WHICH IMPLEMENTATION TECHNIQUE SHOULD A TRANSPORT COMPANY INCORPORATE TO BEST SUCCEED WITH THEIR STRATEGIES AND OBJECTIVES

How can implementation affect the result of the strategies?

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Abstract

When the market, competitors or other environmental circumstances change, a business need to adjust to the new conditions. The business strategies give the company guidance and should give the needed direction to help prepare for future market conditions.

Extensive change in an organisation requires adjustments in not only attitudes but also behaviours of the employees and managers. Many companies are struggling to make this happen one reason for not succeeding is vague and unclear direction in the strategic plan. Applying strategic planning can help a business to align with the overall objectives and vision of the business. The challenge with setting a strategy for the future is having sufficient information about what you need to adapt to in the upcoming years.

The aim with this thesis is to find a Strategy process that helps produce a competitive Business Plan that supports the how to implement change. Therefore the research question of this thesis is “Is it necessary to break down the strategy in detailed activities to achieve set goals?”. Research about strategy implementation is limited and the link between implementation effectiveness and results is still not well understood. The approach of this study about strategy implementation is to addresses the gap of existing research.

Data for this study was collected from the literature review, internal company documents from databases, interviews, observations and the internet. All the collected data was gathered into a case study and the theories from the literature review was used for reaching a conclusion from the case. In order to fully understand the conditions and limitations of the business handled in the case study, the different steps of the current Strategy process are described, analysed and compared to those recommended by researchers and authors.

Research has shown that companies with a plan on a strategically level usually have advantage over those which do not. There are different definitions of what role a strategy should play in running a business but the common view is that it is necessary to understand its current position and the affecting environment.

The conducted case study describes one way of performing a strategy process. The process is in three steps and the first step is to set mission and Objectives, the second step is to formulate the strategy with actions and plans attached and the third step is to implement and perform follow up.

Observations and conducted interviews show that when the people are involved with setting objectives and appropriate approach the implementation goes smoother and with success. Understandable processes and clear activities often give an understanding and motivation to participate in strategy implementation.

Key words: Strategy process, Strategy, Change management, Implementation
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1. Introduction

This chapter will give the reader an understanding of the basis for the thesis topic. The headlines problem discussion, main topic, stakeholders and purpose will give a general introduction into the thesis.

1.1. Problem discussion

Companies make decisions every day and in most cases that decision results in an action of some sort. The result of the taken action is then related to how it has been executed. For an organisation it is important to understand the relation between outcome and implementation technique. Especially for a big organisation, like the one under studied for this thesis, where there are many levels of management and where a decision made on top management must be executed by management on another level. The business studied in this thesis has always worked with company level strategies och is used to setting goals however with an complex organisation it is difficult to break down the overhead goals down to the different departments and units. The business under investigation is about to roll out new strategies for the company and they want to know how the strategies can be successful in terms of reaching set objectives. This will be the key area of investigation for this thesis.

As Heracleous (2003) describes “it is necessary for the business to have coherence between the business level strategies and the functional level strategies to succeed”. Without understanding how different approaches gives different results you can never adapt the implementation to desired results.

All companies have a direction and often this direction is described in a mission statement in terms of strategies for the next 3-5 years. But it does not matter if the company have the perfect strategy nor plan if it is not implemented the right way. So the questing is “Is it necessary to break down a strategy in detailed activities to achieve set goals”?

This study will handle the topic of fulfilment of strategies. To be able to know how to be successful a business need to know about the existing conditions. The environment, whether it is external or internal conditions, sets the rules on which the business has to adjust to. Reaction is necessary to be able to handle unpredictable events, but by working proactively businesses can avoid getting into unknown territory.

1.2. Main topic

No matter what kind of change a business needs to adjust to, a big challenge is to know what needs to be done. Worley, Hitchin, & Ross (1995) describe which four steps to take in order to best assemble an appropriate Change Strategy. The four steps are Strategic analysis, Strategy making, Strategic plan design and Implementation of the plan.

There is a big challenge in creating strategies that will help lead the company in the right direction, create the right conditions for future needs as well as knowing how to build an organisation that is flexible enough to change quickly according to the challenges at hand. A good way to start is to
perform an environmental analysis (of both internal and external conditions) where a challenge lies in finding which component can affect the business and in what way (Worley, Hitchin, & Ross, 1995). The environmental study will not only help in creating the strategy but also in creating the strategic plan design, the third step in assembling a change strategy (Worley, Hitchin, & Ross, 1995).

