and competencies and at the same time enables a differentiation strategy.

Figure 7 forms a summary of the theoretical framework, which is the foundation for the empirical research and enables the answer to research questions. It combines the elements of the strategic management process and two different theories of the sources of competitive advantage. The resource-based view looks inside the company's capabilities and competencies, and the market position theory connects these to the external marketplace and combines the firm's resources and capabilities in activities. The empirical research begins from the formulation of the business-level mission and moves to internal analysis with thematic interviews from resource-based views and market position perspectives. External analysis will collect distributors needs, insights, and demands, which will be reflected against the results of internal interviews. The research aims to form unique strategic choices and define the sources of competitive advantage based on internal and external analysis.

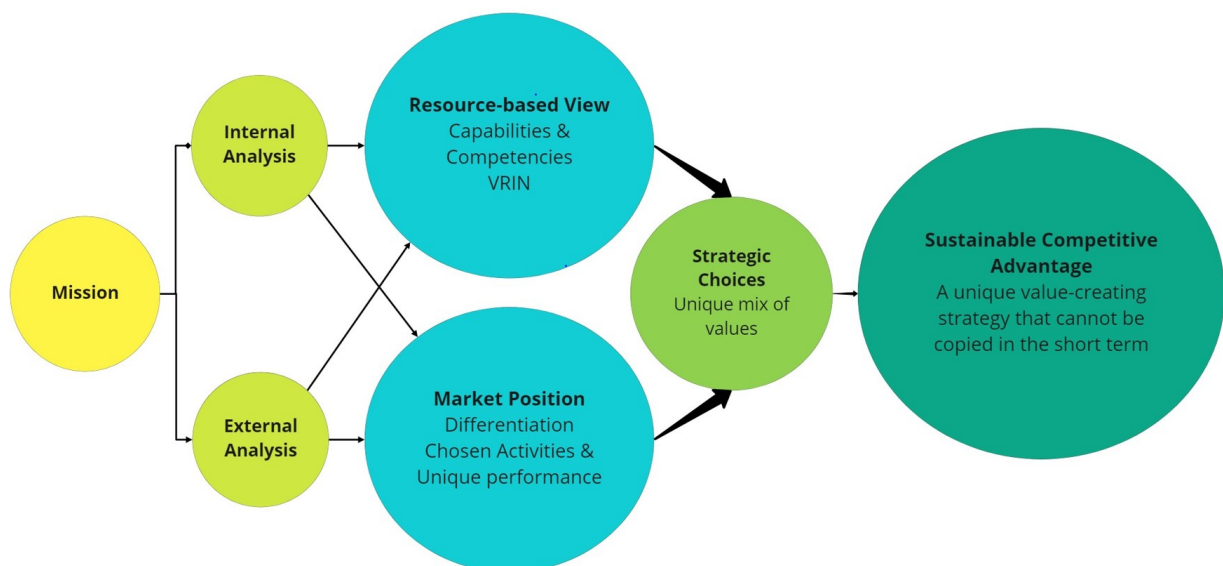


Figure 7. Theoretical Framework. (Modified from Barney & Hesterly, 2019, p. 27, Barney, 1991, pp. 105-106, Porter, 1996, p. 62)

To have the ability to act as a source of competitive advantage, a company's capabilities and competencies must be valuable (V), rare (R), inimitable (I), and non-substitutable (N). The resource based theory assumes that such resources are unevenly distributed in industry and are partially immobile; this supports a differentiation strategy. The differentiation strategy seeks to perform different activities or the same as competitors but in a different way. These activities combine VRIN capabilities and competencies, in other words, the company's internal strengths and weaknesses, to respond to the opportunities and threats of external market position. This combination creates a complex chain for rivals to copy, sources for competitive advantage, and a unique mix of values. The development of competitive advantage is studied in the mature market of the professional cleaning industry in Sweden.

### **3 Methodology**

Kothari (2004, pp. 7-8) stated that methodology is a series of steps, systematic and organized research, producing reliable and relevant information and a solution to a research problem. The methodology is a broad concept covering the methods chosen, their relevance to the study in question, and an understanding of the methods' assumptions. The researcher needs to understand the criteria behind the method and to be able to justify why that applies to the research, and the other method is not. Meanwhile, research methods cover all the techniques or methods that the researcher uses to conduct research and solve a research problem.

The research problem of this thesis is the lack of competitive advantage, which makes it difficult for Case Company to stand out in the mature market of the professional cleaning industry in Sweden. The underlying assumption is that combining two different sources of competitive advantage, the resource-based view and the market position constitutes a decisive competitive advantage. This assumption has been deduced from the literature review presented in Chapter 2. The researcher will conduct the empirical research following the theoretical framework formulated in the previous chapter. According to the framework, the research uses internal and external analysis to identify the resource-based view features of the Case Company's capabilities and competencies. On the other hand, the analysis maps the market positioning theory characteristics of the company's activities. The research will combine primary and secondary data to define the strategic choices which can lead to the competitive advantage. The theoretical framework supports the formulation of a comprehensive picture of the phenomenon.

### 3.1 Research approach

When choosing the right approach for the research, the researcher considers the nature of the phenomenon and what she wants to know (Office of Research & Doctoral Services, 2015). Qualitative business research enables to study of complex business-related phenomena in their contexts (Eriksson & Kovalainen, 2008, p. 3) as this study is planning to do. Essential is that the goal of the research is clear (Office of Research & Doctoral Services, 2015), and the researcher is aware of the effects of her acts and decisions during the research and how those affect the results of the research (Eriksson & Kovalainen, 2008, p. 3).

In qualitative research, the main target is to understand different people's points of view (Clever Product Development, 2020) and the nature of the human experience (Office of Research & Doctoral Services, 2015). The target is not to find out medians, averages, or percentages since the numbers in qualitative research are not large enough to represent the whole population. The quantitative research is for large sample groups, and the sample represents the target market. Nevertheless, when the researcher wants to collect detailed data and expand her understanding of some specific topic, qualitative research offers an effective way of doing this (Clever Product Development, 2020). For that reason, the researcher selected the qualitative research approach to conduct the research.

Qualitative research aims to find patterns, themes, hunches, or initial models to understand a phenomenon (Office of Research & Doctoral Services, 2015). The benefit of this approach is that it allows to test ideas or get a general idea of the subject and generate hypotheses based on that, but the research cannot claim any percentages for the total population (Clever Product Development, 2020). In qualitative research, the researcher first tries to understand the phenomenon, then describe it and at last discover or generate hypotheses or theories of it (Office of Research & Doctoral Services, 2015). This kind of research is flexible and evolving (Eriksson & Kovalainen, 2008, p. 26), characteristics that will benefit the study in question as the topic combines a couple of theories and the original data will be collected in three steps and from many different stakeholders.

