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Strategic Management

-A Combination of the Internal & External Perspective

Master Thesis in Business Administration

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Abstract

Strategic management has long been viewed as the concept and process that link an organization and its environment together (Leibold, Probst & Gibbert, 2002). It consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages (Dess, Lumpkin & Taylor, 2005).

Within the history of strategic management research there has been an unbalance between the internal and the external perspective. During the 1980s Michael Porter, one of the most prominent strategic management researchers, and his Five Forces model focused strictly on the external competitive environment (Mintzberg, Ahlstrand & Lampel, 1998). Further, in the 1990s the focus shifted from external to internal along with Jay Barney's development of the resource based theory in 1991 (Barney, 1991). The issue of excluding one or the other perspective has now started to be acknowledged and researchers today are striving for developing models integrating both perspectives. However, theoretical models existing today that combine the two perspectives are complex and hard to apply in practice for managers within the business world.

In order to address the complexity of the strategic management concept we have chosen to develop a model with the purpose to connect and relate the external and internal perspectives by conducting an in-depth analysis of a chosen company. The model also strives to be easily communicated, applicable and understandable for managers and employees on different levels within the organization. This leads us to the purpose of this thesis: "to develop a simplified model that combines the external and internal perspective of strategic management and apply this to a chosen company".

The research was conducted through a case study based on the authors' participation in a PBM (Project Based Module) - project. The model was tested on the company in question by analyzing the company's internal and external environment with the means of analysis tools such as PEST-analysis, strategic group analysis, threshold analysis and the SWOT-analysis.

To conclude it is important to balance an organization's internal efforts with the external market conditions and avoid excluding one or the other from the strategic management process. Combining the two perspectives results in identifying the current capabilities and competences and the direction of how to use these in order to meet market demands and gain competitive advantage.

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1 Introduction

In the introduction to this master thesis a background to the problem is presented as well as a problem discussion. The purpose and research questions are stated and in order to clarify used concepts a definitions part is included.

1.1 Background

Strategic management has long been viewed as the concept and process that link an organization and its environment together (Leibold, Probst & Gibbert, 2002). It consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages (Dess, Lumpkin & Taylor, 2005). In today's rapidly changing global economy it is essential that the organization is prepared to adapt to these changes and realizes the need for the strategic management to be pro-active.

All organizations have a strategy, even if the strategy only evolves from day-to-day operations, and it is therefore a need for organizations to use strategic management concepts and tools. Strategic management is concerned about the organization's ability to identify its strengths and weaknesses and strengthening its own capabilities. The organization's ability to identify the critical environmental factors and adapt to them in an appropriate way is also of great importance. The fundamental issue of effective strategic management is based on that employees' at all organizational levels are fully informed about internal and external factors affecting the organization. When managers and employees are informed and understand where the organization is today, where it is heading and which factors are affecting, it often results in that they become more involved and committed. This is especially true when employees also understand linkages between their own daily operations and the organization's performance (David, 1998).

There has been an unbalance between the internal and the external perspective within the history of strategic management research. During the 1980s Michael Porter, one of the most prominent strategic management researchers, and his Five Forces model focused strictly on the external competitive environment (Mintzberg, Ahlstrand & Lampel, 1998). Further, in the 1990s the focus shifted from external to internal along with Jay Barney's development of the resource based theory in 1991 (Barney, 1991). This unbalance between the two perspectives excludes one or the other. Hence, it is not as beneficial as if you would be able to combine the two different perspectives. This issue has now started to be acknowledged and researchers today are striving for developing models integrating both perspectives. However, theoretical models existing today that combine the two perspectives are complex and hard to apply in practice for managers within the business world.

1.2 Problem discussion

Leibold et al. (2002) recognize the critical strategic management challenge in the first decade of the 21st century to become how organizations can continually adapt, shape, change, innovate, create and network. This in order to survive in their market environment that quickly is becoming more unpredictable. As globalization keeps spreading and distances through out the world are shrinking, the importance of strategic management and how it is handled within the organization will increase. In order to gain a competitive advantage a lot of effort has to be put upon making the strategic management process more efficient. As the background describes strategic management until and during the 1980s had an external focus which switched during the 1990s to a more internal oriented analysis. Tracing back to the rapidly changing environment and the need for effective and adaptable strategies within an organization the combination of internal and external analyses is to be strived for.

According to Dess et al. 2005 strategic management is concerned with the analysis of strategic goals (vision, mission and strategic objectives) along with the analysis of the internal and external environment. In 1997, Henderson & Mitchell acknowledged the need for careful study of how internal capabilities and the competitive environment mutually influence each other which is still believed to be an unfulfilled need as for today. Drawing together contrasting perspectives in the area of strategy is the start of the process to address the complex demands in today's highly competitive environment (Jenkins & Ambrosini, 2002). With this discussion in mind the problem concerns the combination of the two perspectives in a simplified model that is easier to understand and communicate for a business manager.

Several managerial challenges are to be found within the field of strategic management that we would like to address in this thesis. For example strategic management is different in nature from other aspects of management since it is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide rather than operation-specific implications (Johnson, Scholes & Whittington, 2007). According to Jenkins & Ambrosini (2002) this complexity arises from the need for questions that address different levels of analysis and different dynamics relating to organizations and their strategies. This is a major challenge for managers who are used to manage the resources they control on a day-to-day basis (Johnson et al. 2007).

Pettigrew, Thomas & Whittington (2002) state that the research field of strategic management has advanced but there are still existing gaps between the academic perspective and what is or can be prescribed to managers. In other words theory and practice differs and it can be hard to communicate the meaning and the process of strategic thinking and acting to a manager. The problem concerns if the manager is not used to the terminology or if he/she cannot see the relation or linkage between academic theory and his/her business activities and existing strategies.

In order to address the complexity of the strategic management concept we have chosen to develop a model with the purpose to connect and relate the external and internal perspectives by conducting an in-depth analysis of a chosen company. The model also strives to be easily communicated, applicable and understandable for managers and employees on different levels within the organization.

1.3 Purpose

The purpose of this thesis is to develop a simplified model that combines the external and internal perspective of strategic management and apply this to a chosen company.

1.4 Definitions

There are several definitions to be found when researching the concept of strategic management and strategies in general, in order to make it clear we present the definitions which this thesis is based upon.

“Strategic management is the development of corporate strategy, and the management of an organization according to that strategy. Strategic management focuses on achieving and maintaining a strong competitive advantage. It involves the application of corporate strategy to all aspects of the organization, and especially to decision making. As a discipline strategic management has evolved in response to changes in organization structure and corporate culture. With greater empowerment, strategy has become the concern not just of directors but also of employees at all levels of the organization.”

(BNET, 2008)

The concept of strategy is not a straightforward one. There are many different theories about what it is and how it works. Henry Mintzberg (1994) suggests that strategy can have a number of meanings, namely:

- “1. Strategy is a *plan*, a "how," a means of getting from here to there.
2. Strategy is a *pattern* in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy.
3. Strategy is *position*; that is, it reflects decisions to offer particular products or services in particular markets.
4. Strategy is *perspective*, that is, vision and direction.”

(Cited in Nickols, 2006 p. 2)

Strategy has also been defined by Johnson et al. (2005 p. 9) as: "The direction and scope of an organization over the longer term, which ideally matches its resources to its changing environment, and in particular, to its markets, customers and clients to meet stakeholder expectations."

1.5 Research Questions

- How do the internal and the external perspectives of strategic management relate to one another?
- What are the implications of combining the two strategic management perspectives in practice?

2 Frame of Reference

In this following section the theoretical findings relevant to our area of research will be presented. The outline of this theoretical framework will first present a general view of strategic management and the two perspectives. This is followed by our own framework containing our own developed model and explanations of what analysis tools to be used within the model. Finally our reflections of the frame of reference will be presented.

2.1 The Development of Strategic Management

According to Pettigrew et al. (2002) strategic management in its contemporary form has its roots in US academia and practice. They also claim that most would agree that the field began to take shape in the 1960s with the impact of key professors at Harvard Business School, Chandler and Andrews, and Ansoff from the Carnegie School. These academic roots have been complemented with the introduction of practice focused US-based consultancy practices such as McKinsey, Boston Consulting Group and Bain (Pettigrew et al. 2002). Today these practices still play a major role within the field of developing the language and techniques of strategy.

In the very beginning of researching the field of strategic management the SWOT-Analysis was developed in order to match the internal capabilities with the external possibilities. Strengths and weaknesses focused on the internal perspective while the opportunities and threats concentrated on the external perspective (Mintzberg, Ahlstrand & Lampel, 1998). Following discussion proves that the original purpose to match the two perspectives was later on forgotten and researchers chose to concentrate on one or the other.

Leibold et al. (2002) argue that during the 1950s/60s it was driven by the practical needs of business which resulted in the emergence of the business *planning* approach. This approach was associated with the problems faced by managers in coordinating decisions and maintaining control in increasingly large and complex enterprises. During the 1970s, attention shifted from planning to *balancing* market opportunities and threats with various business strengths and weaknesses. In the 1980s the focus shifted towards competitive *positioning* of the firm through analysis of industry structure and competition. The principal concepts and tools of the positioning era became Porter's industry analysis (the so-called Five Forces model), competitor analysis and market analysis (Leibold et al. 2002). Teece, Pisano & Shuen (1997) underlines this statement in their article "*Dynamic Capabilities and Strategic Management*" that the dominant paradigm was the competitive forces approach by Porter, but they also add the strategic conflict approach. Both of these approaches share the view of a positive outcome of privileged product market positions. The planning, balancing and positioning approaches to strategic management can be grouped as "external approaches", i.e. first analyzing the external environment and then analyzing and competitively adapting the internal environment. The increased competition in the 1990s led to an internal focus in strategic management. This approach first focuses on the firm's internal resources and capabilities and thereafter incorporating the external environment. The major themes of the previous decade involve shareholder value maximization, resource-based theory and dynamic organizational capabilities (Leibold et al. 2002).

2.1.1 Competitive advantage

Lynch (2006) defines a competitive advantage as an advantage that organizations gain in relation to their competitors, provides value to their customers and benefit the organization itself. Saloner, Shepard & Podolny (2001) takes the definition further and argues that a competitive advantage is a characteristic of the organization's internal and external context, thus both the organization itself and its relationship to its environment. A competitive advantage can be based on the organization's position such as its network of relationship, geographic location or if it is/was a first-mover. It can also be based on the organization's capabilities. It generally tends to be harder to recognize a competitive advantage that is based on capabilities compared to those based on position. Therefore it can be an effective starting point to examine the organization's competences to be able to identify the organizational and human capabilities (Saloner et al. 2001).

However, both the position and the capabilities advantage depend on the organization's internal and external perspective. For example, a more valuable capability arises from the internal context, but as a competitive advantage is always measured relative to its actual and potential competitors, it will only be advantageous if it is superior compared to competitors and if customers value it. The internal capabilities must also be used to defend the organization's position (Saloner et al. 2001).

Most organizations have advantages both from their position and capabilities and they tend to be interrelated and each type strengthens the other, as the following figure shows.

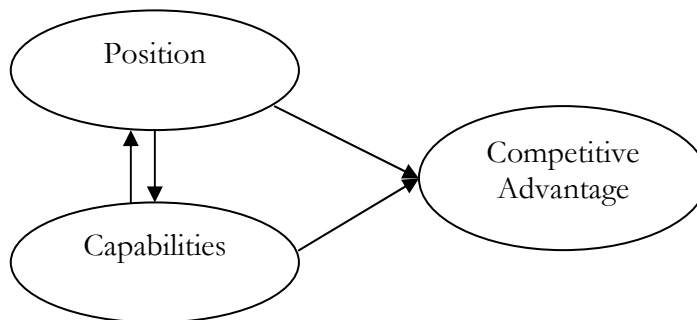


Figure 1 The Interaction between Position and Capabilities (Saloner et al. 2001)

The importance of understanding competitive advantage is based on the organization and its members' ability to identify the organization's source/s of competitive advantage and the understanding of whether their competitive advantage is based primarily on position or on capabilities and the interaction between them. In order to identify the capacity to create value in the long-term, this understanding is crucial (Saloner et al. 2001).

When sources of competitive advantage cannot be duplicated or imitated by competitors over a significant period of time, the competitive advantage is said to be sustainable. Particularly, capabilities as a sustainable competitive advantage are more complex to imitate due to that even if current and potential competitors know that the organization possess these capabilities, the complexity lies within what and how elements or what combination of elements in the internal context that generate the advantage (Saloner et al. 2001).

2.2 External Perspective

The external era of strategic management constitutes of a set of analytical tools focused to match the right strategy to the external conditions and identify the most appropriate relationship between the organization and its environment. One of the most eminent strategists, Michael Porter, argues that strategy should be based on the market structure in which the organization operates. In other words, the market/industry structure drives the organization's strategic position which in turn influences and determines the organization's structure (Mintzberg et al. 1998).

Porter's work presents a set of concepts which an organization should build upon. The most prominent among these concepts is the model of competitive analysis. This model identifies five forces in an organization's environment that influence competition, which include threat of new entrants, bargaining power of firm's suppliers, bargaining power of firm's customers, threat of substitute products and intensity of rivalry among competing firms. The characteristics of these forces may explain why an organization chooses a particular strategy. In order to counter the five forces, Porter identified three generic strategies (*cost leadership, differentiation, and focus*). These generic strategies can be implemented to create a competitive advantage. The appropriate generic strategy will make use of the organization's strengths and hence the organization will be able to defend itself against the effects of the five forces (Mintzberg et al. 1998).

For an organization to enhance performance and be successful, according to the external perspective, the organization analyzes its competitive environment and then strives to adapt its internal environment to the external conditions (Mintzberg et al. 1998). Porter (1997) states that this approach of strategic management does not focus on the internal parts since; "If strategy is stretched to include employees and organizational arrangements, it becomes virtually everything a company does or consists of. Not only does this complicate matters, but it obscures the chain of causality that runs from competitive environment to position to activities to employee skills and organization" (cited in Mintzberg et al. 1998 p. 119).

2.3 Internal Perspective

As discussed earlier, in the 1990s the attention of strategic management shifted from focusing on analyzing an organization's opportunities and threats in its competitive environment to realizing the internal environment's importance, meaning that an organization's success is largely determined by characteristics inside the organization (Leibold et al. 2002).

Earlier strategic research has to a large extent placed little emphasis on the impact of an organization's resources and capabilities on an organization's position. Therefore the resource-based view was developed (Barney, 1991).

According to Barney (1991), the resource-based view emphasizes that the basis for a competitive advantage lies in the resources available to the organization. Organizational resources include “all assets, capabilities, organizational processes, attributes, information, knowledge etc.”(Barney, 1991 p. 101).