The strategic plan design, or implementation, is not only about project plans and actions. The success of a business and the outcome of the Strategy are affected by existing leadership, structures, processes, and culture. Balogun (2001) discusses how extensive change requires a shift in the culture of the organisation and therefore the attitudes and behaviours of the employees and managers. The challenge is to know how to do this. Heracleous (2003) further describes some specific points and specific reasons to why it’s hard to reach set objectives and he argues that “a vague and unclear direction in the strategic plan” is such a reason. To know whether it is a communicated strategy, management or if it is a plan of action that has the most impact on the results, the whole strategy process must be evaluated.

1.3. Stakeholders

All managers that work with implementing strategies within an organisation will benefit from the discussions and results of this study although the focus of this thesis will be on service providers that are extremely responsive to market fluctuations and therefore are in need of a more flexible steering.

A strategy can help keep the focus on long term but it is the actions short term that can make a difference in how a company handles the prevailing circumstances.

1.4. Purpose of research

There are many studies within the strategy process and how to best fulfil objectives. This thesis is trying to fill the gap in knowledge about how detailed activities that are linked to set objectives can give successful results.

1.5. Summary

The aim of the study is to highlight the importance of breaking down the strategy of a business in to an action plan with different activities in order to reach set objectives. The research question is “Is it necessary to break down the strategy in detailed activities to achieve set goals?” The purpose with the investigation is to find the most effective way of obtaining set goals of a business. A case study is conducted, looking at the strategy process from 2005-2009 for one of the top three transport companies in Sweden.

By looking at the strategy process for one of the top three transport companies in Sweden (from now on called the Transport Company) through a case study it will make it possible to connect theory with reality. The investigated case will be used for getting a complete picture the whole process from setting the strategy, objectives and action plan.
2. Framework

This chapter will give the reader both logic and the framework of the thesis. The chapter begins with introducing the reader in the research question giving meaning to the thesis. Second the purpose of the research is explained. The third section gives the boundaries and frame for the study and in the last section the structure of the thesis is presented.

2.1. Research question

All things change either it is the own organisation with new employees or new management or if it is the conditions of the market with new market entries, market shares or even changes in the surroundings. Either the business wants to adapt to the new circumstances or they want to keep the existing course, however to avoid mixed messages to the organisation the course should be stated in the strategies of the business.

The challenge with setting a strategy for the future is having the right information about what the market wants and needs in the upcoming years. The strategy gives the company a direction towards something unknown and the input the business can get is from forecasts and trends. The only thing that is certain is that it is necessary to move forward and make the best assumptions possible.

According to Worley, Hitchin, & Ross (1995) change is typically characterized in terms of either the extremes of revolution or evolutionary. See Figure 2-1.

<table>
<thead>
<tr>
<th>Speed of change</th>
<th>Extent of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental</td>
<td>Evolution: Transformation change implemented gradually through interrelated initiatives; likely to be proactive change undertaken in anticipation of the need for future change</td>
</tr>
<tr>
<td>Big bang</td>
<td>Revolution: Transformational change that occurs via simultaneous initiatives on many fronts; more likely to be forced and reactive because of the changing competitive conditions that the organisation is facing</td>
</tr>
<tr>
<td></td>
<td>Adaptation: Change undertaken to realign the way in which the organisation operates, implemented in a series of steps</td>
</tr>
<tr>
<td></td>
<td>Reconstruction: Change undertaken to realign the way in which the organisation operates, with many initiatives implemented simultaneously; often forced and reactive because of a changing competitive context</td>
</tr>
</tbody>
</table>

Figure 2-1 Types of change [Source: Strategic change, Julia Balogun, 2001, p. 4]

Alvesson & Sveningsson (2008) further describes the revolutionary affects as being “several organisational dimensions changed simultaneously” which Alvesson & Sveningsson (2008) explain are “extensive changes that radically affect organisational culture, systems for control, organisation structure, reward systems and leadership”. Alvesson & Sveningsson (2008) continue to describe the revolutionary changes as strategic, such as the result of product development, mergers
or take over’s provoked by external forces such as technological developments, globalization and changes in competitive conditions.

Contrary to the revolutionary changes, Alvesson & Sveningsson (2008) describes evolutionary changes as to the more operational changes that affect only parts of the organisation. These changes would according to Alvesson & Sveningsson (2008) take place within the framework of current strategy and organisational culture and covers things such as design or distribution, recruitment of new staff or improvement of service quality.