The researcher brings her perspective to research, and it affects to selection and interpretation of the data (Office of Research & Doctoral Services, 2015). However, the researcher should be objective, which is often an impossible goal (Eskola & Suoranta, 1998, p.17). Instead, the researcher

should strive to identify her assumptions and values, that is, her subjectivity, which allows for the pursuit of objectivity (Eskola & Suoranta, 1998, p.17). The reflexivity sees the researcher as a vital part of knowledge production that should not be excluded from the research process or reporting (Eriksson & Kovalainen, 2008, p. 30)

The researcher needs to know the topic, at least on some level, to guide the conversation on relevant topics since the data collected needs to make sense (Clever Product Development, 2020). Qualitative research is time-consuming, it needs to be well planned, and data collected helpful (Clever Product Development, 2020). What matters in qualitative research is not the quantity but the quality of the data, and its collection is guided by a robust theoretical foundation built by the researcher (Eskola & Suoranta, 1998, p.18). The essential part is a rich description that conveys data with the detail and specificity necessary to accurately convey the experience since the goal of the qualitative research is the meaningful interpretation of the phenomenon in a particular context (Office of Research & Doctoral Services, 2015).

A case study is a suitable research method for researching the sources of sustainable competitive advantage since Yin (2018, p.5) stressed its applicability to studying a contemporary complex social phenomenon. The case study allows for in-depth study and the formulation of a real-world perspective (Yin, 2018, p.5). In other words, research questions aim to understand and solve the case (Eriksson & Kovalainen, 2008, p. 115). For this, the study can combine many qualitative traditions and techniques depending on the specific needs of the research (Office of Research & Doctoral Services 2015). To conduct a case study, a researcher must have access to a sufficient amount of data through interviews, observations, or documentaries to answer the research questions (Yin, 2018, p. 26). The researcher uses interviews, focus groups, and observation to collect data, which supports selecting the case study method for this research. These techniques provide a comprehensive description of the phenomenon and allow applying the theoretical framework.

Yin (2018, p. 23) stressed that the case study needs to be a systematic procedure and follow the carefully planned process. Eriksson and Kovalainen (2008, p. 25) also emphasize planning the entire research process in advance. Figure 8 presents Yin's (2018, p. 1) rigor model of case study research. Yin (2018, p. 2) explains that the planning phase involves selecting the proper research

method and justification for the appropriateness of the method chosen before starting the research. Research design connects the research questions to the data to be collected and defines the “case” to be studied, allowing analytical interpretation of the data and the validity and reliability of the study (p. 24).

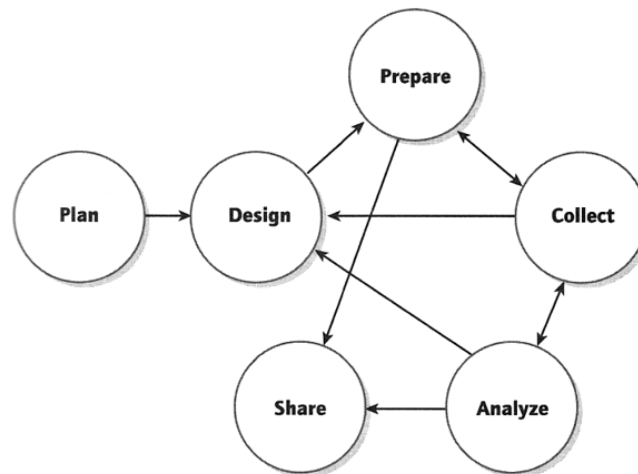


Figure 8. Case study process. (Adapted from Yin, 2018, p. 1)

Yin (2018) explains that the prepare phase coaches the researcher to face uncertainties, increases the readiness to make rigorous decisions while providing care, and minimal bias. This phase includes finding candidates, selecting final cases, taking care of human subject protection, and conducting a pilot case study; the essential thing is the development of a case study protocol that guides the data collection (p. 80). Data collection is a way to increase the quality and validity of the research (p.110). Yin (2018, pp. 110-134) advises using several sources of evidence, saving all data documents in one database, and maintaining the chain of evidence, which means a clear link between research findings and case study questions. Detailed and holistic knowledge of the case is achieved by using several empirical sources that are rich in context (Eriksson & Kovalainen, 2008, p. 117).

Yin (2018, p. 164) lists that data analysis involves choosing how the data is analyzed, coded, and interpreted. The aim is to combine the evidence gathered, highlight competing interpretations, the main aspects of the study, and demonstrate knowledge of previous research and literature (Yin, 2018 p. 164). The case study allows the detailed description of data by interpreting meanings

and deep understanding of the case (Eriksson & Kovalainen, 2008, p. 117). The last thing is sharing the case study conclusion by providing sufficient evidence for the reader to make their conclusions (Yin, 2018, p. 218). Figure 8 shows that the research process is iterative and includes correcting, revising, or changing parts, methods, or research questions for the final theses report (Eriksson & Kovalainen, 2008, p. 31). The researcher will conduct her case study according to Yin's (2018, p. 1) process and aims to ensure the validity and reliability of the study.

### **3.2 Research context**

The research context, in other words, the environment in which the research is conducted, is, as described in the introduction, the Case Company's professional cleaning business in Sweden. The market is mature, fragmented, and highly competitive, retailers are strong players (Cupole, 2019), and the Case company needs to find an offering that appeals to both end-users and retailers. It is typical for the Swedish markets to have a high degree of privatization in facility services, including professional cleaning, limiting public tenders (Cupole, 2019). On the other hand, the price level on the public side is even lower than on the private side (Cupole, 2019). The Case Company's Sales Director (15.12.2021), said that the price level in Sweden differed significantly from the price level in Finland already in the 1990s, being lower. The gap between countries has narrowed, but the price level in Sweden is still lower than in Finland and it has started to decrease once again, according to a study by Cupole (2019).

The decline in prices is due to the transparent dynamics of the commodity market, the increase in private label brands, and the consolidation of the private and public segments. The industry's margins have decreased from 2011 to 2017 due to continued and intense price pressure. On the other hand, volumes are increasing with increased markets and population growth and ongoing awareness of the importance of cleanliness for health. Other significant trends will continue to be outsourcing, consolidation, and investment in the overall environmental impact. However, the increase in volumes is partially offset by the trend to reduce the use of detergents to lower costs and environmental impact. This is supported by new technologies and surface compositions that require fewer cleaning agents (Cupole, 2019).