The aim of the resource-based view is to identify the organization’s potential key resources. Not all organizational resources hold the potential of competitive advantages or sustained competitive advantages. To have this potential, Barney (1991) states that the organizational resources must be;

- *Valuable* – Resources are valuable when they enable a firm to make use of a value-creating strategy that improves the organization’s efficiency and effectiveness.
- *Rare* – Valuable resources are not rare if they are possessed by a large number of current or potential competitors.
- *In-imitable* – Valuable and rare organizational resources can only be sources of sustained competitive advantage if the organization’s competitors cannot imitate or obtain them.
- *Non-substitutable* – The lack of substitutability is an important aspect in order to gain a competitive or sustainable advantage.

Teece et al. (1997) argue that the above-mentioned attributes from the VRIN-model are insufficient to base a sustainable competitive advantage on. They introduced the concept of dynamic capabilities arguing that having resources available that fulfill Barney’s VRIN-model is not enough and that it is more relevant to consider *how* an organization uses its resources. Leonard-Barton (1992) defines dynamic capabilities as “the organization’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (cited in Teece et al. 1997 p. 517).

For example, Teece et al. (1997) argue that for financial resources to enable the organization to enhance performance it is more relevant to put the resources to effective use within a strategic context. It is not sufficient simply having great financial resources.

2.4 Strategic Thinking and Strategic Leadership

Strategic management focuses on integrating all parts of an organization in strategic thinking to enhance organizational performance which allows an organization to be more proactive than reactive in shaping its own future (David, 1998). Strategic management is according to Hendry, Johnson & Newton (1993), not about establishing right or optimal solutions, but about understanding complex relationships and the uncertain environment. Hence it is linked with strategic thinking which is defined by Mintzberg “as the way in which people in the organization use intuition and creativity to formulate an idea of where the organization should be heading” (cited in Heracleous, 2003 p. 47). Strategic thinking focuses on uncovering potential opportunities to create value by enabling proactive and creative thinking. It is also about responding to both day-to-day and long-term threats and opportunities (Heracleous, 2003).

According to Hughes (2005), when developing strategic thinking one of the key elements is that managers and employees have a clear picture of where they want to be in the future, they are clear about the organization's purpose and they share a common set of values. The values, mission and vision form the core of the organizational identity. These strategic thinking competencies keep the organization and its members responsive for environmental changes (Hughes, 2005).

A critical aspect of strategic thinking is strategic leadership which according to Freedman & Tregoe (2003) includes scanning the environment and being skilled at making common sense of it for the organization and its employees. A successful strategic leader also emphasizes the internal view of leadership components such as visioning, involving, motivating and communication. Many managers make the mistake of not understanding the importance of the human or "soft" side of management. An organization's vision and mission will not be useful if it is not supported by all employees in their day-to-day decision making, behaviors and performance and thus the chance of being successful decreases (Freedman & Tregoe 2003).

Hughes (2005) argues that there is a strong link between strategic leadership and sustainable competitive advantage. He defines strategic leadership as a process where individuals and teams think, act and influence in ways that promote the sustainable competitive advantage of the organization or the long-term success of the organization (Hughes, 2005).

A major aim of strategic management is to achieve understanding and commitment from managers and employees and hence communication is a key to successful strategic management (David, 1998). Communication has four major functions within an organization, namely control, motivation, emotional expression and information. For an organization to enhance performance the managers need to maintain some form of control over their employees, stimulate employees to perform, provide means for emotional expression and make the information flow effective. The vertically flow of communication can be divided into downward and upward. Downward communication flows from one level to a lower level of the organization opposed to upward communication which flows to a higher level in the organization. Barriers that hinder effective communication is for example, information overload which is a condition where individuals have more information than the individuals can sort out and use. They then tend to select out, ignore or forget information. Language could also be a barrier of effective communication, since words mean different things to different people. Frequently used terms and words used by top managers might not be understandable by lower level employees (Robbins, 2005).

In order for an organization to know where it currently stands and where it is heading it is crucial to know what types of employees the organization currently have, their demographic profile and what skills and competences they possess. Knowing how the organization distinguishes itself from its competitors with regard to its employees is essential when striving to be a high-performance organization. Organizations need to consider what types of employees they currently have and what types they need to succeed, selecting for skills as well as for competences and attitudes. The key is recruiting and retaining the right people for the right jobs. When the organization knows what type of employees it wants, it then comes to attracting those (Fields, 2001). The organization needs to make efforts towards being the employer of substance and choice which is defined as "an employer that is highly regarded by a targeted population of employees because it offers great training and advancement opportunities, rewards, compensation etc." (Fields, 2001 chapter 6). In other words, the organization is more attractive to current and potential employees than its competitors are (Fields, 2001).

A sign of a high-performance organization is the engagement and focus of the front line, with the exercise of incentives and empowerment as a precondition. Incentives and empowerment are acts done by the organization to strengthening its employees' sense of their own power or capacity to produce a desired result, by encouraging and rewarding them to participate in decision making and exercise initiative. Strategic thinking and strategic leadership both provide for this opportunity (Coate, 2006).

2.5 Own Framework

Due to unfulfilled gaps between complex academic theories and business manager's day-to-day strategic activities, we have chosen to develop our own model trying to simplify the strategic management process for business managers.

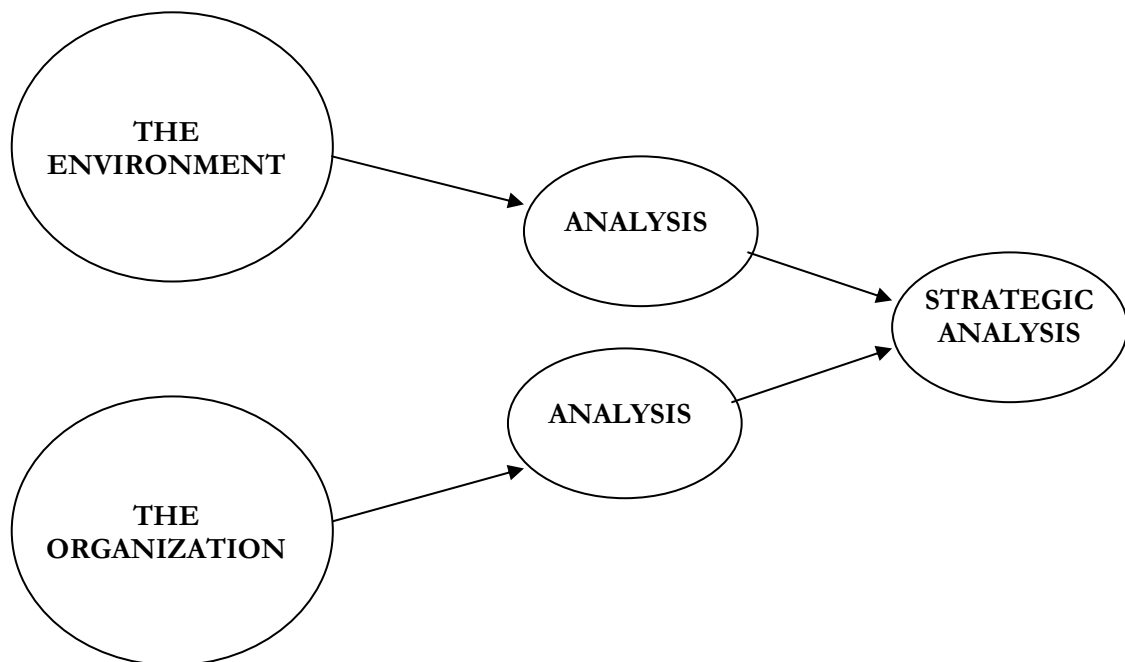


Figure 2 Strategic Management Combined Model (Own Illustration, 2008)

The model aims at combining the external and internal perspective of strategic management; this goal is reached by analyzing the environment and the organization separately and proceeding afterwards with a conjoint strategic analysis containing both internal and external analysis tools. This is done in order to address the importance of combining the two perspectives and not to exclude one or the other. The strategic analysis seeks to find relations and connections between the both perspectives through the identification of internal and external key factors. The final outcome of the strategic analysis is to result in a plan which becomes strategic by covering all aspects of an organization and its environment in a uniformed sense.

2.6 Strategic Management Analysis Tools

Tools in strategic management can be used for managers and employees to be able to see the big picture and to identify critical factors affecting the organization (David, 1998). These strategic tools can also be seen as a mean of encouraging the creative and analytical mindset of the organization. The selection of analysis tools is based on the company in the case study, its organizational structure, industry and market.

2.6.1 Strategic Capabilities & Competitive Advantage

In the search for the source of competitive advantage as a capability, a threshold matrix can be conducted. This internal strategic tool helps to identify fundamental resources and capabilities, unique resources and core competences that the organization might possess.

	Resources	Competences
Threshold Capabilities	Threshold Resources	Threshold Competences
Capabilities for Competitive Advantage	Unique Resources	Core Competences

Figure 3 Threshold Matrix (Johnson et al. 2005)

Strategic capabilities are according to Johnson et al. (2005 p. 117) defined as “the adequacy and suitability of the resources and competences of an organization for it to survive and prosper”. To survive and prosper, it is crucial that the organization understand what their customers’ value and that it is capable of meeting their demands and needs.

Strategic capabilities are dependent on which resources and competences the organization possesses. These must reach a threshold level in order for the organization to continue to exist (Johnson et al. 2005).

Resources can be both tangible and intangible. Tangible resources are the physical assets of an organization such as its employees. Intangible resources on the other hand are non-physical assets such as information, reputation and knowledge. Threshold resources are the resources needed for an organization to meet customers’ minimum requirements. If the organization does not possess these resources it will be unable to survive (Johnson et al. 2005).

Competences are the knowledge, skills and behaviors the organization uses or puts into action to deploy its resources effectively. Threshold competences are the characteristics required to perform at a minimum level to meet customers’ requirements to be able to survive (Johnson et al. 2005).

Threshold resources and competences are fundamentally important and thus they do not create a competitive advantage. A competitive advantage is created and more likely to be sustained if the organization has unique resources or core competences that its competitors cannot easily obtain or imitate. Core competences tend to be more difficult for competitors to imitate or obtain (Johnson et al. 2005).

2.6.2 PEST- Analysis

The PEST-analysis is a useful tool for understanding the organization's external environment and it's affecting factors (Armstrong, 2006).

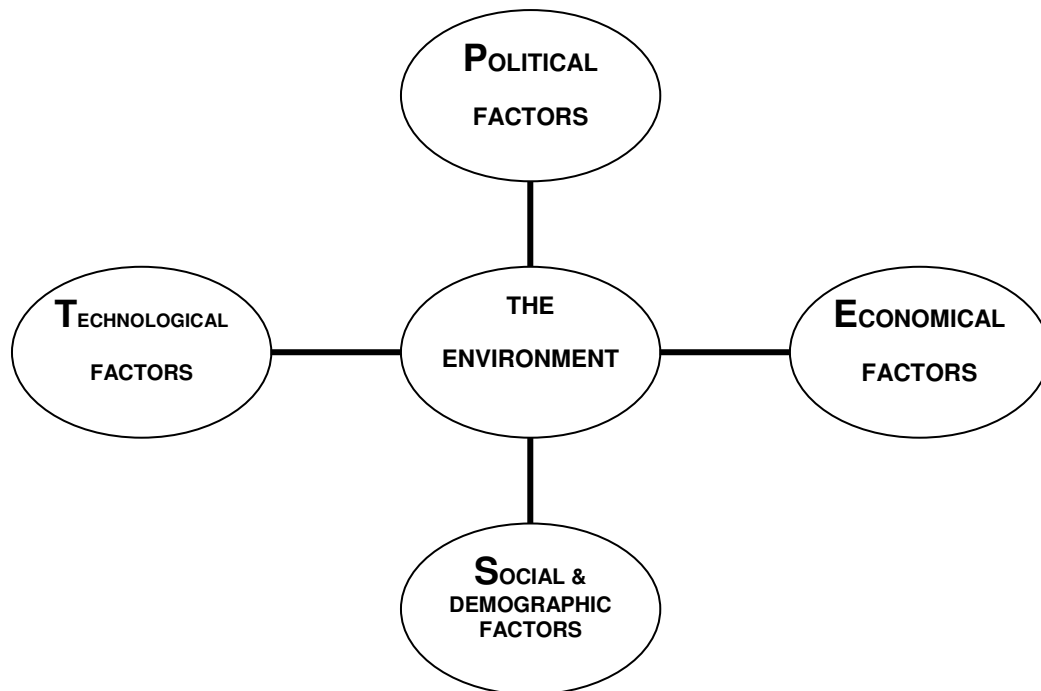


Figure 4 PEST- Analysis Framework, Own Illustration (Campbell & Craig, 2005)

Political factors are actions of political institutions which have a profound effect on the way organizations operate. Organizations must act within legal and regulatory conditions set by the political institutions. The effects of political institutions come from different levels. These levels are international (for example EU laws), national and regional (county and municipality) (Campbell & Craig, 2005).

Economical factors are components of the economic environment that affects the organization. Economic indicators such as inflation, interest rates, value of the currency and the level of unemployment are affecting factors which are important to take into consideration when doing business (Campbell & Craig, 2005).

Social and Demographic factors importance are linked both to the demand and supply side of the organization. On the demand side, social and demographic factors inform the organization how it should organize its location. The most essential input on the supply side, is the supply of labor. All organizations must be aware of this in their search of appropriate labor and location. Additional important factors included are trends in the labor market, the population skills and education, the age of the working population etc. (Campbell & Craig, 2005).

Technological factors change the organization’s circumstances. The growth and expansion of technology has helped organizations to reduce costs, increase quality and productivity. It is therefore crucial for organizations to be updated about the impact of technology and its future changes (Campbell & Craig, 2005).

When conducting a PEST- analysis it is also important to identify a number of key drivers of change. According to Johnson et al. (2005 p. 69) key drivers of change are “forces likely to affect the structure of an industry, sector or market”. Usually there is a combination of factors that affects the organization’s external environment that is essential to change instead of each factor individually. Crucial to be mentioned is also that these specific key drivers vary by the specific industry or sector which the organization is active in (Johnson et al. 2005).

2.6.3 Strategic Group Analysis

Strategic group analysis is an external analysis which is used to determine the organization’s strategic position with regard to its competitors. Johnson et al. (2005 p. 89) defines strategic groups as “organizations within an industry with similar strategic characteristics, following similar strategies or competing on similar bases”. In other words, a strategic group is a group of companies clustered around a similar competitive approach or strategic position (Johnson et al., 2005).

Below is an example of how an organization can identify its strategic group based on two specific competitive variables, which in this example are chosen to be: Geographical Spread and Specialization. These variables are to adapt to every organization depending on the market conditions at a specific time, since these are of a constantly changing character. The strategic group is defined by the circle containing: Competitor A and Competitor C.