Applying strategic planning, or a Change strategy, can be considered as steering business behaviour such that they are in alignment with the overall objectives and vision of the business (Lofstrom & Nevgi, 2007). The Change strategy is not only developed to decide what to change but also how and when to change specific elements (Burell & Kylén, 2003). Businesses often work with forecasts and market analyses to find signs and patterns for finding out the “when” and “what” but there is no easy way of telling the future so a lot of the times change is a reaction of key indicators or even bad margins. A business strategy can help a business increase their chances for success and the possibility of reaching their goals. A strategy will also help a business understand the current situation and how well they are doing in terms of the future objectives. With a strategy a business can also help channel their resources. The costs involved in change can be very high and by having a well thought-out strategy this can reduce human losses as well as other costs and sacrifices that may be required to succeed.

Managing a business is to balance a variety of needs and goals and this requires judgement. Searching for one objective basically means looking for a formula that will make judgement unnecessary. All that really can be done is to make judgement possible by narrowing the range and the available alternatives, basing the judgement in facts and reliable measurements of the effects and validity of actions and decisions. With the complex situation business are in this requires multiple objectives (Drucker, 2007). The question to which objectives are needed Drucker, P. (2007) says that “Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business”. Those areas are affected by every management decision and which therefore have to be considered in every management decision.

But is it enough just to have a direction to follow or is there a need for a clear course of action in order to also solve the question how? The research question of this thesis is “Is it necessary to break down a strategy in detailed activities to achieve set goals?” This question will be answered through an examination of the strategy process and the different steps, and that finally lead to strategy implementation.

2.2. Research purpose

The purpose with the investigation is to find the most effective way of obtaining set goals a business. This thesis will achieve that by finding the connection between targeted measures and the success a business have in reaching the strategies. If the strategies are met the business know what to expect of the future, if they are not met there is a risk that the company moves towards the opposite direction from the market and it would be very costly to correct.
2.3. Scope and De-limitations

The Strategy process includes several dimensions and should support the future of the entire business. This thesis will focus on highlighting the affect a carefully formulated implementation plan can have on the outcome. The study handles the affect of connecting areas like organisational structure and change management approach but the focus will be on the layout of the implementation technique.

The study will give a basic investigation of the what, how and when which could be used as a guideline. The thesis will account for some of the financial targets but it will not be the focus. For cost above the margin, there is little power to act due to current compensation models, so I will focus my reflections on the problems for cost on the levels that can be affected.

Since a case study of a big organisation will make the foundation of the investigation this thesis will focus on analysing the current strategy processes and the results of the Transport Company. Only the largest division (called the main Division from here on) of the Transport Company will be under investigation and the study is limited to the strategies from the Business Plan of 2009-2012.

Appropriate measures for big implementations will not be analysed in this thesis. The reader will be introduced to a brief explanation of challenges behind big changes as well as gaps in the current Strategy process.

How the budget is developed and used together with other control tools is an example of the importance of the control mix and philosophy. There are different ways of designing a budget process when it comes to metrics, like which changes are possible after the budget is drawn up, who is in control over the decisions and what responsibilities does the budget involve (Nilsson, Olve, & Parment, 2011). This means that the budget process could affect the strategy implementation. In this study the correlation between budget, development and implementation success is not regarded.

2.4. Structure

The study started by first identifying and developing the topic at hand. After getting a feeling of the topic and the experts view of the subject it’s time to collect the internal thoughts, experience and knowledge using reference persons, internal systems and data warehouses. The prime purpose of collecting data is to provide information about the topic at hand.

In addition to the existing internal knowledge, additional information will be collected. This includes reading articles, reading lecture notes and textbooks, then further searching on the internet.

2.4.1. Mapping of the problem area

When an analytical problem is to be solved, it is important to first have a good general idea of the problem area to be able to study the topic in detail.

To be able to get an early grip of the company’s operations and organisational structure this data collection begins with a number of visits to the existing facilities to create a complete understanding of the company.
Work flow can further be classified into three levels, from central level to department staff level and finally the operational level. The collection of information begins at the headquarters, where information on policies and key structures are to be sought.

Directly thereafter, data is collected on department staff level whose responsibility is to support the operational level.

When the full picture is in place it’s easier to connect reality with theory. The collection of data along with literature review provides a good base for the next stage which is the mapping of the current situation.