Sweden's competitive landscape consists of local chemical producers to major international players. Some competitors have a wide range of products and services and a strong brand presence,

which increases trustworthiness. In total, there are about 40 competitors. The market is therefore saturated. The reluctance of global competitors to tailor their offerings to the needs of relatively small markets, such as the Nordic countries, sheds little light on the situation. Due to the fragmented competitive situation, there are one or two big players in the market with large market shares, and the rest forms a long tail, distributing small market shares to the remaining companies (Cupole, 2019).

At present, the main bargaining power is held by large customers and, on the other hand, by large retailers, which assemble a fragmented producer market and dominate customer communications. The consolidation trend in tenders is expected to become more widespread for large private and public customers, giving them a strong and growing bargaining power. However, the bargaining power of retailers is expected to decline in the future as large producers increasingly bypass retailers to reach customers and purchasing groups that source directly from producers. Due to their dominant position and significant market share, large facility maintenance companies act as trendsetters in the industry and make an extensive impact in the professional cleaning industry (Cupole, 2019).

The Case Company is part of a more than 100-year-old Finnish family-owned group, consisting of several companies in many different countries and employing more than 900 people. The Group's turnover in 2020 was EUR 293 million. The Case Company's part of this was 438 people and 167 million in 2020 (Annual report, 2020). The Covid-19 pandemic significantly boosted growth from 2019 to 2020 by increasing the demand for disinfectant products. In 2021 the group's turnover decreased and was EUR 261 million and the Case Company's part of this was EUR 117 million (Annual report, 2021). In the Swedish organization works 16 people (Organization chart, 2022). The Case Company's international functions, such as the solutions management team and the marketing team, support country organizations.

The Case company's mission is "We lead the market in customer experience and environmental solutions." The company's long-term vision is profitable growth, own production, and regional market leadership in 2080 (Strategy 2021-2025, n.d.). Both mission and vision describe the company's values, financial goals, and what winning looks like. The competitive advantage of professional cleaning must fulfill these same goals. In addition, the foundation of the competitive

advantage is both the company's internal strengths and the opportunities emerging from the market. For this, the research is conducted in the Case Company's different functions in Finland and Sweden and, using secondary data.

### 3.3 Data collection

Data collection used several different methods to obtain a holistic picture of the phenomenon and to be able to answer the research questions. Secondary data complemented the primary data.

As the researcher has worked for the Case Company for several years, her **observation** serves as one source of the primary data in the study. However, according to Creswell (2007, p. 134), observing should be a series of steps where the researcher selects the site and whom to observe. The researcher needs to decide how long the observation will last and whether to be a complete participant or a complete observer or something in between (Creswell, 2007, p. 134). The researcher has gathered documented data over past years which relate the overall development of the competitive advantage for the professional cleaning and activities done for the Swedish market. She has extensive experience developing the professional cleaning business and leading related projects. On the other hand, Eskola and Suoranta (2005, pp. 98-103) stressed that researchers should not influence the phenomenon under study, but they stated that this is often impossible in practice. Participatory observing is a subjective, human activity, and the researcher must seek to recognize her subjectivity (Eskola & Suoranta, 2005, pp. 98-103). Because the researcher is an integral part of the phenomenon under study, she sees her observation as an essential source of the primary data and cannot exclude this from the study. Herein also lies the richness of this method, the multi-nuance of life, and the abundance of interpretations (Eskola & Suoranta, 2005, pp. 98-103).

**Focus groups** are a standard research method in business studies (Eriksson & Kovalainen, 2008, p. 78). The idea of focus groups is to gather several participants in the same conversation to obtain many different ideas and perspectives (PlaybookUX, 2019), and this was one reason to use focus groups as a data collection method in this research. However, there are specific problems with the use of focus groups and, one of these is that there are fewer opportunities to gather ideas from all participants (PlaybookUX, 2019). The ideal number of focus groups is three or four to allow a sufficient number of new perspectives to emerge (PlaybookUX, 2019). The researcher noted this problem and organized focus groups to whom she provided background information for discussion and

a common platform for sharing ideas and perspectives, which allowed for more extensive data collection and was the other reason to use the focus group method. Eskola and Suoranta (2005, pp. 96-98) pointed out that the ideal group size for a focus group is 6 to 7 people. They also stressed that groups should be homogenous so that all understand questions and terms the same way, and there should not be dominant persons in focus groups (Eskola & Suoranta, 2005, pp. 96-98). Group sizes were ideal, 4 to 5, and groups were homogenous but included participants from different company functions, which enabled rich discussion and different perspectives on topics. The researcher's role is to create an open and free atmosphere, initiate a conversation, and remain as quiet as possible after that (Eskola & Suoranta, 2005, pp. 96-98). The researcher followed this guideline and joined discussions not until focus groups presented their findings by asking some specific questions.

The **interview** was selected as the third applicable means of collecting primary data for the study. As Tuomi and Sarajärvi (2018, p. 85) pointed out, the interview method offers detailed information relevant to the study. The information cannot be found anywhere else, and the method offers access to people's experiences from their point of view (Eriksson & Kovalainen, 2008, pp. 80-81). Gibbs (2013) recommended that the interviewer be familiar with the topic and possess at least some knowledge of it and have some experience of doing the interviews. The interview needs to have a structure to achieve a better result (Gibbs, G.R., 2013). On the other hand, the interview is a flexible method that allows the interviewer to repeat the question, change the order of the questions, correct the misunderstanding, clarify the wording, and discuss with the interviewee (Tuomi & Sarajärvi, 2018, p. 85).

Gibbs (2013) lists several meaningful things for the interviewer to know for a good interview. He points out that the interviewer should be gentle with the interviewee, meaning she gives the interviewee time to think, does not interrupt them too quickly, tolerates breaks, and lets the interviewee finish their sentence. Gibbs (2013) emphasizes the importance of listening and that the interviewer is sensitive and empathetic to the interviewee. The researcher should be open to responding to what is essential to the interviewee and flexible to issues during the interview. On the other hand, the interviewer needs to be steering and know what she wants to find out for the research. The researcher should be critical of the information and prepared to challenge the interviewee's comments. The interviewer remembers what is said earlier in the interview, and she can

reflect the things the interviewee is saying later in an interview to the things discussed earlier. The interviewer interprets things said in the interview to get a clear picture of the topics discussed (Gibbs, 2013).