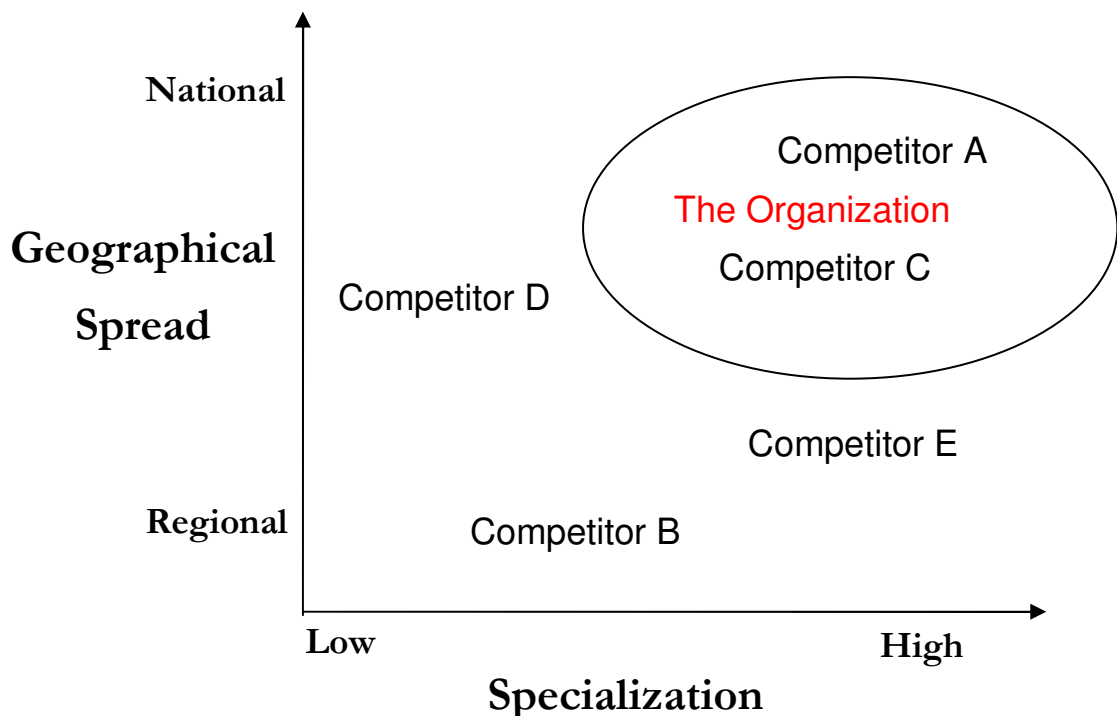


Figure 5 Strategic Group Analysis Graph, Own Illustration, (Johnson et al. 2005)

The concept of strategic groups helps the organization to map out and identify its most direct competitors, potential opportunities and threats. An additional aspect of the concept is about identifying the next step. For example, if the organization should strengthen its position within the existing group or if it is possible for the organization to move from one strategic group to another (Johnson et al., 2005).

2.6.4 SWOT- Analysis

The SWOT-analysis brings together the result of the internal analysis and the external analysis. The aim of the analysis is to provide information that is helpful in matching the organization's capabilities to the external and competitive environment in which the organization operates (Friend & Zehle, 2004).

According to Friend & Zehle (2004), an organization achieves an optimal match and gains a competitive advantage by:

- Building on its strengths
- Reducing weaknesses
- Exploiting opportunities by using its strengths
- Reducing exposure of threats

SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats, where strengths and weaknesses are internal factors and opportunities and threats are external factors, which the following matrix model shows.

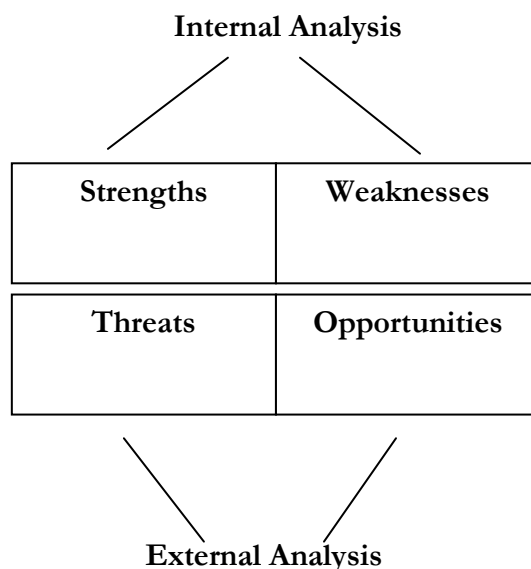


Figure 6 SWOT-Matrix, Own Illustration (Friend & Zehle, 2008)

A SWOT-analysis stimulates thinking in a way that is not too structured and restrictive. It should therefore be short and simple, complexity and over-analysis should be avoided. The SWOT-analysis gives management a snapshot of the organization's current major issues affecting the industry and organization (Friend & Zehle, 2004).

2.7 Summary of the Theoretical Framework

In order to sum up and clarify how we will make use of the theories presented above we have created a model which shows the relations between our theories and analysis tools.

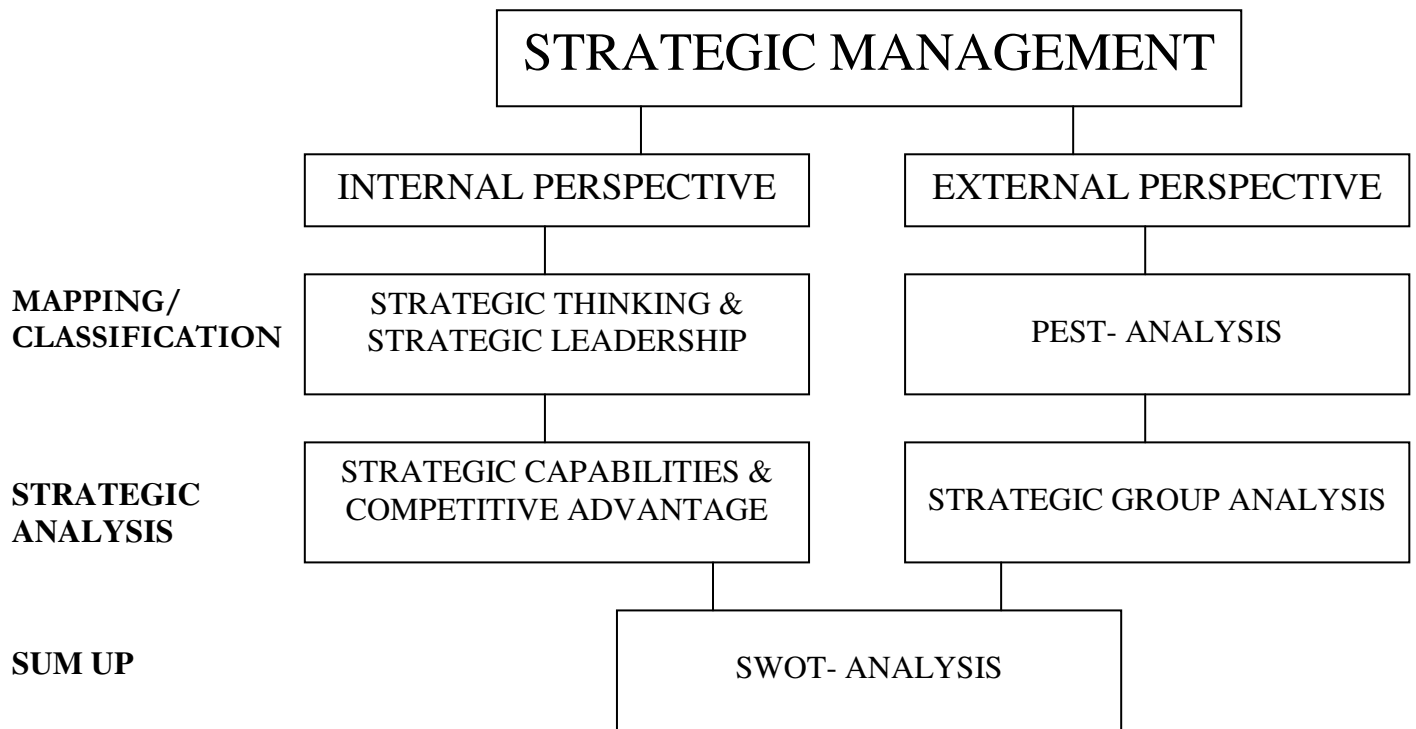


Figure 7 Summary of the Theoretical Framework (Own Illustration, 2008)

2.8 Reflection on the Theoretical Framework

Here we present some of our own reflections on the theoretical framework and the delimitations.

Our main focus within the field of strategic management is strategic thinking rather than strategic planning. The reason for our focus is that most managers do not have the time to construct and reflect in a detailed strategic planning process. To enhance strategic thought in the daily operations in our chosen company, we believe that the managers should instead have a mental model of the business they run that consist of an understanding of the relationship among the external context, internal context and performance of the organization.

According to Heracleous (2003), there are two main positions of the meaning and relationship between strategic thinking and strategic planning. Mintzberg emphasizes thought processes in strategic thinking and planning, with the difference being that the former is creative and synthetic and the later analytical. Porter, on the other hand, views strategic thinking as a focused and analytical process. We have chosen not to go deeper into Porter's approach, but instead focus on Mintzberg's view, which we believe is more applicable to our chosen company. This in order to enabling for understanding the affecting factors of performance and how these can be turned into actions which will maximize the possibility of success for the organization.

The chosen analysis tools are used to provide a more understandable framework that can be communicated to the rest of the organization. The analysis tools will also help to map out the chosen company's current market conditions as well as its internal environment. Strategic management is concerned with the identification of the sources of competitive advantage. A competitive advantage can according to Saloner et al. (2001) be based on capabilities (internal context) and/or position (external context). We have chosen to use the threshold matrix striving to identify capabilities as a source of competitive advantage and the strategic group analysis in order to be able to identify the company's position as a source of competitive advantage. The PEST classification tool helps to provide an understandable overview of the company's external environment. Finally, the SWOT analysis tool provides for a clear and logical sum up of the internal and external analysis findings.

We have chosen these specific analysis tools in accordance with our chosen company, but the developed model also allows for other analysis tools to be used and applied depending on the organization and its industry market conditions.

Due to our chosen company's industry, geographic spread and size, we believe that the PEST-model is most applicable and the four fundamental factors (political, economical, social and technology) fulfill our external analysis and the influences that affect our company. Other potential 'additional' factors (environmental and legislative, for example) will in our case only be contributory factors which act on one or some of the main four factors, rather than be large strategic factors in their own right.

3 Method

In this section we will discuss what approaches and strategies we have chosen in order to be able to answer our purpose. A clarification of how the data was collected is included as well as who we interviewed and what method that was used. Finally we will present how the collected data was analyzed and the issues of reliability and validity are brought up.

3.1 Research Approach

When writing a research paper it is important to decide upon which research approach to use. The design of the research project is determined by the use of a deductive approach, inductive approach or a combination of the two. In the deductive approach you develop a theory and a hypothesis as well as designing a research strategy to test the hypothesis. If you instead decide to choose an inductive approach you collect data and develop theory as a result of your data analysis (Saunders, Lewis & Thornhill, 2003). The third choice available to the researcher is the combination of the two approaches and according to Saunders et al. (2003) it can often be advantageous to do so.

The character of this thesis follows the third choice of combining the deductive and the inductive approach. We start of with the development of a model based on theoretical research. The model is then being tested through the conduction of in-depth interviews in order to see the connection and the relation between two perspectives. This is followed by a qualitative data analysis of the empirical findings to be able to draw conclusions on whether the developed model will function or even be applicable to the chosen company of our case study.

3.2 Research Strategy

Research can be separated into two sections; qualitative and quantitative research. Qualitative research can be defined as where the researcher develops concepts, insights, and understanding from patterns in the data. In qualitative studies researchers follow a flexible research design as for example with vague formulated research questions (Taylor & Bogdan, 1984). Rist (1977) clarifies the concept by stating that the qualitative methodology is more than a set of data gathering techniques; it is a way of approaching the empirical world (cited in Taylor & Bogdan, 1984).

One of the major reasons for doing qualitative research is to become more experienced with the phenomenon you are interested in. Many qualitative researchers believe that the best way to understand any phenomenon is to view it in its context (Trochim, 2006). This perception is closely related to why we chose a qualitative research strategy by doing a case study. This choice is in accordance with Sekaran (2003) who states that case studies usually provide qualitative data rather than quantitative data for analysis and interpretation. We wanted to view the process of strategic management closely within a company in order to be able to see how they worked with this concept and to test our developed model. In order to fulfill our purpose we needed to make in-depth interviews with the managers and employees of our chosen company.

Conducting the analyses included in our model demand an understanding of the phenomenon itself, but most of all of the company and the industry which it is active in. Hence, external interviews have been conducted with for example, industry relating organizations, customers, competitors and municipalities. This data cannot be gathered through a quantitative strategy since it is hard to gain deep understanding through numerical and statistical measurements (Saunders et al. 2003). Our goal is to analyze the company's internal and external environment through different analytical tools in order for us to draw conclusions of the interaction between the two perspectives and the usefulness of our developed model.

Depending on the research strategy the researcher must ask himself/herself what time horizon he or she plans for the research. A longitudinal approach stretches over a long period of time usually with the aim to study change and development. On the opposite the cross sectional approach is the study of a particular phenomenon at a particular time (Saunders et al. 2003). We have conducted a cross sectional study when planning the time horizon of this thesis. Our case study is based upon interviews conducted over a short period of time.

3.3 Data Collection

3.3.1 Case study

The purpose of this study is to do a case study analysis. Naturally the mean to fulfill this purpose is to conduct a case study. Usually case studies refers to research that investigates a few cases, often just one, being an intensive and depth study of a specific organization, individual, institution or a whole national society (Gomm, Hammersley & Foster, 2000).

Case study research is used in order to give an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships (Soy, 1997). Researcher Robert K. Yin (1984) defines the case study research method as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used" (cited in Soy, 1997).

A case study can give you several indications to what factors might be operating in the current situation and how the problem might be solved. Picking the right case for the study, understand and correctly translating the research findings are critical for successful problem solving (Sekaran, 2003).

Each research strategy is a different way of collecting and analyzing empirical evidence and each strategy has its own advantages and disadvantages. The primary advantage of the case study is that an entire organization or entity can be investigated in-depth and with attention to details. This focus enables the researchers to study the order of events as they occur or to concentrate on identifying relationships among, functions, individuals or entities (Zikmund, 2000). On the other hand, one of the major disadvantages with case studies is the fact that its findings are not possible to generalize (Gomm et al. 2000). The detailed analysis of a case study makes it hard to determine what the themes of generalization may be (Trochim, 2006). However, the response from case study researchers is usually that the goal of their work is not the production of general conclusions (Gomm et al. 2000).

The purpose of the case study method is to obtain information from one or few situations that are similar to the researcher's problem situation (Zikmund, 2000). In our case the area of research was first acknowledged during the authors' participation in a PBM (Project Based Module) – project along with writing our master thesis. A PBM- project means that two students work with a project group consisting of tutors from the university and representatives from the company in question with a problem solving-oriented purpose. The purpose of our PBM- project was, at first, to analyze the company's external environment, their business intelligence. After researching relevant theories and creating knowledge based background to the problem and getting an insight in the company itself and the industry, we realized that it is difficult to show a justified picture in accordance with reality without including the internal perspective in the analysis. The search of theories ended up with the creation of a model that would structure and follow our work during the project and serve as a basis for this master thesis.