**Current situation**

In this step the current situation is mapped, which results in a description of the current state. Together with the theory being presented in the theoretical framework this leads to an analysis of the Transport Company’s way of working with the strategy process and current Business Plan.

**In-depth analysis**

The analysis concludes with a summary in how effective the strategies have been in the past and what has affected the results. To do this the business plan will be analysed and compared with the results of the set objectives. Using theoretical references the results will be analysed and evaluated.

Reasons for not achieving objectives, or fulfilment of set vision, will be highlighted if possible. If there might be other ways of handling the strategy process or if the implementation could have been performed differently, this will be lifted.

In this step there might be findings that need further analyses like the organisational structure or the Change Management approach.

**Common thread**

When it comes to keeping a common thread through a paper I will apply the thoughts of Burell & Kylén (2003) to my case study. The method can be described in 7 steps:

- **Assignment**
  - Step 1: Background – Clarify the focus of the assignment
  - Step 2: Orientation – To steer the direction of the assignment
- **Rough work**
  - Step 3: Detailed plan – To keep on track
  - Step 4: Collection – To reflect on reality
  - Step 5: Summarizing – To get an overview
- **Results**
  - Step 6: Analysis – To interpret and to understand
  - Step 7: Conclusion – To reach a decision
3. **Method**

This chapter is divided into six parts. First the reader will get an insight in how the data was collected, analysed and which methods were used to extract the data. Then the reader will be introduced in how the literature review was conducted and the effect selected measures have on the research. Then the chapter goes into detail about the approach and level of analysis. Finally there is a discussion about validity and reliability of selected methods.

3.1. **Data collection**

There are a lot of ways of finding information. The situation and type of information decides which format is the most appropriate. The different formats can, according to Burell & Kylén (2003), be divided into persons, documents, databases, locations and situations.

Data for this study was collected from the literature review, internal company documents from databases, interviews, observations and the internet. All the collected data was gathered into a case study and the theories from the literature review was used for reaching a conclusion from the case.

The data was handled differently depending if it was primary or secondary data. The secondary data required more extensive analyses.

3.1.1. **Analysing documents and data**

To best perform analyses, abstracts and indexes were scanned to find records to applicable articles or literature that handle the subject. Next part was to use the internet and search engines to locate information. Where there was internal company documentation this was used for the core data. The material and sources was thoroughly evaluated to ensure the quality.

When using information from databases views of Burell & Kylén (2003) was regarded in order to make sure to realize that the existent database has other purpose than those for this thesis. The reliability will therefore be judged from the content, purpose, and the source behind it.

3.1.2. **Interviews**

Burell & Kylén (2003) describes a meeting as a form of investigation. It is a good way of getting the adequate information quick. The possibility to gather the people that have the information you need and to be able to find the information you want in a short time is very helpful as a complement to raw data. The processes that are under investigated are documented and it is possible to follow up the financial results within a business plan period but there are answers that cannot be found by looking at documents. Extracting the knowledge and experience that cannot be pulled out from data or documents will be done through interviews with people working on top management level in the Transport Company.

The method of interviews can be conducted as short and structured or long, flexible and open. With interviews it is possible to get facts but also relations, thoughts or feelings. Receiving feelings or
thoughts is almost impossible to receive in any other method than through interviews, though it is easier to retrieve facts (Burell & Kylén, 2003).

Burell & Kylén (2003) describes the open interview more like a dialogue that is conducted based on a number of questions. The agenda is based on the questions and helps the interviewer to cover all questions. This is the technique used for the interviews conducted for this thesis mainly because the conversation can be adapted to the person being interviewed and based on the situation. This way informal information can be discovered that sometimes are overlooked in a more structured interview. This way of performing the interviews will require more focus and more sensitivity towards the interviewee.

By conducting interviews in person with relevant persons in the organisation it was able to retrieve qualitative data. The interviews were held with persons responsible for setting the strategy process and for follow-up. The information gathered from the interviews was compiled in a prepared template produced specifically for the interviews.

3.1.3. Observations

The easiest way of finding information is to make observations. Watching different situations and processes with your own eyes are the most natural method. For this study it was possible to watch processes and environments like routines, materials and take part in follow-up meetings. The observations were conducted by both participation in situations and observations from a distance.

3.2. Literature review

The relevant work of others where summarized in order to get the full picture of the subject. There is a lot of literature on the subject of Strategy and to be able to find relevant information a plan was formulated for how to conduct the literature search.