The researcher used **thematic interview**. The thematic interview proceeds based on pre-selected key themes and related specific questions (Tuomi & Sarajärvi, 2018, p. 87). The interviewer ensures that the interview covers all themes (Eskola & Suoranta, 2005, p. 86). For these reasons, the thesis uses this method to conduct internal interviews. As Tuomi and Sarajärvi (2018, p. 88) pointed out in the thematic interview, the researcher combines theories represented in the theoretical framework with interview themes. The researcher in this study combined the theoretical framework with the competencies and capabilities that rose from the focus group discussions. This approach allowed to focus on one competence and capability or market-specific view per interview, and thus researcher gained a deeper understanding of the theme. As Tuomi and Sarajärvi (2018, p. 88) write, in a thematic interview, the interviewer can ask in-depth questions based on the interviewee's answers and thus better understand the phenomenon. The difference compared to semi-structured interviews is that the exact form of the questions and their order may vary from one interview to another (Eskola & Suoranta, 2005, p.86).

Following the **ethical guidelines** of research literature, the researcher designed the themes and topics, interview questions, and focus group guidelines before conducting the primary data collection. The researcher asked permission from the participants to invite them to in focus group or interview and permission to record those. To make each participant feel as comfortable as possible, the researcher explained the purpose and targets of the focus group work and interviews in advance. The researcher promised participants access to the recorded material and the transcribed text. The participants' names would not appear in the study if they did not promise that, and the collected data would be treated confidentially. The researcher and internal participants were in an equal employment relationship during the interview. The internal participants had the right to read the study and the results before the study was published.

It is only sometimes necessary for the researcher to collect all the data herself but to use existing **secondary data** that can be used and analyzed in many ways (Eskola & Suoranta, 2005, pp.

117-119). The researcher used the case company's secondary data to supplement the primary data and gain a better market and distributor understanding.

### **3.4 Data analysis**

Qualitative data analysis involves some commonly used basic methods and steps. These steps often occur interlaced and simultaneously. Data analysis starts from preparing and organizing data collected from interviews, observation, documents, and focus groups. All collected data need to be present and available. The next step is to reduce data in themes by coding and divide it into categories. The final step is to present data to meet the needs of each research. The style can be, for example, narrative or graphical form. The data analysis process in qualitative research is flexible, and it observes the needs of the study, but still, it needs to follow an established protocol and relies on rigorous methodological approaches (Office of Research & Doctoral Services, 2015).

The methodology applied in the data analysis is qualitative content analysis. Content analysis organizes the collected data into a clear and concise format, preserving the information it contains and enabling reliable conclusions to be drawn (Tuomi & Sarajärvi, 2018, p.122). Tuomi and Sarajärvi (2018, pp. 108-111) list three types of content analysis: content-based, theory-based, or theory-driven. In content-based analysis, the idea is to create a theory based on content. The theory-based approach builds on an existing theory or model that guides data collection and analysis. The approach is functional when testing the theory in a new context. The third option, theory-driven analysis, combines the two previous ones. Theory can help in the analysis, but the analysis is not directly based on it. This study utilizes theory-driven content analysis since the analysis is not entirely based on the theories defined in the theoretical framework. However, theories guide data collection and analysis, but research seeks to combine theories creatively and find the sources of the competitive advantage from the content.

According to Creswell (2007, p. 148), the core elements of qualitative data analysis are reducing data to manageable segments, naming and merging segments into broader entities or themes, and ultimately comparing and presenting data. The research follows these guidelines, and the analysis is based on the conceptual framework proposed by Tuomi and Sarajärvi (2018, pp. 133), presented in Figure 9. Since the theory-driven content analysis model combines the elements of content- and theory-based content analysis, the used analysis model includes elements of both.