The case study strategy became a natural choice for us since our purpose, more or less, builds on conducting a case study analysis: "The purpose of this thesis is to develop a simplified model that combines external and internal analyses and apply this to a chosen company". The performance of a case study of our chosen company will enable us, as mentioned above, to gather deep understanding of the company's strategic activities and functions and to analyze their strategic positioning today and in the future. This qualitative research method enables us to identify in-depth information concerning critical internal and external factors along with customers and competitors perceptions. Since we collected all the information needed for our PBM- project we saw the suitability of the company in question to serve as a case study for this thesis as well. Within the industry of our company there are few managers with business background and there is a need for a way to simplify the strategic process, make it easier to implement and to communicate throughout the organization. The industry is also going through an interesting phase as the industry is facing a shift in terms of what parts of the market to specialize on, what parts to add or to give away to other actors from different industries. The company that we were assigned thus was a suitable match for the purpose of this thesis.

3.3.2 Primary and Secondary Data

There is no single way to conduct a case study and a combination of methods (e.g., unstructured interviewing, direct observation) can be used (Trochim, 2006). We have chosen to conduct semi-structured in-depth interviews in order to collect our primary data i.e. data collected for the first time, specifically for that purpose (Saunders et al. 2003). In-depth interviews include both individual interviews (e.g., one-on-one) as well as "group" interviews. We have mainly focused on one-on-one face-to-face interviews. The purpose of the interview is to explore the ideas of the interviewees about the phenomenon of interest (Trochim, 2006). The major advantages of face-to-face interviews allow for the researcher to adapt questions, make clarifications and repeat or rephrasing questions if necessary. However, there might be geographical limitations, nationally or internationally, and a large amount of resources needed to perform face-to-face interviews. Examples of resource demanding activities could be travel costs and training of the researcher to minimize biases (Sekaran, 2003).

Additional interview methods such as through telephone or via e-mail were also used in the data collection phase in this thesis. The quality of data obtained by telephone can be comparable to data collected through personal interviews. Zikmund (2000) even argues that respondents may even be more willing to provide detailed and reliable information on personal topics over the telephone than in personal interviews. Another advantage of the telephone interview method technique is that a large number of different people can be reached in a relatively short period of time. On the other hand, the respondent could without warning or explanations hang up the phone and terminate the interview. There is also a greater risk of non-response problems with telephone interviews (Sekaran, 2003).

Sending respondents questions via e-mail share some of the advantages of telephone interviews such as: geographically spread at a relatively low cost. It is also convenient for the respondent to fill them out whenever he/she has time. The interviewer's absence can be seen as a disadvantage to this approach, not being able to state follow-up questions, make clarifications and no social interaction. However, the interviewer's absence can also induce the respondents to reveal sensitive or socially undesirable information (Zikmund, 2000). More information on the different data collection methods are to be found under section 3.4 "The Interviews", where the choice of method for each interview are explained and clarified.

As secondary data sources, data that already have been collected for another purpose (Saunders et al. 2003), we have used written documents from the company, such as business plans, strategic goals etc., and brochures from related industry organizations such as The Union, The Industry Organization and The Industry Development- & Educational Centre. This was in order to get a basic understanding of the company itself and the industry. Additional external information was collected from websites such as Konjunkturinstitutet, Riksbanken, Statistiska centralbyrån (SCB) and Institutet för Tillväxtpolitiska Studier (ITPS). In the theoretical framework, background section and in the problem discussion we have used documentary secondary data, which can include written documents such as books, journal and magazines articles and newspapers (Saunders et al. 2003). We collected this data mainly from books and articles related to search terms including strategic management, strategic leadership, strategic thinking, corporate strategy and competitive advantage.

3.4 The Interviews

3.4.1 The Interviewees

In Appendix 1 and 2 lists can be found of all the interviewees that have participated in the case study. It includes position or company/organization, date, time (for the face-to-face interviews) and what interview approach conducted.

From the assigned company we have interviewed employees and managers on different levels within the organization. These have all taken the form a face-to-face interview, with the purpose of gaining an in-depth understanding about the company's organization, operations, goals, vision and mission. When it comes to interviewing relating organizations such as The Union, The Industry Organization and The Industry Development- & Educational Centre, the decision to conduct face-to-face interviews was simple. These organizations provided us with very valuable information in the process of researching the industry and trying to grasp the terminology and activities on the market. Here the chosen method allowed for us to state many follow-up questions and also the use of visual aids was very helpful.

An additional face-to-face interview was conducted at the local high school's industry program at Bäckadalsgymnasiet. This was done in order to get an understanding of the company's current and future recruitment process.

When gathering information in order to be able to perform a PEST-analysis we contacted and interviewed the 13 different municipalities within the Jönköping County. This delimitation was due to the company's present and future market ambitions. This was done through telephone interviews in accordance with Sekaran (2003 p. 233) who states that "telephone interviews are best suited when information from a large number of respondents spread over a wide geographic area is to be obtained quickly, and the likely duration of each interview is, say, 10 minutes or less". The PEST framework also includes interviews with the senior economist at Swedbank and the industry relating organizations mentioned above.

We were also in contact with competitors of the company in question, the selection of which competitors to contact started with recommendations from the Branch Manager at the company. Continuously each and every competitor was asked to name their largest competitors, these turned out to be the same six competitors within the industry that were named by each initially contacted competitor. Interviewing the competitors gave us the opportunity to map strategic groups and to see where the market is heading in a more practical sense. However, obtaining information about competitors may be very difficult, because they generally like to keep the secrets of success to themselves (Zikmund, 2000). The depth of their answers has to be seen from this point of view.

Interviews with a selection of the company's largest customers were conducted over the telephone in order to gain knowledge about customers' perception about the companies within the industry. These customers were again selected based on recommendations from the Branch Manager.

In the empirical findings section where the information gathered will be presented, face-to-face interviews, telephone interviews and interview conducted via e-mail will be referred to as personal communication.

3.4.2 The Structure of the Interviews

In order to get the best perspective of reality and the most justified answers we choose to use a semi-structured interview approach. This approach lies in between the structured approach, which means that you come prepared with a list of predetermined questions to be asked, and the unstructured approach, which means that you do not have a planned sequence of questions when entering the interview setting (Sekaran, 2003). A semi-structured interview thus means that you have prepared areas to cover during the interview and a list of open-ended questions which allow for the interviewees to answer without being influenced by the interviewers. These areas and open-ended questions may also vary from interview to interview. (Saunders et al. 2003)

The foundation that the questions were developed from included research conducted on the industry, the market and the organization itself. Internal discussion areas were: personal background, work experience, working environment, internal and external relations etc. External interviewees were asked questions concerning the industry, market and their own organization such as, market conditions, future development, economical indicators etc. In Appendix 3 a framework is attached including what areas that were discussed during each interview.

3.4.3 The Transcription process

The translation from oral conversations to written text is a complex task that has received little attention in the literature concerning methods. Translating an interview from speech to text can be hard and there are several factors that need to be taken into consideration; usually the oral and written language can differ a lot. Methods of recording interviews for documentation and analysis include audiotape recording, videotape recording, note taking and remembering. The most common way of recording interviews today is with a tape recorder (Kvale, 1996).

When transcribing the interviews it can be seen as a beginning of the analysis i.e. you structure the collected material in order to enable closer analysis of the data. It is important to decide how the transcription process is going to look like and who is going to transcribe the gathered information; this is done to prevent biases (Kvale, 1996).

In this thesis the transcription process was planned as follows: during the interviews one of us was assigned to initiate the discussion while the other one took notes (as detailed as possible). Straight after each interview we discussed the answers, body language and the social interaction among the interviewers and the respondent/s etc. This was followed by one of us transcribing the gathered material into a written document. The document was then read through by both of us and any possible changes to be done were discussed.

Important to add to this section is that all of our interviews were conducted in Swedish, which means that one part of the transcription process was to translate the collected data into English. In addition to this many of the secondary data sources has also been in Swedish and translated into English. This could be a critical process since some expressions, terminology etc. can be a bit tricky to translate and synonyms or rephrased sentences had to be used in some cases.

3.5 Data Analysis

In most qualitative research the data are more "raw" and seldom pre-categorized in comparison to quantitative data and there is a greater need to be prepared to organize all of those details. There are almost an infinite number of ways in which this could be accomplished (Trochim, 2006). This argument underlines the importance of the data analysis section. Further, Saunders et al. (2003) states that there is no standardized approach when analyzing qualitative data, this due to the diverse nature of qualitative analysis. The qualitative analysis depends on whether the researcher has chosen a deductive or inductive approach or if the collected data has a high or low structure etc. (Saunders et al. 2003). Kvale (1996) adds to the discussion that techniques of analysis are tools useful for some purposes, relevant for some types of interviews and suited for some researchers.

Among all these methods and techniques we have chosen to start the analysis process with compressing longer statements into shorter sentences containing the main sense of the statement. This process is according to Kvale (1996) called *Meaning Condensation* and involves a reduction of large interview texts into briefer formulations. The method of Meaning Condensation was chosen in order to make the collected data more accessible and easier to work with.

The next step of the data analysis process is to make use of the theoretical framework. Yin (1994) suggests that you use the theoretical framework as a mean to organize and direct your data analysis (cited in Saunders et al. 2003). Since the purpose of this thesis is to apply our model to a chosen company by performing the specific selection of strategic analysis tools explained in the frame of reference, this is exactly what we have done. The collected data has been processed and analyzed in accordance with the guidelines of the tools within the frame of reference of this thesis.

3.6 Reliability and Validity

When it comes to the discussion concerning the external validity, or as it is also referred to as generalizability, of ones research design, we are aware of that this is not applicable on a case study (Saunders et al. 2003). The purpose with this thesis is not to generalize the results in any way. Validity also refers to the extent to which the researcher gains access to the participants' knowledge and experience; qualitative interviews usually show a high level of validity (Saunders et al. 2003).

The reliability of a measure indicates the extent to which it is without biases such as interviewer or interviewee biases. The stability and consistency of the thesis is also measured in level of reliability (Sekaran, 2003). Interviewer biases are characterized by the comments, tone or nonverbal behavior of the interviewer during the interview situation (Saunders et al. 2003).

In order to ensure the highest level of reliability and validity we have conducted numerous interviews both internally, within the company, and externally, among relating organizations, customers etc. Internally we also have a wide spread among employees and managers on different levels in the organization. Most of the face-to-face interviews have had a reliable length between one to four hours. Key persons within the company we have meet with on several occasions as well as complementing some questions via e-mail. Another important aspect to avoid the stated issues above is the continuous dialogue with the company which has reached over a longer period of time namely four months. The project has also served as positive ground for us; we have been received with kindness and appreciation throughout the whole process.

The assurance of a high level of validity lies within the transcription process explained earlier in the method section. We collected the data in an effective way with one discussion initiator and with one person concentrating on taking notes. We transcribed the collected data as soon as possible and a discussion before and after the transcription were held. More effectively could have been to use a tape recorder, but in order to avoid technical issues and that the interviewee focuses more on the recording equipment than on the discussion, we decided not to use this method.

Interviewer biases were reduced by letting the respondents speak freely and not be led in any directions by the interviewer. We also asked questions and initiated discussion without a certain tone or making any influential comments.

Due to that our assigned company has requested full confidentiality no company name, names of respondents or who said what, will be revealed in this thesis, neither will the industry be revealed specifically. We do not see this as an issue since all the data gathered still can be used and analyzed in the same manner as without the confidentiality.

4 Empirical Findings

In this section we will present the empirical data collected during interviews within our chosen company, its customers and closest competitors, relating industry organizations, the local high school, senior economist at Swedbank and the municipalities within the Jönköping County.

4.1 Company Description

Our chosen company is a branch of a large nationwide company consisting of 35 local branches in total. A part of the company's vision is to provide local and nation-wide customers with quality services by offering the latest technical know-how and the industry's best professionals. The number of employees at the local branch active in the city of Jönköping reaches the amount of 25 people. Customers of the local branch includes construction companies, manufacturing industries and commercial real estates, thus their targeted customer group does not include individuals.

4.2 Internal Interviews

Due to confidentiality requests, information from the interviews will not be presented individually, although it will in some cases be stated from what level the information comes from. Since our chosen company is a branch of a large, nationwide company and it is therefore in some cases essential to state from what level in the company the information was given. The nationwide organization is referred to as the company as a whole and the local branch represents our chosen company.

The collaboration between top management, divisions and all local branches, is today in an ongoing improvement process according to several high level managers. Mentioned on all levels is that all branches are seen as individual companies with their own set of capabilities and external conditions. Hence, the company as a whole cannot be standardized. There is however according to top management, a need for better collaboration between the divisions and the local branches and a better understanding of the powerfulness of being a part of a large company. One of the higher level managers argues that "the more collaboration, the more successful we can be". Collaboration within the local branch is perceived to be very good. They help each other out when problems occur and the lower level employees are satisfied with the way their manager runs the business. At the local level in Jönköping they also share a common interest for music which is mentioned as a component of the positive and friendly work environment.

The lower levels state that they do not feel united with the company as a whole since they are divided into 35 individual branches which govern their own businesses. According to national and divisional level, it is of great importance that the saying "the local actor with the nationwide company's resources" is communicated all the way down to the lower levels of the company. The general view is that it is the division managers and the branch managers' responsibility to get this through to lower level employees. A better knowledge about the company as a whole and the logic behind collaboration is important in order to see the positive outcomes of it.

In general, the opinion is that it is a relatively flat organization and the communication flow is efficient and open, although the communication has many filters to go through. The information gets through, but the transference to lower level employees can according to one higher level manager be improved. The information needs to be adjusted in order for the information to make sense to lower level employees.

Top management argues that the most essential component in the process of uniting the nationwide company is by promoting the same values, mission and vision through leadership and personal connections. Top management has introduced the catchwords “open, near, simple” in order to unite the organizational identity. They are mentioned by many of the higher level managers, but it is not mentioned at all by lower level employees. In addition to the catchwords, high level managers point out strengths such as flexibility and short decision making processes.

Top management states that more efforts have to be made trying to get the lower level employees more involved and feel unified with the company as a whole, not just with their own local branch. One of the higher level managers states that the vision needs to serve as a red thread between the different levels of the nationwide company in order to unite the company as a whole. Today, the communication of the vision surcease pretty fast and the interest and understanding of lower level employees is quite modest.

Top management is realizing that leadership is a work environment factor that needs to be further developed within the whole company, especially at the lower levels. In our local branch it is 8 % (2/25) of the employees that has the ambition to climb within the company. Hence, it is a lack of motivation to a personal leadership-skills development. In-house training is provided if there is a need for leadership-skills development or skills development. Low level of development in both areas throughout the nationwide company (apart from basic development/training) and there exists no plans for them. Each branch is responsible for its own development. All levels realize the importance of possessing the services they sell and therefore they have to have appropriate internal resources and competences. All levels also emphasize the value of skills development to be able to maintain and improve its internal competences and keep up with changes in the external environment.