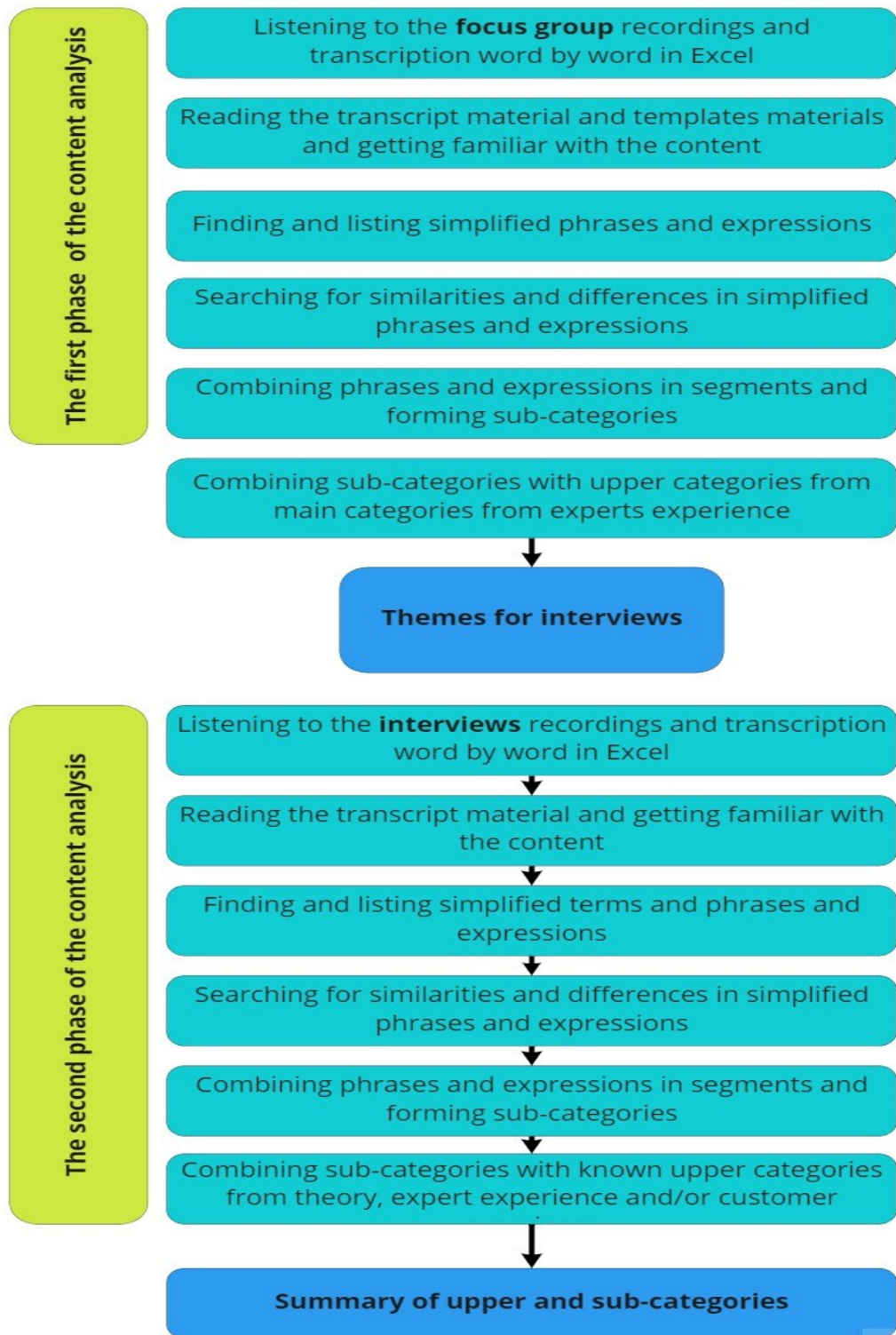


Figure 9. The content analysis. (Modified from Tuomi & Sarajärvi, 2018, p. 123 & p. 132)

Content analysis has two phases, starting with analyzing the focus group materials and continuing with the analysis of the interviews conducted based on the themes derived from the focus group material. Focus group content analysis follows more closely the characteristics of content-based

analysis. The identified themes are not based on theory but emerge from the data. Themes are Case Company's competencies and capabilities which can act as a source of competitive advantage. A second phase is needed to investigate the founded competencies and capabilities against general theories to identify the source of a genuine competitive advantage. In addition, the second phase allows for discovering new, missing competencies and capabilities that were not identified in the internal focus group work.

The second phase of the content analysis follows the first phase until the identification of the sub-categories. However, the analysis continues by combining the founded sub-categories with the upper categories derived from the theories in the theoretical framework. The final step in the analysis is to summarize the upper and lower categories. In this thesis, this means the characteristics of the identified competencies and capabilities that allow them to serve as a source of competitive advantage and a summary of the functionality of the strategic management process for internal and external analysis. The summary includes the actions needed to turn competencies and capabilities into a source of competitive advantage to support strategic choices.

Primary data were gathered from multiple sources at various time points, mainly during 2021 and 2022, but the observation took place over a more extended period. Figure 10 describes the timeline of data collection. The researcher collected the primary data in a three-step process. The first data collection period is the observing phase, which started in 2018 and ended in February 2022. At that point, the researcher started as a business development manager for professional cleaning and from the end of 2019 continued as a solution manager for professional cleaning. The second phase was the focus group work on 16 April 2021. The third step was the interview, which took place between 10 December 2021 and 26 January 2022.

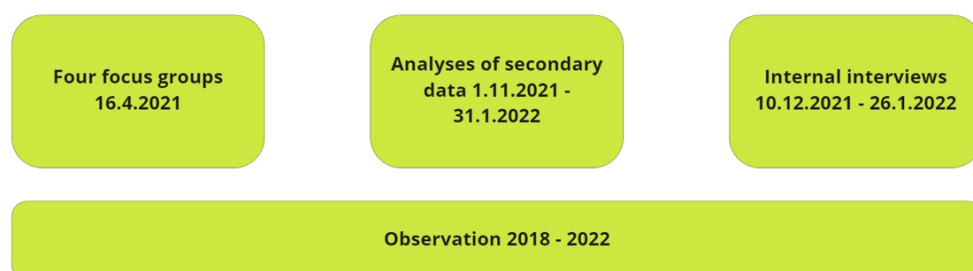


Figure 10. Timeline of data collection.

Concerning the observation, the material collected is extensive, and the researcher has limited it to customer visits and projects directly related to the target market. As a result, a manageable amount of material is accumulated, with three projects and three customer visits. The researcher included only projects and visits to the target country—Covid-19 limited face-to-face meetings during the observation period. In addition, the observation involves much tacit, undocumented information that the researcher has accumulated. The researcher seeks to identify her subjectivity regarding tacit information and treat it as objectively as possible. To do this, the researcher will indicate her observation in the results.

The researcher conducted the focus group work in Teams as Covid-19 prevented a face-to-face meeting. Teams meeting lasted three hours with breaks and included two 30 minutes long focus group discussions in Team's breakout rooms. The researcher recorded the group discussions after focus group work, which lasted 26:30 and 28:03 minutes, and produced 14 pages of transcript data in Excel. The first focus group discussion topic was the same for all four focus groups, and the template used in this part is in Appendix 1. The second focus group session divided the four focus groups so that the two groups had the same topic. The templates used in this section are in Appendices 2 and 3. All participants had access to these templates, and they could edit them. This way, focus group work produced a rich description of the topics covered and significantly increased the primary data generated by the focus group work.

The focus groups included Case Company's sales and country managers from eight countries and professional cleaning representatives from R&D, sales, and the solution's management team. A total of 19 people. The purpose of the focus groups was first to map the current situation in different countries like product and service gaps, the competitive situation, and the changes needed to achieve success. The second phase addressed target customer groups, critical drivers for success, building blocks for success, and a business-level mission for professional cleaning. At the base of the focus group discussions, the researcher analyzed the transcript data, as described in Figure 9. First, the researcher divided data into simplified expressions/subcategories and upper categories. After that, the main category narrowed down the expressions and resulted in the unifying category for the interview theme (Tuomi & Sarajärvi, 2009, p.110-113). Appendix 4. Data analysis (secret) shows analysis from original expressions to unifying categories.

Altogether, the researcher was able to indicate four competencies and capabilities common to all countries, at least in part, that emerged for differentiation and success. Although the countries are different and their needs differ, the company's values and mission are the same for different countries. Limited resources determine the competencies and capabilities with which competitive advantage is planned to achieve. The four internal competencies and capabilities identified in the focus group formed the themes of the internal interviews. The researcher emphasized the themes more deeply from the target market's perspective and professional cleaning in the interviews. These themes were environmental leadership, brand building, expertise, and innovation capabilities.

The researcher did eight internal interviews, and one person she interviewed twice. The researcher transcribed the previous interview before the next one and analyzed it tentatively. The internal interviews lasted from 44 minutes to 1 hour and 17 minutes, producing 127 pages of transcript data. The interviewees were the company's leading experts on different activities. A list of interviewees is in Appendix 5. Internal interviews had one theme on the base of focus group data analysis, and those covered the objectives of the theoretical framework. Of the eight interviews, five were derived based on a resource-based view and three based on market position theory. The interviews aimed to determine if the identified competencies and capabilities fulfill the definitions of resource-based view theory for valuable, rare, inimitable, and non-substitutable (VRIN) resources. To do this, the researcher transcribed data in excel, divided each interview on its spreadsheet, and analyzed each theme on a theory-based basis. Appendix 6. Data analysis, VRIN features of environmental leadership (secret) presents the analysis of the resource-based view features of environmental leadership.