Employees in our local branch emphasize that they are a young company with a young workforce. They argue that it provides for the opportunity to form the employees in the right direction, but it can also be seen as a weakness since it makes it more difficult to match the right employee with the right jobs. They recently experienced a change in generations which they perceive as a strength since the new branch manager has a new way of thinking which is appreciated. The general view in our local branch is that the industry goes through an interesting phase and the choice of whether to specialize or not stands before them. No decisions have been made regarding specialization, only that they have to keep up with the development of the industry. However, their current strategy contains their ambition to expand within the Jönköping County.

Additional strengths mentioned by the employees are their broad experience and their network of strong customer relations. These relations are maintained in the long term through creating personal relationships. One employee states that “everything in this industry is built upon relations”. The lower level employees are perceived to be highly social skilled and they have also been referred to as the company’s ambassadors. One manager underlines the importance of social skills to create and maintain personal relationships by stating that “the customer’s loyalty lies within the employer, not the company”. The common view is that they put more emphasis on their existing customer instead of finding new ones. This is done by doing a good job, keeping promises and being honest if problems occur.

Recruitment is today according to all levels within the organization, a problem that can be even harder in the future to tackle. Today, the primary source of recruitment is done through the local high school industry program. Our local branch offers in collaboration with the local high school, one to two trainee jobs per semester which can lead to a permanent job after graduation. According to Bäckadalsgymnasiet (personal communication, 2008-03-17), the cause of the students choosing the industry program is mainly that they know someone working in the industry and that the program is very practical. Bäckadalsgymnasiet (personal communication, 2008-03-17) stresses the lack of employer’s involvement and that the employers can be more active and involved in the program since they are the ones who have the power to influence. They also mention that there are six other high school industry programs in the Jönköping County.

To be able to improve recruitment, according to higher and lower level managers, it is important to be an attractive employer. One high level manager states that there are three components of being an attractive employer, namely; to be able to provide a good work environment, offer career opportunities and a marketable wage level.

The information presented above was gathered during personal communication with internal representatives from the company as a whole. Information regarding the interviewees in terms of position, date, time and interview approach will be further presented in Appendix 1.

4.3 External Interviews

4.3.1 Relating Industry Organizations

In order to get a deeper understanding of the industry we conducted interviews with representatives from the following three industry related organizations; the Union, the Industry Organization and the Industry Development- & Educational Centre.

Skills development is according to all relating industry organizations, the key for the organizations in the industry to be able to meet the future market and customer needs. The challenge is according to the Industry Organization, if the organizations will have enough resources and competences to meet the demands of the future skills development in the industry. The Industry Organization claims that it is a conservative industry and their current internal resources and competences contribute to the way of thinking about the business they operate in. The Union further argues that there is an absence of the businesslike thinking including sales and marketing at all levels of the organizations. He continues by claiming that businesslike thinking combined with skills development could be a way of increasing customers' demands and create surplus value. This is in accordance with the Industry Development- & Educational Centre's, who states that they would like to see that employees are more involved and have a better knowledge about their customers' needs. It is also important that every employee can see the big picture and understand their own contribution to it.

According to the Industry Organization there are clear indications showing that the industry is in an interesting phase, facing a decision of whether to specialize on niches or not and what parts to give away to other actors in different industries. He claims that there is a threat that more specialized areas within the industry today can be lost to companies outside the industry such as consultancy agencies. With this in mind, he further argues that it is of great importance that the organizations actively face up to these changes and not only concentrating on keeping their existing customers satisfied. He states that "skills development is today unfortunately often perceived as a loss in production, not as an investment". He further argues that it would be advantageous for the organizations to development their in-house competences today as we are experiencing a boom instead of doing it in a recession. This would be beneficial in the long run since the organizations would be able to take on work during a recession and thus reduce the possibility of not having enough to do. An additional approach to this could be to collaborate with organizations that have the appropriate in-house competences.

The Industry Development- & Educational Centre states that due to the extremely low unemployment rate in the industry (approximately 1,1-1,2%) it is crucial that the organizations in the industry retain their current employees and be able to recruit the right people. He continues by claiming that for an organization to be an attractive employer it must be able to provide for career opportunities and have a strategy for skills development, i.e. wanting to develop the appropriate skills in order to meet customers' demands. He further argues that in order not to loose market areas to actors outside the industry, the organizations must strive for having employees who possess a high technical know-how combined with social-/sales skills.

The information presented above was gathered during personal communication with relating industry organizations including the Union, the Industry Organization and the Industry Development- & Educational Centre. Information regarding the interviewees in terms of position, date, time and interview approach will be further presented in Appendix 2.

4.3.2 Customers

We asked representatives from three of our chosen company's customers what their most important preferences are when choosing a supplier. By asking sub questions we tried to gain knowledge about the implications of customers' needs and demands.

Representative from Customer A (personal communication, 2008-04-17)

When choosing a supplier within the industry, the preferences that distinguish the most according to Competitor A are technical know-how, quality and price. He states that these preferences have not changed much during the last 30 years. The single thing mentioned that has more impact than before is their suppliers' technical know-how. He further claims that "the only thing worth paying more for is technical know-how". One future preference that according to Competitor A has started to have a larger impact and will be even larger in the future, is the supplier's ability to provide environmental friendly solutions.

An additional aspect mentioned is personal relations, which according to Competitor A is crucial since they only hire suppliers who they have a trustworthy relationship with. He argues that there is no supplier that differentiates itself from its competitors. In other words, he states that no supplier is unique in their way of doing business. In general, he believes that the organizations in the industry are all bad at selling their services.

Representative from Customer B (personal communication, 2008-04-17)

An appropriate price combined with personal relations and personal chemistry is according to Customer B the most important preferences when choosing a supplier. Even though they have personal relations with their suppliers he argues that it would be advantageous for them to do more customer visits and have an ongoing open communication, in order to create trustworthy relations.

As the industry gets more and more complex, the level of the suppliers' technical know-how plays an even more important role than before. He further states that the requirements for the suppliers have increased and will continue to do so, with regard to their education, technical know-how and environmental friendly solutions.

Representative from Customer C (personal communication, 2008-04-18)

The representative states that the single most important preference is price, due to current market condition and a fulfilled range of suppliers. He further argues that the only way to differentiate between the suppliers is through price levels.

In order to create personal relations which is an additional aspect mentioned, it is according to Competitor C important that the quality of the suppliers' work reaches a satisfying level. A further future perspective of quality is that the suppliers' provide for environmental friendly solutions.

4.3.3 Competitors

In order to get a closer view of our chosen company's local competitive market we will here present seven of our chosen company's closest competitors' geographic spread and their views of the industry conditions and their own organization.

Geographical spread

<i>Competitor A</i>	Eight branches within the Jönköping County namely; Anderstorp (Gislaved Municipality), Eksjö, Gislaved, Jönköping, Nässjö, Sävsjö, Tranås and Värnamo.
<i>Competitor B</i>	One branch in the city of Jönköping.
<i>Competitor C</i>	17 branches in the Jönköping County namely; Aneby, Anderstorp (Gislaved Municipality), Bor (Värnamo Municipality), Bredaryd (Värnamo Municipality), Eksjö, Forsheda (Värnamo Municipality), Gislaved, Hestra (Gislaved Municipality), Hillerstorp (Gnosjö Municipality), Jönköping, Nässjö, Reftale (Gislaved Municipality), Smålandsstenar (Gislaved Municipality), Sävsjö, Tranås, Vetlanda and Värnamo.
<i>Competitor D</i>	One branch in the city of Jönköping, but they are active within the Jönköping Municipality.
<i>Competitor E</i>	One branch in the city of Jönköping, but they are active within the Jönköping Municipality.
<i>Competitor F</i>	One office in the city of Jönköping, but they are active within the Jönköping Municipality.
<i>Competitor G</i>	One office in the city of Jönköping.

Table 1 Geographical Spread (Personal Communication with Competitors, 2008-04-17)

Five of the interviewed competitors are branches of a large, nationwide company as our chosen company. The other two, Competitor E and G, only have local offices in the city of Jönköping.

All competitors mention their broad competence as a strength and Competitor B and D state that an additional strength is their possibility of managing large jobs because they are part of a well-resourced large, nationwide company. Due to the fact that Competitor C has 17 local branches in the Jönköping County they also claim that their nearness to their customers is a strength.

The importance of personal relations in their industry is stressed upon by all competitors. They all agree that personal relations are created by doing a good job and having social skilled employees. Two competitors mention experience as an additional aspect in creating personal relations with their customers.

Each competitor individually was asked to mention their closest competitors and six of these competitors were mentioned by each and every one of them. These include our chosen company and Competitor A, B, C, D, E.

Due to the fact the relating industries mention that there is an absence of businesslike thinking in the industry, we asked the competitors if they had a sales department or a salesperson. Competitor D claimed that they have one salesperson, but the other organizations lack this function on a local level.

Competitor D and E both state that they have an ambition to expand in the Jönköping County. The remaining ones did not mention that they had a need to expand; instead they claim that they want to focus on maintaining their broad competence and strengthen their position in the local markets.

The information presented above was gathered during personal communication with the company's seven closest competitors, Competitor A, B, C, D, E, F and G. Information regarding the interviewees in terms of date, time and interview approach will be further presented in Appendix 2.

4.4 The external environment

In order to get an understanding of the chosen company's external environment and its affecting factors, we will here present both primary and secondary data collected following the PEST framework. Primary data was collected from interviews with the municipalities within the Jönköping County; however, we will only present the municipalities which show of economic growth and activities. Additional primary sources include interviews with relating industry organizations and the senior economist at Swedbank.

4.4.1 Political Factors

The relating industry organizations (personal communication, 2008-03-11, 2008-03-14, 2008-03-19) all state that political factors which have a direct effect are the ones that are industry specific and particularly one concerning an environmental matter. The one referred to is a new regulation which according to the Union (personal communication, 2008-03-14) provides for a new opportunity for the organizations in the industry. The opportunity is to legally accredit themselves to be able to do declarations that arise from the new regulation. According to the Industry Organization (personal communication, 2008-03-19) the number of companies in the industry accredited to work with these declarations is very low. He further claims that he finds it strange that more organizations have not yet realized this new opportunity and acted upon it.

The regulation concerning employers' fees for employees in the age between 18 and 25 has an effect due to the fact that our chosen company has a young workforce. The employers' fee was according to Sveriges Kommuner och Landsting (2008) 22, 71% in 2007 and the fee has during 2008 been lowered to 21, 31%.

4.4.2 Economical Factors

In order to clarify the economical factors affecting the industry they are divided into a national and regional level.

4.4.2.1 National level

The Union states that there are several economical factors that indirectly influence the industry and its customers, such as the currency value, interest rates, and raw material prices. According to Konjunkturinstitutet (2008), the senior economist at Swedbank (2008) and Riksbanken (2008) there are additional factors that affect the state of the Swedish economy and thus the industry and its customers. They further claim that there are currently factors that have a positive impact and there are factors that are more risky and negative, these are stated below.

Positive factors	Negative factors
<ul style="list-style-type: none"> • Konjunkturinstitutet (2008) states that the Swedish economy will manage the weakening global business cycle well. • The senior economist at Swedbank (personal communication, 2008-04-10) argues that the investments will and the level of start-ups in the Jönköping County is positive. • The rate of employment is according to Konjunkturinstitutet (2008) increasing, but Swedish organizations' employment plans are more moderate than before. • The economical state of the manufacturing industry and construction sector is according to Konjunkturinstitutet (2008) stable. 	<ul style="list-style-type: none"> • The Swedish economy is according to Konjunkturinstitutet (2008) characterized by a positive business cycle, but the global business cycle and concerns about financial attributes such as investment and currency values will reduce the Swedish economy's growth. • According to the senior economist at Swedbank (personal communication, 2008-04-10), the Jönköping County has a strong manufacturing industry. Its subcontractor in the County can thus be more affected by the dollar's weakening and the Swedish krona's strengthening. • The raw material prices are according to Konjunkturinstitutet (2008) rising. • Riksbanken (2008) states that they have increased the repo rate in order to restrain inflation. The increased repo rate can according to Riksbanken (2008) reduce the investments will among the Swedish organizations and increase interest rates. This usually leads to that the demand of goods and services decrease as well as decreased household consumption.

Table 2 The Economical Situation- Positive and Negative Factors (Konjunkturinstitutet, 2008 Riksbanken, 2008, Senior Economist, personal communication, 2008-04-10)

4.4.2.2 Regional level

At the regional level, we have chosen to structure the gathered information in company start-ups, construction projects and infrastructure to be able to map out the municipalities experiencing the highest economical growth and activities.

Company start-ups

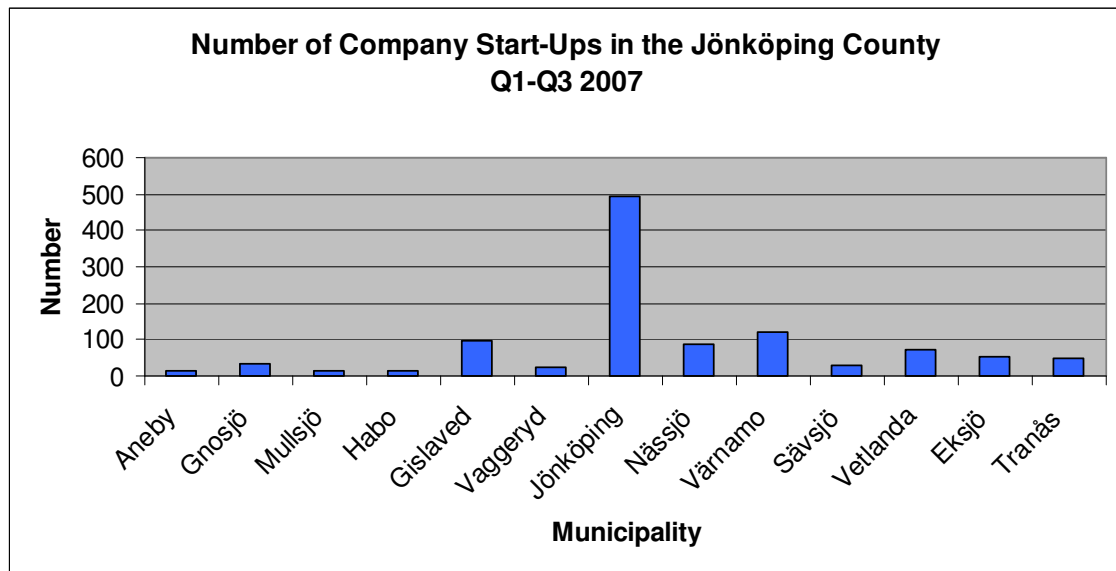


Table 3 Number of company start-ups in the Jönköping County Q1-Q3 2007 (ITPS, 2008)

This table can be seen as an indication of the business activity in the Jönköping County. The table shows that Jönköping, Värnamo, Gislaved and Nässjö are the municipalities with the highest number of company start-ups.