Furthermore, the researcher studied the current stage of each competence, how those have developed, and the company's capability to lead these competencies. The competencies and capabilities reflected in the Swedish market and competitors to find out if the Case Company can differentiate itself and justify premium prices. The structure of the internal interviews has the same shape as the strategic management process. It also included questions about the functionality of the process itself in determining the sources of competitive advantage and the relevance of the professional cleaning business-level mission. Internal interview questions are in Appendix 7 resource-based view and Appendix 8 market position theory.

The secondary data provided an overview of the phenomenon, supplemented, and deepened the primary data by offering dealer and end customer perspective. The secondary data consisted of the market and retailer research documents commissioned by Case Company and annual reports generated by the company. A market survey of the Scandinavian market was conducted in 2019. It is based on 33 interviews with experts, resellers and competitors as well as 36 reports and 15 databases. The dealer survey in 2021 was a smaller study but also it based on 61 persons responses to survey in Sweden. The response rate was 26 %. The researcher read the secondary data several times and listed simplified expressions. The researcher compared similarities and differences and formed subcategories and upper categories, as presented in Figure 9. This result researcher compared to primary data.

### **3.5 Verification of the results**

Qualitative research strives for reliability and avoiding errors, but there are several different interpretations for evaluating this (Tuomi & Sarajärvi, 2018, p. 158). Eriksson and Kovalainen (2008, p. 290) consider how a qualitative research author assures her readers of the research's scientificity, quality, and trustworthiness.

Tuomi and Sarajärvi (2018) describe that the validity and reliability commonly describe the credibility of research methods. Validity indicates whether the research has examined what it has promised, and reliability evaluates the reproducibility of the research results (p. 160). Validity describes the ability of a study to present the studied phenomenon as accurately as possible and to support this with evidence (Eriksson & Kovalainen, 2008, p. 292). However, Creswell (2007, pp. 206-207) points out that research is still always a researcher's description of the phenomenon. The importance of long-time engagement and the detailed description of results increase the value and accuracy of research (Creswell, 2007, p. 207).

The literature has presented triangulation as a validity criterion for the study. Triangulation refers to the combination of different methods, researchers, sources of information, or theories, in which case the researcher can overcome her prejudices when unable to commit to one perspective (Tuomi & Sarajärvi, 2018, p. 167). The researcher has sought to implement a triangulation perspective by delving into an extensive literature review, using multiple data sources for both theories and primary and secondary data, and utilizing multiple methods in data collection. The thesis

examines the research problem from several different perspectives, describes the phenomenon accurately, and the data collection supports results.

The research is always evaluated as a whole, and its reliability is affected by the internal coherence of the research, meaning that the different parts must be equal with each other, allowing another researcher to repeat the research and achieve the same type of results (Eriksson & Kovalainen, 2008, p. 292). Yin (2018, p. 24) formulates the same thing by emphasizing the importance of research design in case studies. According to him, research design connects the research question to the data to be collected and defines the case to be investigated, allowing analytical interpretation of the data, and thus increasing the study's validity and reliability (Yin, 2018, p. 24). The parts of the thesis are built to be mutually supportive and aim to build an intact and purposeful whole. Research questions are a starting point for interview questions and data collection. In a qualitative study, to increase the study's reliability, the data collection and analysis description should be sufficiently detailed to show how the results and conclusions have been reached (Tuomi & Sarajärvi, 2018, p. 164). The researcher has sought to describe the data collection and the analysis process in as much detail as possible to ensure transparency.

The researcher should show the findings to the participants to comment if their perspectives are correctly understood (Tuomi & Sarajärvi, 2018, p. 165). The study also observes the negative or discrepant information to the study's key themes, but the researcher clarifies this bias. To ensure validity researcher should let other people review the findings and guarantee that they make sense. Finally, the researcher should let an external auditor review the study's overall logic, coherence, and consistency (Office of Research & Doctoral Services, 2015). The researcher has booked time to review her interpretation of the data with the participants. The researcher has received feedback on her work from external readers during the research process and will also use this for the final work.

## **4 Results**

Appendix 9. 4 Results (secret)

## **5 Discussion**

This chapter summarizes the study's essential findings and offers the reader a clear picture of the study's results. In order to do this, the chapter first answers the research questions and then proposes practical implications based on the findings. The chapter also covers the assessment of the results in the light of literature, limitations, and recommendations for future research.

### **5.1 Answers to the research questions**

Appendix 10. 5.1 Answers to the research questions (secret)

### **5.2 Practical implication**

Appendix 11. 5.2 Practical implication (secret)

### **5.3 Assessment of the results in the light of literature**

Because the area of research was familiar and comprehensive, plenty of academic literature was completed. In this case, the challenge was that there were such different views on this topic that the researcher first had to define which studies viewpoints she would follow in her work. The researcher decided to combine the strategic business management process and the resource-based view features for identified capabilities and competencies as a source for the competitive advantage in the Swedish market where the Case Company has decided to follow the differentiation strategy. It can be stated that mostly all literature references were supported in this study.

The findings show that the strategic management process guided the Case Company to form its strategy carefully and systematically, as Barney and Hesterly (2019, p. 27) stated it would. However, some parts of it, mainly the internal and external analysis (SWOT), got the feedback that it does not offer real solutions on how to take advantage of the opportunities or strengths (Nixon & Helms, 2010), and it is a static description of the current situation (Popescu & Scarlat, 2015). On the other hand, findings support the view that SWOT analysis can offer the base for formulating targets and strategies (Popescu & Scarlat, 2015).

The findings strongly support Prahalad and Hamel (1990) view that a company should share competencies, particularly skills, knowledge, experience, and technologies, across the company since competencies are strengthened when used and distributed. Capabilities and competencies are the foundation on which the Case Company develops its future success (Helfat & Peteraf, 2003). However, the findings do not separate these two so clearly. Instead, those are often thought to mean the same thing, as Long & Vickers-Koch (1995) stated in their research. On the other hand, the study showed clearly that the Case Company owns competencies which are, according to Yang (2015), a combination of technologies, knowledge, skills, and professionalism. Yang (2015) defined capabilities as a unique leadership ability of competencies that support the development of new products and businesses. The research recognized this kind of leadership capability even though it did not so clearly separate it from the competencies.