Construction projects

There are four municipalities that have started or are planning for large-scale construction projects. These construction projects are presented below.

- According to the Jönköping municipality (2008) there are two large-scale construction projects “Smålands Musik och Teater” and a new “Rättscentrum” in the city of Jönköping that has been started and which are planned to be finished in 2010.
- Granen Logistics Services is according to Nässjö Näringsliv AB (2008) investing 300 million SEK in 60 000 square meter premises for logistics. Nässjö Näringsliv AB (personal communication, 2008-04-08) states that the construction project will have a development period of 3-5 years and that it will provide for 200 new job openings.
- “Sydsvenska Krysset” is a large-scale construction project that will according to the Värnamo municipality (2008) be located in one of the busiest crossroads in the south of Sweden, namely in the municipality of Värnamo where E4 freeway and national road 27 intersect. The construction project’s aim is according to the Värnamo municipality (2008) to conclude a 1 million square meter industrial ground which is mainly intended for industry-and wholesale trade establishments. The Värnamo municipality (personal communication, 2008-04-04) further argues that this will attract companies and strengthen the attractiveness of the municipality.

- The Gislaved municipality (personal communication, 2008-03-26) has established a new trade centre, “Smålandia”. “Smålandia” is according to the Gislaved municipality (2008) a 70 000 square meter area intended for logistic demanding trade.

Infrastructure

Nässjö Näringsliv AB (personal communication, 2008-04-08) argues that an overriding condition for a municipality to grow today as well as in the future is its logistic flows. He further claims that Nässjö is a logistic centre and that its surrounding railway system enhances new establishments of warehouse-and distribution centers. He states that “the Nässjö region provides for logistic solutions which are advantageous for companies when choosing the location of new establishments”.

The municipalities of Jönköping (personal communication, 2008-04-17), Värnamo (personal communication, 2008-04-04) and Vaggeryd (personal communication, 2008-04-14) argue that their closeness to the E4 freeway is an advantage and a future growth factor. The Värnamo municipality (personal communication, 2008-04-04) states that “we see our logistic location as an expansion opportunity and a great way to attract new companies”.

Two future infrastructure projects were mentioned by the municipalities of Jönköping (personal communication, 2008-04-17) and Vaggeryd (personal communication, 2008-04-14), namely the “Kombiterminalen” in Torsvik and “Europakorridoren”. They argue that the development of the regional infrastructure will lead to an enhanced attractiveness in the long-run for the concerned municipalities in the county. The future infrastructure projects are presented below.

- “Kombiterminalen” in Torsvik (located in the boundaries of the municipalities of Jönköping and Vaggeryd) is, according to the Jönköping municipality (2008), a terminal which combines road-and railway transportation. It is planned to be finished in 2012. “Kombiterminalen” provides according to the Jönköping municipality (2008) for economical and environmental transportation solutions that improve the conditions for the development of the region’s trade and industry.
- “Europakorridoren” is according to Europakorridoren (2008) based on an extension of two railways, namely “Europabanan” (Stockholm-Helsingborg-Köpenhamn-Hamburg) and “Götalandsbanan” (Göteborg-Jönköping). The southern part of “Europabanan” is planned to be finished in 2030 and go through Jönköping and Värnamo. “Europakorridoren” is built for extremely high speeds, up to 320 km/h (Europakorridoren, 2008). The Jönköping municipality (personal communication, 2008-04-17) argues that companies located close to “Europakorridoren” will benefit since the distances between cities in Sweden and in Europe will decrease.

4.4.3 Social- and Demographic Factors

The Jönköping County labor market has according to Länsarbetsnämnden i Jönköpings län (2007) one of Sweden's highest employment rates and lowest total level of unemployment. The unemployment trend during the last decade has been below the national average level. The Jönköping County is according to Regionförbundet (2008) strong with regard to small business traditions and small-scale industry structures which has produced a lot of job opportunities during the years. An additional strength of the county is according to Regionförbundet (2008) their specialized manufacturing industries which has contributed to a high employment rate and a low level of unemployment compared to the national levels.

At present, the industry is according to Regionförbundet (2008) becoming more automated and specialized which increase the skill requirements of their employees. Hence, there is currently a smaller amount of "simple jobs" and a continuous increase of the skill level is a result of the increased value creation in the industry productions (Regionförbundet, 2008). The educational level in the Jönköping County has according to Länsarbetsnämnden i Jönköpings län (2007) increased, but it is still below the national level. The lack of skilled and qualified labor might according to Regionförbundet (2008) in the future increase and companies' efforts of being able to attract skilled labor will be crucial.

The table below shows the population trends within the different municipalities in the Jönköping County. Jönköping, Tranås, Nässjö, Habo and Vaggeryd are the ones that are experiencing a positive trend.

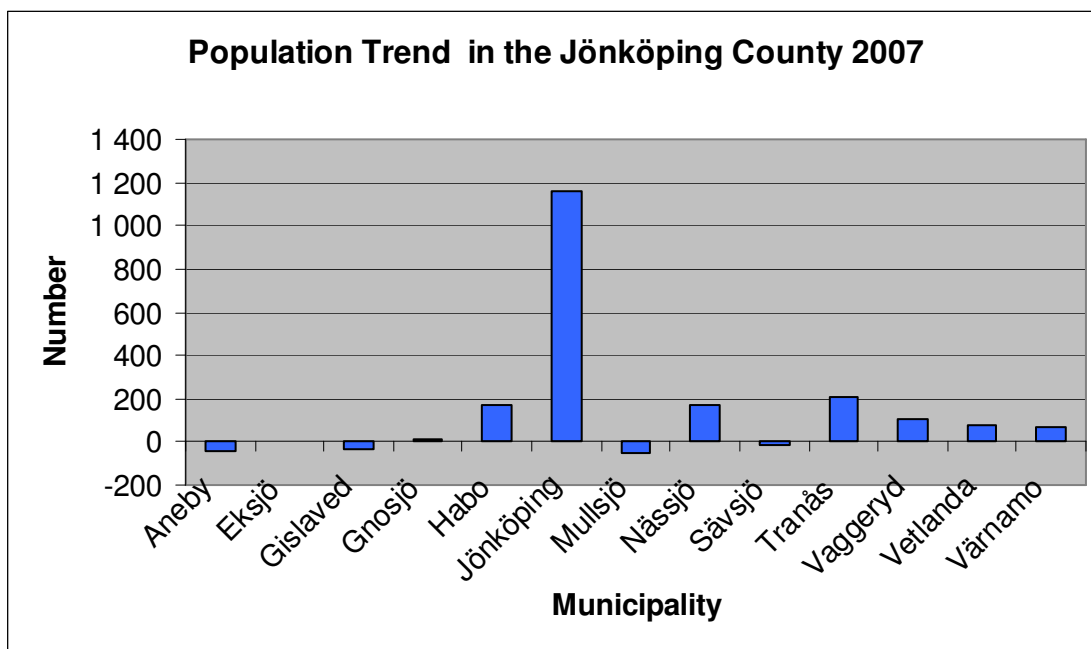


Table 4 Population trend in the Jönköping County 2007 (SCB, 2008)

4.4.4 Technological Factors

The Industry Development- & Education Centre (personal communication, 2008-03-11) argues that we are heading towards a more high technological society which thus demands for a higher level of technical know-how. He further states that the rapid technological development in the industry will provide for new market areas which are more specialized and require a higher technical know-how. The competitiveness will be higher in the new market areas since organizations outside the industry will be added to compete about these market shares as well.

The Union (personal communication, 2008-03-14) claims that the industry is going through an extensive transformation and development. The traditional way of doing business has changed and the development of the industry is heading towards being more complex. He further argues that it will for this reason be even more crucial in the future to have skilled and high-educated employees, not only employees with general technical know-how. The future development of the industry seems according to the Industry Organization (personal communication, 2008-03-11) to be promising, although new technological solutions will be demanded by customers. Hence the organizations in the industry must have the skills and capacity to be able to keep up with their customers' new needs and demands.

5 Analysis

In this section we have analyzed the collected data with the use of analysis tools presented in the frame of reference. The empirical findings are also related to the theoretical framework in order to create further understanding and relevance of the collected data.

5.1 Internal Analysis

The internal analysis has its focus on the company as a work place and aims at getting an insight in the everyday business activities. In order to be able to draw a justified and compatible picture of the company it is important to know where the company stands today and where its prospects lie within the future. This is in line with what Mintzberg defines as strategic thinking; involving the intuition and creativity among the members of the organization to create an idea of where the organization is heading (cited in Heracleous, 2003). Hughes (2005) also underlines the essential element of managers and employees having a clear picture of where they want to be in the future.

Essential to address initially is the importance of the employee's role as an active collaborator who seeks information with the vision to use this with the company's best in mind. Previous statement is in line with Hughes (2005) definition of strategic leadership as a process where individuals and teams think, act and influence in ways that promote the sustainable competitive advantage of the organization itself. The promotion of an active collaborator is also in accordance with Heracleous (2003) view of strategic thinking; to enable a proactive thinking within the organization and uncovering potential opportunities. Once again it is crucial that he/she knows where the company stands today and where it is heading. The collaborator needs to know what information that is of importance and beneficial for the company, how to share this information and where i.e. in what forums should it be discussed.

During our interviews at the company and in accordance with the literature research we have been able to identify a number of key factors of importance and structured these under four areas, as could be seen below. What all these factors have in common is that if the business manager manages to create a company and an internal business environment where the collaborators are motivated, well informed and proud over their employer, they will all contribute to enhancing performance of the organization.

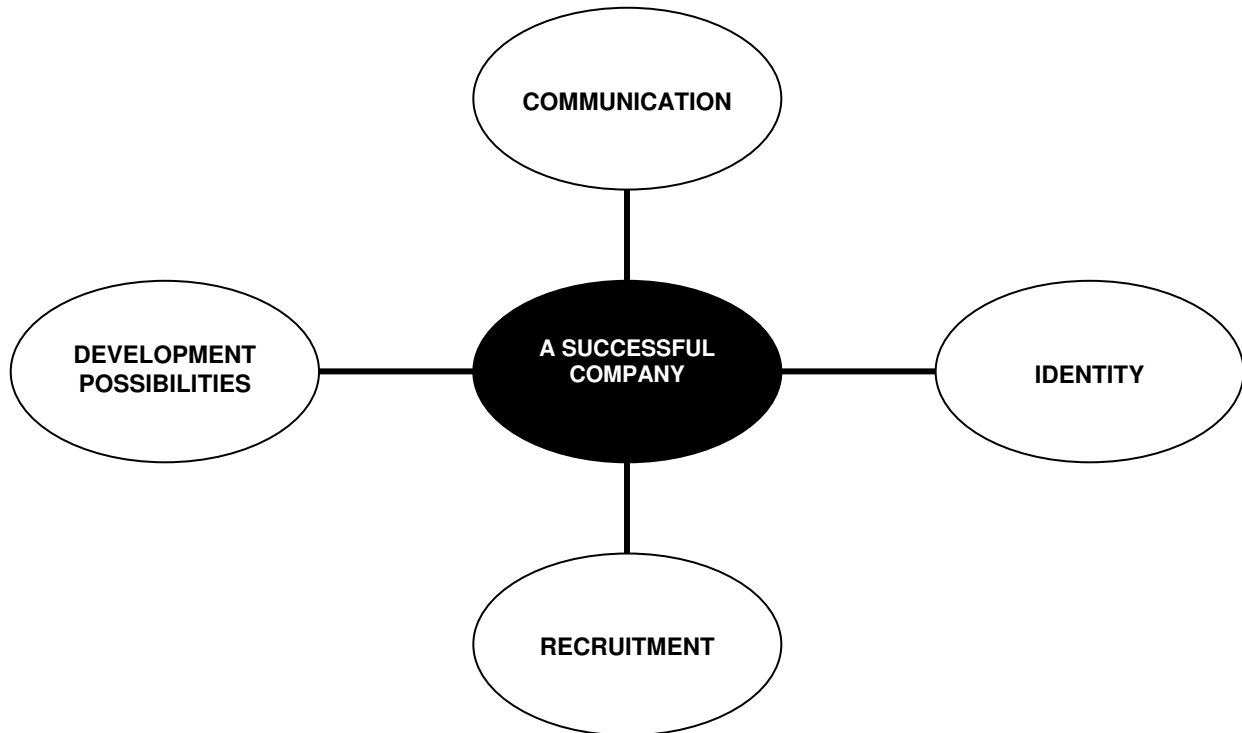


Figure 8 Internal Factors (Own Illustration, 2008)

5.1.1 Communication

According to David (1998) communication is the key to successful management and it is naturally also the first factor to be discussed. We argue that communication is an important driver for inter-organizational collaboration. The general understanding within the company as a whole when it comes to communication is that it is characterized by openness. Our perception is that no one hesitates to pick up the phone or make contact if necessary; this goes for all levels within the company. This openness is well functioning individually within the company as a whole, but if we instead concentrate on the organized information flow this is characterized by a downward communication flow. This can make it hard to communicate "top" information directly down to lower levels in the organization, due to several hindrances such as language barriers and for the collaborator to know how the information affects him or her in its daily work. According to Robbins (2005) words mean different things to different people and top managers' terminology might not be understandable by lower level employees.

To ease this communication flow we see that an upward flow might be more suitable for the company in question, which would mean that the manager integrates its employees more by building discussions on their experiences and perceptions from their own work situation. The purpose with this would be to motivate and engage the employees and make them feel more involved in a broader sense. In order for a company to enhance performance the manager need to stimulate employees to perform and make the communication flow effective (Robbins, 2005).

One way to do this would be to identify key players or communicators throughout the organization which could be strategically chosen collaborators whom managers and colleagues have come to trust. These key collaborators will listen, reflect on and be engaged with the discussions within the company and be helpful when communicating information in a language that everyone would be able to understand.

5.1.2 Identity

After having a discussion concerning the company as a work place with people on different positions and on different levels within the company, we can state that how the employees view the company differs from national to local level. On local level the employees view the company as an individual business with its own identity. Advantages such as a positive work environment, having a young workforce, broad experience and strong customer relations are mentioned. On division- and national level the company is identified more in its whole, and several of the interviewees mention the catchwords (“open”, “near”, “simple”), short decision making processes and flexibility as company strengths. The strength at the higher levels is viewed as “the local actor with the national wide company’s resources”, in contrast to the local perception where this affiliation was not mentioned at all.