Barney (1991) defined that if capabilities and competencies are valuable, rare, inimitable, and non-substitutable, those can create a sustainable competitive advantage. The findings partly support this, but there is a need to recognize also the weaknesses, as Sirmon et al. (2010) proposed to find out more clearly the state of a company's outcomes. The findings show that the RBV is static, as Ambrosini & Bowman (2009) stated, and it does not explain how the competitive advantage is maintained (Teece et al., 1997). The findings strongly support the need for strategic choices, which Porter (1991) saw as a way to create a competitive advantage. He stated that the company defines the activities which connect internal strengths and weaknesses to responding to external opportunities and threats. It is a strategic choice of which activities the company performs. This study supports the idea of Ray et al. (2004) to combine the resource-based view with the active-based view to fully take advantage of the company's resources (Newbert, 2007). And Porter's (1996) call for strategic choices of activities that offer possibilities for differentiation and unique performance of selected activities, as the Case company aims to operate.

#### **5.4 Limitations of the research**

The study followed the case study research method, which according to Yin (2018, p. 24), enables the connection of research questions to the data and allows analytical interpretation of the data and the validity and reliability of the study. The researcher collected the data through the pre-designed plan, did eight interviews and four focus groups, and used observation and secondary data. The interviewees were experts from different fields working in different departments in the Case

company. Four focus groups contained a wider group of key persons working in the company. Both interviewees and focus groups were rich in data. Together they offered saturation and a comprehensive understanding of the phenomenon from the Case company perspective. The secondary data included the distributor survey and market research commissioned by the Case Company. These two data sources offered an external perspective on the phenomenon. However, to reach a broader external understanding of the case, the researcher planned to interview the customers but failed to agree on the interview times with them. On the other hand, plenty of data was available, and the researcher had access to a sufficient amount of data to conduct rigorous research.

The researcher also used observation as she has worked in the Case company for a long time and knows the research topic well. Her observation supported the data collected with the other methods, and she did not bring the observation so much in results. The fact that the researcher works in the Case Company and knows the phenomenon challenged her to recognize her assumptions, values, and subjectivity. The research paid attention to this and pursued staying neutral. However, some bias may have occurred in the data collection phase, like in interviewees or data analysis when interpreting the data. It is very challenging to assess whether the researcher achieved impartiality in all stages of the research and remained objective.

The researcher sees that the study is valid for the Case company operating in the professional cleaning business in Sweden. Some parts are also valid external, like the market and distributor findings, but only for businesses operating in a similar field. Some significant trends, like environmental topics, can be generalized to a larger public, but otherwise, the researcher sees that the results are valid mainly for the Case company. The findings collected for the strategic management process can be generalized to the larger public since those support the earlier research.

The researcher followed the ethical guidelines she defined in the Data Collection chapter. The researcher designed the themes and topics for interviews and focus groups before collecting the data. She recorded all interviewees and focus group sessions after asking permission from the participants. The researcher paid attention to making participants feel as comfortable as possible by carefully explaining the purpose of the study and encouraging them during the interviews. The study did not include the company or participant's names.

## 5.5 Recommendations for future research

In this study, the researcher mapped the initial situation regarding the ability of the identified capabilities and competencies to act as a source of competitive advantage in a professional cleaning business in the Swedish market and the functionality of the strategic management model in this work. This study is a fruitful platform for future research. Variations of this research could be conducted, like focusing on just one capability and competence and reflecting it in more detail on customer needs. The researcher sees that the customer point of view should get more attention in future research.

One research direction that this study did not cover is competitor analysis. The goal of the Case Company is a differentiation strategy, so studying the competitor's actions, comparing it with the Case Company's expertise, and mapping out the possibilities of differentiation would bring the necessary addition to the research. It would also be possible to focus this research object on only one capability and competence at a time.

The Case Company operates in ten different markets and many different areas of hygiene. Carrying out similar research in another market or business area could highlight new necessary capabilities and competencies or support the findings of this research. This could focus the resources of the Case company even better on the skills that are required of the company in order to stand out in the tough competition.

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## Appendices

### Appendix 1. Workshop 1 template

What do we need to change? What other insights/views should be considered in the plan? What will you need in your market to succeed?	
<b>Team Summary</b>	<b>PROFESSIONAL CLEANING &amp; TEXTILE WASH</b>
Key findings New products Services Market gaps Compared to competitor Bottles, packages, SKU Other	<h1>WORKSHOP 1</h1> <p>What are the main changes? I</p> <p>What other insights/views should be considered in the plan?</p> <p>30 min work in breakout rooms</p> <p>20 min discussion in main meeting</p>
needed changes	

## Appendix 2. Workshop 2 template A

How does your own market look like?	
Team Summary	PROFESSIONAL CLEANING & TEXTILE WASH
Target customer groups	
Where to play	
Where not to play	
What is our competitive advantage to?	
How do we differentiate?	
What are the organizational capabilities; expertise, competencies that we should have in order to win in these target customers. What to develop, how to maintain and to ensure that the level of service remains high in all markets?	
What are the key steps we need to take?	
Key drivers for success	
What key drivers we should have in order to win and succeed in professional cleaning and textile wash?	
What are the organizational capabilities; expertise, competences that we should have in order to achieve these drivers for success. What to develop, how to maintain and to ensure that the level of service remains high in all markets?	
What challenges / risks can arise if these issues / entities cannot be promoted?	
What are the key steps we need to take?	
needed changes	

### Appendix 3. Workshop 2 template B

How does your own market look like?	
Team Summary	PROFESSIONAL CLEANING & TEXTILE WASH
Building blocks	
What other building blocks whe should add?	
What are the organizational capabilities; expertise, competences that we should have in order to achieve these building blocks? What to develop, how to maintain and to ensure that the level of service remains high in all markets?	
What challenges / risks can arise if these issues / entities cannot be promoted?	
What are the key steps we need to take?	
Other	
Professional cleaning winning aspiration	
Locally local - What this means in different markets?	
Green supplier with experts - What we need to do to achieve this in every market?	
There to help you to success - What thoughts do you have about this?	
Other ideas how to improve the professional cleaning winning aspiration	
needed changes	