The question is what do these catchwords mean in practice for the low level employees? The employee must understand their role and be able to relate to these catchwords, which sometimes could be a difficult task for the manager to succeed with. The local strengths are of course very important, but in order to unite the company as a whole and be able to make use of the resources available in the organization it is crucial that every employee know what the company as a whole stands for. According to Hughes (2005) it is of high importance that managers and employees are clear about the organization’s purpose and that they share a common set of values. The values, mission and vision form the core of the organizational identity (Hughes, 2005). It is essential to convey the message of the positive aspect of belonging to a large national-wide corporation by expressing concrete evidence such as safety and security for both employees and customers. An organization’s vision and mission will not be useful if it is not supported by all employees in their day-to-day decision making, behaviors and performance and thus the chance of being successful decrease (Freedman & Tregoe, 2003). Therefore, we see a great challenge in uniting 35 branches into one uniformed concept, which must concentrate on including the local perspectives and strengths. It is also vitally that the catchwords characterize the practical activities within the company and those values that are communicated towards the customers. To create a united identity by communicating a vision, mission and the company goals is related to what we brought up in the communication discussion earlier concerning the motivation and engaging of the employees. To conclude this discussion we would like to stress that since the collaborators serve as the company ambassadors and that they constitute for the company’s main resources it is of highest priority that they know what they stand for as primary promoters of the company.

5.1.3 Recruitment

Recruitment will play an even larger role in the future and being an employer of substance and choice will be one of the most valuable advantages when striving to retain and recruit the right people. This since the unemployment rate within the industry is extremely low.

To our knowledge a large part of the local branch's recruitment today is done through the local high school's industry program which makes this collaboration a critical factor. The branch's efforts exist in the offering of one or two trainee jobs per semester which we believe to be very positive. On the other hand, the school's general perception is that there is a lack of commitment among the companies within the industry. By playing an active role in the collaboration with the school for example in an advisory program or as simple as visit the school a few times a year, could be very helpful when trying to meet the branch's customized need of competences. According to Fields (2001) organizations need to consider what types of employees they currently have and what types they need to succeed, selecting for skills as well as for competences and attitudes. As the Industry Organization states; the industry faces a rapid development and shift in focus. This makes the mapping of the company's existing resources and future competence-demands even more important in order to be able to match future needs in form of future recruitment. Fields (2001) further argues that the key is recruiting the right people for the right jobs. Today there is a risk that the trainee does not possess the right knowledge and we therefore believe that it is important and nonetheless beneficial to become a part of the education and show an increased engagement as early as possible. An early entry would help with the identification of more suitable trainees than what is available at the moment.

Another opportunity for future recruitment for the local branch exists among the six other suitable high school programs within the Jönköping County. This could mean a greater selection of students to choose from as well as the opportunity to relate student with local market knowledge. One of the major reasons to why the students choose this program is because they know someone who works within the industry, which could be a great asset when as in this case the local branch plans on expanding within the county.

5.1.4 Development possibilities

An additional essential internal factor is what development possibilities the company can offer. Fields (2001) argues that the organization needs to make efforts towards being the employer of substance and choice, in order to make the organization more attractive to current and potential employees than its competitors are. An employer of substance and choice is characterized by a positive work environment, career opportunities and a marketable wage level, according to one high level manager. We do not see the lack of career opportunities as a major problem today, but instead we would like to address the fact that the employees are reluctant to take responsibility and lack of motivation to the development of personal leadership-skills. The fact that only 8 % (2/25) of the employees in the local branch has shown the interest and ambition to climb within the company is definitely a result that needs to be improved. In accordance with all relating industry organizations we believe that skills development is a future contributing factor for the employees to increase their interest for responsibility. Climbing within the company does not necessarily mean in an upwards direction, i.e. becoming a manager, it might just as well happen horizontally, i.e. by an increased number of areas of responsibility etc. More focus needs to be put on leadership-skills development by educating project managers and other manager on somewhat lower levels within the organization.

Another important aspect to take into consideration is that a large number of the employees devote themselves to personal development in their spare time and they do not view their workplace as a forum for this. We recognize a need for change and the question then occurs on how to move the employees' spare time engagement into the workplace. One example that this branch could make use of is the common music interest among the employees, for example by creating a band.

Another suggestion in the search for development for both the employees and the company relates to previous discussion concerning active collaborators. This could be done by awarding collaborators that actively search for information and opportunities with the purpose to develop its company and his/her working situation. The award could of course be in terms of money, which is the most common alternative, but it could also be more business related awards such as social activities etc. This in accordance with Coate's (2006) statement that incentives and empowerment are acts done by the organization to strengthening its employees' sense of their own power or capacity to produce a desired result.

5.2 External Analysis

5.2.1 PEST- Analysis

From the empirical findings we have summarized the factors with the most impact on the company of our case study, in the table below. This was done in order to be able to identify the key drivers of change within this industry.

Political Factors	Economical Factors	
<ul style="list-style-type: none"> • Environmental regulation • Lower employer's fees 	National Factors	Regional Factors
	<ul style="list-style-type: none"> • Current economic situation • Raw material prices • Interest rate levels • Currency value 	<ul style="list-style-type: none"> • Company start-ups • Construction projects • Infrastructure • Investments will
Social- & Demographical Factors	Technological Factors	
<ul style="list-style-type: none"> • Regional labor market • Population trends • Regional educational level 	<ul style="list-style-type: none"> • Technical know-how • Specialization 	

Figure 9 PEST- Analysis Sum Up (Own Illustration, 2008)

As Johnson et al. (2005) argues a combination of affecting factors is to recommend for understanding the organization's external environment. In our analysis we have chosen to identify the highest growth municipalities within the Jönköping County along with what business opportunities we have discovered when classifying key external factors for the company.

5.2.1.1 High Growth Municipalities

Generally we see the region and the Jönköping County as a growing and prosperous market. Based on information concerning population trends, company start-ups, construction projects, infrastructure etc. we have been able to identify the highest growth municipalities within the Jönköping County. These are Jönköping, of course, as the driving municipality of the County with the most positive population trend, largest number of company start-ups, logistical beneficial location as well as a number of planned construction projects within the future. Värnamo municipality shows of economic growth and activity since they are located near the E:4 freeway and the future plans of the "Europakorridoren". Nässjö is also positively located from a logistical point of view along with showing high economic activity. Beside the previous mentioned municipalities, Gislaved with its trade increasing efforts and Vaggeryd with its geographical location along the E:4 freeway and the upcoming "Kombiterminal", distinguish themselves and show potential of being high growth municipalities. We have been able to identify the logistic flow including the freeway and the railroad system as a major factor of importance for expansion and in order to attract new businesses.

5.2.1.2 Business Opportunities

As mentioned in the empirical findings there is especially one particular political factor that creates a new business opportunity for the companies within this industry. This new environmental regulation stands for a positive development of the market and it can be divided into two opportunities as we see it. Either you choose to legally accredit your organization and carry out the declarations yourself or you enter a partnership with a legally accredited firm. This would mean that the company itself would not carry out the declaration, but it would perform all the work that the declaration would result in. It is important for the industry to consider these actions in order to keep these opportunities within the industry, otherwise there is a risk that these market segments might be lost to other industries.

There is also an opportunity to be found concerning the reduction of employer's fees for the company's young workforce. This could lead to cost savings which instead could be invested within other areas of the organization. This also relates to the earlier discussion regarding the collaboration with the local high schools, if these schools generate "cheaper" labor it is even more beneficial to create stronger relations with the local high schools.

Major future construction projects and infrastructure projects around the County serve as business opportunities for the company in this case, this since these projects provide for new potential customers. These projects also strengthen the attractiveness of the region which can result in an increasing number of company start-ups. Once again these companies will serve as potential customers for our company. The question thus arises on how to recognize these projects in an early stage as possible and with the right approach selling your company and its services. This could be seen as a critical factor since the industry relating organizations claim that there is a lack of businesslike thinking in terms of the absence of marketing and sales organizations within the industry. Customer A also states that the industry in general is bad at selling their services and in addition to this only one out of seven competitors said that they have a salesperson. What we would like to see is that the company hires a salesperson that would work with seeking business opportunities as for new customers or upcoming projects etc. This is in line with what the relating industry organizations stress by not only focus on existing customers, but also put effort in finding and attracting new ones. The salesperson would work on the field and be attentive, increase knowledge about customer's needs and function as the promoter or marketer of the company. This salesperson should possess a certain level of technical know-how, but focus would be on a suitable sales personality.

5.3 Strategic Analysis

5.3.1 Strategic Group Analysis

In order to map out the local branch's closest competitors and identify its strategic group we have chosen to create a graph including the variables: geographic spread within the Jönköping County and to what extent they are established in low or high growth municipalities. The reason why we chose the variable geographic spread is based on our chosen company's ambition to expand in the Jönköping County. The current strategic group is identified as well as their future strategic group; depending on our company's and the competitors' prospect expansion ambition. The current geographical spread is analyzed according to where in the Jönköping County the companies are situated and number of branches around the County.

5.3.1.1 Current Geographical Spread

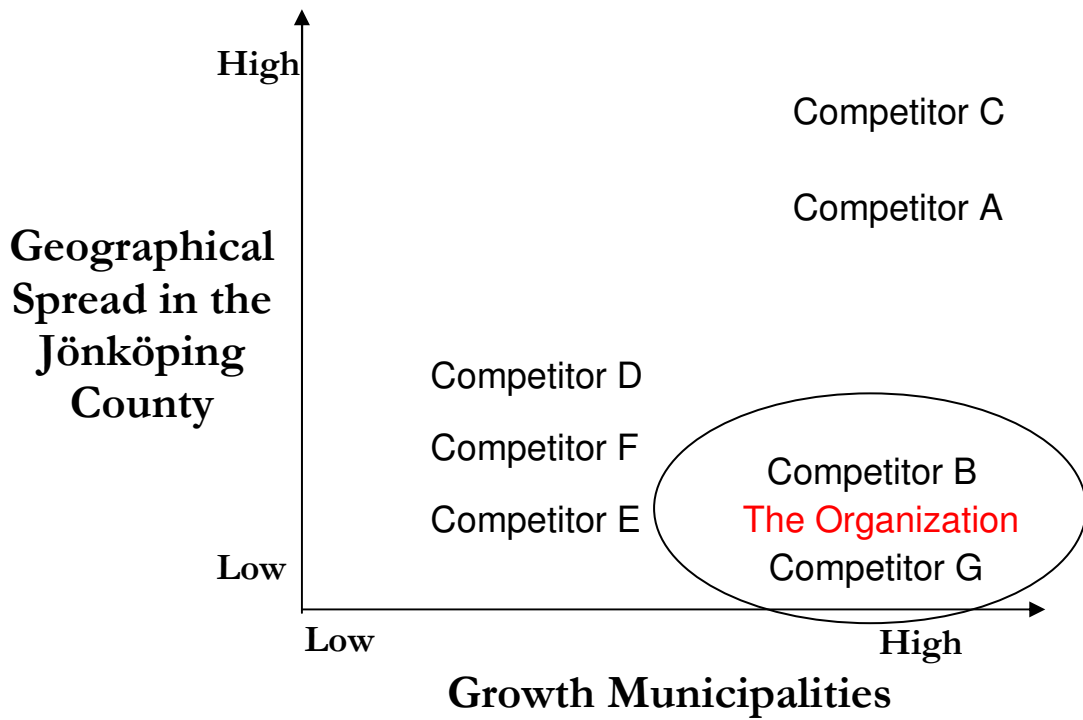


Figure 10 Current Geographical Spread (Own Illustration, 2008)

5.3.1.2 Future Geographical Spread

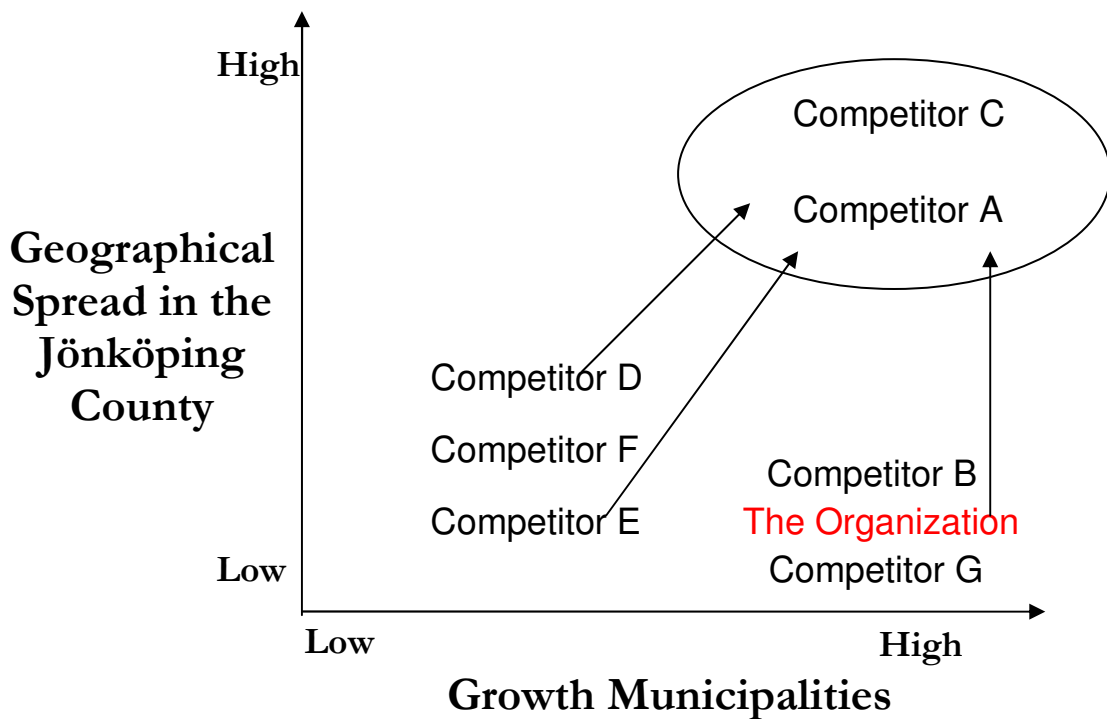


Figure 11 Future Geographical Spread (Own Illustration, 2008)

According to Johnson et al. (2005) an additional aspect of the concept of strategic groups includes the identification of the next step. This is what we would like to demonstrate with the graph above. Johnson et al. (2005) further states the question whether if the organization should strengthen its position within the existing group or if it is possible for the organization to move from one strategic group to another. We can clearly see that according to its competitors' prospects the local branch should move to the new strategic group illustrated by the arrows and the circle. This should be done in order to match the competitive approach or strategic position of its future strategic group. This would mean for our company to expand to the previous identified high growth municipalities within the County (Gislaved, Nässjö, Vaggeryd & Värnamo). This graph also underlines the fact that strategic groups constantly change in character and it is important to stay up-to-date and adapt to the new formations of strategic groups which is constantly occurring.

5.3.2 Threshold Analysis

We have developed an analysis based on the threshold matrix, the structure differs a bit and a few modifications have been done in order to create a better fit to the company in question. The basic idea of the threshold matrix, to identify fundamental resources and capabilities (thresholds), unique resources and core competences of an organization (Johnson et al, 2005), remains. The information in this threshold analysis is gathered through internal interviews with the company and interviews with the local branch's closest competitors and customers. Through a selective process starting with identifying the thresholds with the aim to end up with core competences, which serves as the final step in the search for competitive advantage (Johnson et al, 2005). We have not been able to identify any unique resources, but as Johnson et al. (2005) states core competences tend to be more difficult for competitors to imitate or obtain, which is a positive aspect to consider.

<i>Thresholds!</i>	<i>Surplus Value & Strengths:</i>	<i>Core Competence for Local Branch:</i>	<i>Development Possibilities:</i>
Price	Well-Resourced/ Capacity	Flexibility	Skills Development
Technical Know-How		- Broad Experiences	
Personal Relations	Broad Competence	- Young Workforce	Recruitment
Quality	Nearness to Customers	Succession of Generations	
	Environmental Friendly Solutions		

Figure 12 Threshold Analysis (Own Illustration, 2008)

The threshold resources and competencies identified by the customers' preferences were very much in line with what each and every customer stated individually. The factor mentioned the most were price and technical know-how. In addition to this personal relations serve as a crucial factor for the customers when choosing supplier within the industry. Therefore it is of high importance to nurture the company's customer relations, come to trust with its customers as well as living up to their expectations; here social skills play a major role.

Surplus value and strengths include those competences as for customers would be willing to pay extra for and what the competitors mentioned as their own strengths. One interesting observation was that only two out of five well resourced competitors mentioned that as a strength. Broad competence on the other hand was mentioned by all the competitors as their strength. This is in line with what the customers would consider to pay more for in terms of technical know-how which increases the in-house competences in the organization. As mentioned earlier we argue that the new environmental regulation creates new business opportunities which are completely in line with the interviewed customer's perception of the future impact of environmental friendly solutions.

What is unique for our local branch can be hard to identify since intangible resources such as information, reputation and knowledge (Johnson et al, 2005) are hard to put in words. This is also true for the customers perception which have shown that none of the suppliers within this industry differentiate themselves and that they all follow the similar pattern in how to conduct business. Although, out of our empirical findings we have tried to find competences that are beneficial only for our case study. Flexibility being one of them, due to the local branch broad experience and its young labor force that make them more adaptable to the changing environment and the future development of the industry. We have managed to identify an interrelation between position and capabilities as potential sources of competitive advantage (Saloner et al. 2001). The primary source is to be found within the company's core competences namely their flexibility i.e. broad experience and young workforce, followed by their position based on their network of relationships within the competitive market. We also think that the recent succession of generation give them an advantage towards their competitors who still wait for this succession to take place.

Important to point out is that nothing last forever and you need to consider the question of how the organization shall act in order to keep these potential core competences within the company in the future.

Once again we would like to underline the importance of skills development and future recruitment as development possibilities. As the industry is about to take an interesting turn the demand of creative and knowledgeable employees will increase. The right skills and driving force are always to be strived for when it comes to recruiting in order for current needs to be met. Another essential reason for focusing on the development of appropriate skills is the increasing threshold capability of technical know-how. Within this area the customers will be willing to put more resources in the future, which increase the demand for the company to follow those needs in order to survive.

5.3.3 SWOT- Analysis

Below we have summarized the internal and the external analysis in a SWOT-matrix. This was done by defining the local branch major strengths, weaknesses, opportunities and threats. According to Friend & Zehle (2004) the SWOT-analysis should be short and simple and in line with this we have tried to avoid complexity and over-analyzing these factors.

<p>Strengths:</p> <ul style="list-style-type: none"> • Well resourced • Flexibility- young labor force & broad competence • Work environment 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • "Top-down" communication flow • Lack of unified identity • Current recruitment process
<p>Opportunities:</p> <ul style="list-style-type: none"> • Possibilities to expand within the Jönköping County due to identified high growth municipalities • New business areas due to the changing industry focus • Skills development 	<p>Threats:</p> <ul style="list-style-type: none"> • Future recruitment- be the employer of substance and choice • Keep skilled labor- be the employer of substance and choice • Lack of qualified labor within the Jönköping County • New competitors with specialist skills ex. Consultancy agencies

Figure 13 SWOT- Matrix (Own Illustration, 2008)

6 Conclusion

In the following section the main conclusions drawn from the analysis section will be presented and the research questions and purpose of this thesis will be answered.

The developed model combining the internal and external perspective of strategic management is normative; it is a way of thinking and it does not provide answers to managers about *how* to make decisions. On the other hand, the model contributes both to the understanding of strategic management and its practical application through a combination of the two strategic management perspectives which results in an understanding of what is going on in the organization and in the environment. Hence, our developed model does not provide precise answers or solutions; instead it aims at linking together and relating the two perspectives in order to see the complete picture. While the internal analysis shows the company where it currently stands, the external analysis on the other hand, shows the company in what direction to go. This is where the two perspectives interact with each other. "If the company does not know where it is heading it does not matter where it goes". From our case study we can give the direct example regarding skills development; it does not matter what skills the company develops if they do not know how to adapt these to their industry specific- and competitive market.

In order for our chosen company to be able to fulfill the ambition to expand to identified external high growth municipalities (Gislaved, Nässjö, Vaggeryd & Värnamo) the company must possess the appropriate in- house competences that enable them to do so. We argue that one step on the way would be to hire a sales person who would uncover potential opportunities by working proactively. Combining the two perspectives results in identifying the current capabilities and competences and the direction of how to use these in order to meet market demands and gain competitive advantage.

In the search for potential sources of competitive advantage for the company in question we do not see their position as a primary source of competitive advantage. This since the market is mature with many well established actors. On the other hand, we see capabilities in the form of core competences within the combination of being flexible i.e. broad experience and young workforce, and the succession of generations to nurture and leverage. However, these will not be valuable if you do not make use of them in the external environment and thus they would not serve as a potential source for competitive advantage. To conclude we would like to state that it is not the competence alone that creates the competitive advantage, but the combination.

This also relates to the strategic thinking and strategic leadership aspect and understanding its importance in order to recognize opportunities. In practice for our company this would mean for the managers to be able to communicate and translate the vision and the catchwords ("open", "near", "simple") into action through all levels in the organization. How managers think of and make sense of their organization has an affect on the strategic decisions they make. Insights provided by the analysis can guide management to make more accurate decisions if they are focusing on the identified key drivers and critical factors affecting both the internal and external environment of the organization. In order to enhance performance of our chosen company internal needs such as a unified identity, effective communication flow and being an employer of substance and choice, have to be fulfilled. This should be done in accordance with the external analysis pointing out new business- and expansion opportunities. To conclude it is important to balance an organization's internal efforts with the external market conditions and avoid excluding one or the other from the strategic management process.

7 Discussion

This section includes a discussion concerning our contribution to the field of research, recommendations on continuous work, limitation of the thesis and interesting areas for further research.

7.1 Contribution

We have contributed to the strategic management research field with a simplified combined model of the internal and external environment of an organization. We hope for the model to be easy to conduct and communicated on several levels within our chosen company. By giving examples of analysis tools and how to use them the development of understanding and getting a clarified picture of an organization's competitive environment and internal processes has been eased.

One of our main aims with this thesis was to enhance the strategic thinking within the day-to-day activities on all levels of the organization. This by giving a broad overall picture of the company and its environment and address the importance of knowing where you are and where you are heading. We also would like to stress the crucial aspect of strategic leadership of communicating unified mission, vision and goals throughout the whole organizational structure.

7.2 Recommendations

Now when we have reached the end of this thesis we have acknowledged the need of knowing where to go from here. We would like to recommend the next step to be to make use of the scenario planning method, meaning that you develop a number of scenarios which describes how the future could be; notice could be and not will be (Peterson, Cumming & Carpenter, 2003). Scenarios are defined as "a structural account of a possible future" by Peterson et al. (2003 p. 360). The reason why this is not handled in the thesis is because it is not in line with our focus, as we are concentrating on strategic thinking and not the strategic planning process. We still believe this to be a suitable continuation of our developed model. Since scenario planning follows a natural step after the identification of key drivers of change and the enlightening of implications of current strategic paths in order to create options for actions to be taken (Peterson et al. 2003).

Based on the analyses conducted in this thesis we have developed two example scenarios that might be of relevance for the company in this case study with regards to high growth municipalities and identified business opportunities.

Scenario 1: "*Close to you*"

This is where the company expands to the identified growth municipalities within the Jönköping County, such as Vaggeryd, Värnamo, Nässjö and Gislaved. Focus lies on being close to the customers by acquiring companies at the selected sites and that the company sticks to what you know.

Scenario 2: "*Trust the traditions*"

In Scenario 2 the company would stay within the Jönköping region and concentrate on being good at what they do. Focus would be on skills development and specialization while offering the customers a safe full service alternative.

7.3 Limitations

Since the strategic management field of research is very broad and complex we have chosen a narrow and consistent focus with a clear and simple framework including only the tools to be used within our developed model. Due to the fact that we have been focusing on certain aspects of strategic management we have not been able to capture the entire field of strategic management. Our frame of reference is limited to the strategic thinking and strategic leadership aspects as well as our case study only concentrates on a single company active in one particular industry. This means that we cannot generalize our results and that our developed model including these chosen analysis tools might not be the most suitable ones for a different organization or an organization active in a different industry.

7.4 Further Research

Due to the nature of our purpose, further research including different aspects of the strategic management concept and the use of additional analysis tools would be of interest. It would be valuable to open up for other companies perhaps active in other industries to be researched and analyzed, in order to make the results possible to generalize and broaden the picture of functionality areas and implications of our developed model. An additional aspect of interest would be to be able to compare companies to each other or across industries by using the means of the developed model.

As further research we would like to present the opportunity to extend the model, in line with previous recommendations, by including the scenario planning as a next step following the strategic analysis. We believe that it would be helpful for managers to know what actions to be taken and where to go after the first phase of strategic thinking is implemented.

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Appendices

Appendix 1- Internal Interviews

In the table below every interview conducted for this thesis is stated including position or company/organization, date, time (for the face-to-face interviews) and what interview approach that has been used.

Position	Date	Time	Interview approach
Branch Manager	2008-02-27	2 h 40 min	Face-to-face
Service Engineer	2008-02-29	4 h	Face-to-face
Service Engineer	2008-02-29	4 h	Face-to-face
Project Manager	2008-03-04	1,5 h	Face-to-face
Project Manager	2008-03-04	1,5 h	Face-to-face
Human Resource Department	2008-03-19	1 h	Face-to-face Interview via E-mail
Division Manager West	2008-03-12	2 h	Face-to-face
Division Manager South	2008-03-20	1 h 30 min	Face-to-face
Market Manager, Division West	2008-03-18	2 h	Face-to-face
CEO	2008-03-19	1 h 40 min	Face-to-face

Appendix 2- External Interviews

Position Company/ Organization	Date	Time	Interview approach
CEO- The Industry Development- & Educa- tional centre	2008-03-11	2 h	Face-to-face
Business advisor – Industry Organization	2008-03-19	2 h 30 min	Face-to-face
Union Representative	2008-03-14	1 h	Face-to-face
Bäckadalgymnasiet Jönköping	2008-03-17	1 h 40 min	Face-to-face
Senior Economist and Vice President Economic Secretariat- Swedbank Stockholm	2008-04-10		Interview via E-mail

Customers	Date	Interview approach
Customer A	2008-04-17	Telephone interview
Customer B	2008-04-17	Telephone interview
Customer C	2008-04-18	Telephone interview
Competitors	Date	Interview approach
Competitor A	2008-04-17	Telephone interview
Competitor B	2008-04-17	Telephone interview
Competitor C	2008-04-17	Telephone interview
Competitor D	2008-04-17	Telephone interview
Competitor E	2008-04-17	Telephone interview
Competitor F	2008-04-17	Telephone interview
Competitor G	2008-04-17	Telephone interview

Municipality:	Date	Interview approach
Aneby Municipality	2008-04-14	Interview via E-mail
Eksjö Municipality	2008-04-08	Face-to-face Time: 2 h
Gislaved Municipality	2008-03-26	Interview via E-mail
Gnosjö Municipality	2008-04-08	Telephone interview
Habo Municipality	2008-04-04	Telephone interview
Jönköping Municipality	2008-04-17	Interview via E-mail
Mullsjö Municipality	2008-04-07	Interview via E-mail
Nässjö Municipality/ Nässjö Näringsliv AB	2008-04-08	Interview via E-mail
Sävsjö Municipality	2008-04-04 2008-04-08	Telephone interview Interview via E-mail
Tranås Municipality	2008-04-07	Interview via E-mail
Vaggeryd Municipality	2008-04-14	Interview via E-mail
Vetlanda Municipality	2008-04-07	Interview via E-mail
Värnamo Municipality	2008-04-04	Telephone interview

Appendix 3

Below we have attached the material used when conducting the interviews for this thesis. Depending on who we have interviewed the areas of discussion differs a bit.

The Company

- Personal Background
 - Education
 - Previous working experience
- Background within the Company
 - Position /Work Tasks
 - Recruited how?
 - Why this Company?
 - What qualities do you bring to the company?
 - What are the Company's major strengths?
- The Company as a Workplace
 - Communication
 - Culture
 - Policies
 - Social environment
 - Skills Development
 - In-house Training
 - Routines
- Customer relations
- Future prospects
 - Technological development
 - Industry Growth
 - Economical Climate
 - Demographical changes
- SWOT- Analysis
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats

Additional Questions for the Branch Manager:

- Customers
- Competitors
- Environmental work
- Service
- Suppliers
- Strategies
- Work environment
- Recruitment
- Business lines division

The Union, the Industry Organization & the Industry Development- & Educational Centre

- Personal Background
 - Education
 - Previous working experience
- Position and work tasks at the moment
- Future Industry Growth
 - Growth Markets
 - Technological Development
 - Influential Political Decisions
 - Economical Trade Cycle
 - Environmental Influence
 - Education
 - Employer of Substance and choice
 - Leadership- and Skills Development
 - Marketing and Sales Departments
 - Different Business Areas Trends
 - Regional Trends

Bäckadalsgymnasiet

- The Program Set-up
 - Curriculum
 - Number of students
 - Attractiveness
 - Trends
- Cooperation with Companies within the Industry
- Future outlook for the Program
- Labor Market today
- Labor Market in the future
- Future Industry Development

Economic Secretariat- Swedbank

- Jönköping County outlook
 - Investments will
 - Labor Market
 - Interest Rate Development
 - Price movements
 - Number of Company Start-ups
 - Industry Trends

Customers

- Most important preferences when choosing suppliers?
- For this industry, what distinguishes the most?
- How do you perceive the companies within this industry as salesmen?
- What conditions are included in the agreements?
- Development of future preferences?
- Future outlook for you?
- Regional market conditions?
- Fulfillment of your needs?
- What services would you be willing to pay more for?
- Future environmental influence?

Competitors

- Where is the head quarter located?
- Geographical spread?
- Number of employees?
- Major strengths?
- How do you create customer relations?
- What does the sales process look like?
- Biggest competitors in the Jönköping County?
- Future outlook?
- Future specialization, expansion etc.?

The Municipalities

- Future population growth
- Population trends
- Unemployment rate/ employment rate
- Number of Company Start-ups
- Major Construction projects
- Investments will
- General trade cycle
- Additional growth factors
- General Growth/Trend