## Appendix 4. The data analysis (secret)

## Appendix 5. List of the persons interviewed

### Internal interviews

- |  |   |
|--|---|
| 1. Account and Development manager                   | 10 December 2021<br>1:01:48                           |
| 2. Sales Director (Finland)                          | 15 December 2021<br>1:09:54                           |
| 3. Business Area Director                            | 21 December 2021<br>1:00:32                           |
| 4. Sales Manager                                     | 11 January and 17 January 2022<br>1:15:35 and 0:44:34 |
| 5. Research, Development & Innovation Director       | 13 January 2022<br>1:17:25                            |
| 6. Marketing Specialist, Launches & Media Production | 24 January 2022<br>0:57:13                            |
| 7. Head of Marketing                                 | 26 January 2021<br>1:10:58                            |

**Appendix 6. Data analysis, VRIN features of environmental leadership (secret)**

## Appendix 7. Internal interview questions – Resource-based view

**Background information of the interviewees:** Name and profession

**Capabilities and competencies:** Environmental Leadership, Brand building, Innovations, Expertise

**Themes (1-4):** Interview 1: Environmental Leadership (Person 1), Interview 2: Brand building (Person 2), Interview 3: Innovations (Person 3), Interview 4: Expertise (Person 4)

**Mission:** *Local, green supplier with expertise – Always there to help you (Top 3 player?)*

Mission describes what the company aspires to be in the future, guides the development of the right capabilities and competencies, and determines the company's market positioning.

### Interview questions:

#### Mission

1. Does the mission facilitate the identification of required competencies and capabilities?
2. How do themes (1-4) support a professional cleaning mission?
3. How well does the professional cleaning mission support the company's values?
4. Moreover, what does the professional cleaning business want to be in the future?
5. How well does the mission notice the customer perspective?
6. Does the mission create value for the customer?
7. Would you add something to the mission?

#### SWOT & VRIN features of the capabilities and competencies

8. How do the themes (1-4) make better use of the opportunities offered by the environment (favourable factor or trend) than competitors?
9. How can themes (1-4) create the ability to eliminate threats (adverse factors or trends) better than competitors?
10. How rare are these themes (1-4) among competitors?
11. How easy is it for competitors to copy these competencies?
12. How easy is it to replace these themes (1-4) somehow? (comprehensive range, data services, instructions)
13. How do you feel that such an examination, through external opportunities and threats, helps to better identify core competencies in this area? Does it help us find our weaknesses? Does this reflection sharpen the identification of competitive advantage?

#### Internal analysis

14. How have themes (1-4) developed in the organization?
15. How will those be strengthened in the future?
16. What technology, knowledge, skills, and expertise does the company have to achieve or maintain these competencies? What qualifications already exist, and what needs to be acquired?
17. What are critical competencies (technologies, knowledge, skills, and expertise)?
18. How would you assess the company's ability to lead the themes (1-4)? How leadership supports the emergence of new products, services, and businesses?
19. How best to ensure customer focus in the competence development?
20. What are the strengths and weaknesses (internal limitations) of professional cleaning in this regard?

21. How useful do you see internal analysis in identifying the required competencies and abilities? How does it support the achievement of competitive advantage?

**Overall assessment of the strategic management process, including mission, strategic analysis (SWOT), and strategic choices**

22. How do you feel whether mission-based competence identification is a good starting point to determine what competence the firm already has or what it lacks? Why?
23. Do the analyses cover enough different areas to make strategic choices and trade-offs?
24. Is the process logical from mission to strategic analysis and ultimately to strategic choices?
25. Does the process make it possible to form a business-level strategy and find a competitive advantage?
26. What improvements do you see necessary in the process?
27. What are the strengths of the process?

## Appendix 8. Internal interview questions – Differentiation, country-specific view

**Background information of the interviewees:** Name and profession

**Capabilities and competencies:** Environmental Leadership, Brand building, Innovations, Expertise

**Mission:** *Local, green supplier with expertise – Always there to help you (Top 3 player?)*

Mission describes what the company aspires to be in the future, guides the development of the right capabilities and competencies, and determines the company's market positioning.

### Interview questions:

#### Mission

1. How do you think the professional cleaning mission will help define the wanted market position?
2. How do the defined competencies and capabilities support the professional cleaning mission?
3. How well does the mission of professional cleaning support what professional cleaning aspires to be in the future?
4. How well does the mission consider the customer perspective? Is the mission value-creating for the customer?
5. Would you add something to the mission?

#### External analysis

6. How different are these competencies among competitors? Or are those?
7. How does the company act differently than its competitors in terms of these competencies? Or does it?
8. How easy is it for competitors to copy or substitute these competencies?
9. Would you like to mention the capability or competence of the company, which contributes significantly to the achievement of the differentiation strategy? Other than what we have been discussing, existing or desirable.

#### Internal analysis

10. What technology, knowledge, skills, and expertise does the company have to achieve or maintain these competencies or develop new ones? What is missing?
11. How would you rate the company's ability to manage these competencies? How leadership ability supports the emergence of new products, services, and businesses?
12. How do you assess that with these internal strengths (competencies and capabilities), the company can meet the opportunities offered by the environment or eliminate threats?

#### Differentiation strategy and Customer focus

13. Has the company made clear strategic choices, trade-offs in the market regarding
  - i. the specific customer segment,
  - ii. products and services and their features?
14. What is the primary customer group? How is it chosen?
15. How well and extensively is the company able to serve the needs of this customer group?

16. How well do existing or desired strengths (competencies and capabilities) support these choices?
17. Best customer experience. How is this achieved? (The customer and the customer's customer, the entire chain must be considered, and the businesses in the entire chain must be understood.)
18. How best to ensure customer focus in the development of internal competencies?
19. How do you think the products meet the characteristics required by the differentiation strategy, such as high quality, well-known brand, and good performance? Do you see that these justify a premium price?
20. Could combining capabilities and competencies with the company's products create a unique differentiation strategy that creates value for the customers, a unique mix of values, and a hard-to-copy competitive advantage?
21. How do competitors work? Directly with end customers or only through resellers?

**Overall assessment of the strategic management process, which includes mission, strategic analysis (SWOT), and strategic choices**

22. Is the process logical, from the mission to strategic analysis and finally to strategic choices?
23. Is mission-based identification of wanted market position a good starting point? If so or not, why?
24. How well does it help identify external opportunities and threats and internal strengths and weaknesses?
25. What improvements do you see in the process?
26. What three things would you raise to the strengths of the process that provide information as a basis for strategic choices?

**Appendix 9. 4 Results (secret)**

**Appendix 10. 5.1 Answers to the research questions (secret)**

## **Appendix 11. 5.2 Practical implication (secret)**