The extensive literature study was performed not only to get an understanding of the existing research done in the topic but also to strengthen own arguments and conclusions in the subject. To be able to put together a broad knowledge and solid base on the subject, written articles and literature were used for the research. Libraries and the internet were the key sources used in order to be able to accomplish the research.

The sources were categorized as primary, secondary and tertiary to simplify the quality assurance. Sources that set the foundation within a subject are referred to as a primary source. Literature and articles that base their research on primary sources are secondary sources. Further the tertiary sources are literature and articles based on secondary sources.

Planning is vital not only to know where to look for information but also to be able to know what information to retrieve. Therefore a list was constructed, containing suitable experts active in the appropriate field.

The first task was to locate and read the abstracts of interesting papers, articles and literature which were then categorized. This way, after analysing the sources, it was possible to retrieve the correct sources and information for the analyses as work progressed.
The accumulated knowledge and context is further composed in chapter four, Theory.

3.3. Selected measures

Looking at literature from Burell & Kulén (2003) about change strategies you can read about how they are developed to decide what to change, how to change and when to change. With the research question handled in this thesis which is about the measures and activities tied to business plans and objectives of businesses it was appropriate to focus on questions that handles how and when to change.

The approach for the conducted research is through a case study, which will help understand the difficulties involved in a strategy process and the complexity a business has to face in order to reach set objectives.

An interpretive view was chosen for conducting this thesis and when analysing the case, this because the author got involved in the subject during research and could not be separated from it. Other signs of interpretive research approach are the small samples used and the comprehensively research with a focus on qualitative conclusions.

The philosophy of interpretive research focuses upon the details of a situation and believes that there is a reality behind the scenes and all this is part of what constitutes acceptable knowledge (Saunders, Lewis & Thornhill, 2009).

3.4. Nature of approach

It is important to have a developed approach since it will then be possible to make the right choice when performing a research. By having an understanding of the different strategies for an approach it will be easier to adopt the right strategy for a specific situation (Easterby-Smith, Thorpe & Jackson, 2008).

Focusing the research on a qualitative case study dealing with questions like how and when, the approach for this research is mainly classified as predictive and descriptive. The study is trying to capture the relations between descriptive variables and the predicted variables from past circumstances, and using it to analyse future results.

The starting point is that there is a truth to the case which, through both qualitative and quantitative research in different ways, the study is trying to measure to get information about the reality. Using results from the past and trying to apply the reasons for the outcome to predict future results also makes this a predictive approach.

3.5. Unit and level of analysis

The unit of analysis is an isolated process within an organisation. The organisation act on a domestic market within the transport industry and the process is explored through a case study.

By making a case study, looking at the strategy process from 2009 of one of the top three transport companies in Sweden, the whole process from setting the strategy, objectives and implementation
plan to having the finished results in place makes it possible to connect theory with practice. One benefit with a case study is that it is possible to research and make conclusions based on a real specific situation. Another benefit is that it is possible to test theories on an in-real-life process which can give instant feedback to what is feasible or not to do in a similar situation.

One big disadvantage with using a case is that there is a risk of making generalisations and not forget that findings are based on only one specific case.

The organisation under investigation in this study plays mainly on microeconomic arrangement which narrows the considerations in this study to a limited market. But it is important to realise that when creating a business plan you need to understand the microeconomic reasoning on the market the business acts upon, but also how your business is affected by the macroeconomic structures of aggregated totals in demand.

3.6. Validity and reliability

The objectives of the study should always be at mind at all stages of the study whether it is collecting and analysing data, structuring the thesis or making conclusions.

3.6.1. Selection

In a big organisation, the focus should be on the main flow and in this case this is the main Division. It is the backbone of the company and therefore most applicable for this thesis to investigate. To ensure that the selection made will cover the need of the investigation the selection is discussed with a couple of referees before making a decision.

Important is to have a definition about what is included in the study and what is to be analysed (population). Further there needs to be boundaries, or frameworks, for how to proceed to retrieve the answers for the study.

Working on a project like this, there is always a risk that various errors affect the result. Despite the selection there is still a risk for choosing a frame that is to narrow or too wide. The problem is defined as coverage and according to Dahmström (2000) this could be above or below what is required.

Errors like these most often arise during the collection of data and it is the delimitation of useful data that creates a risk for the under and over coverage phenomenon, see Fel! Hittar inte referenskälla.. The figure shows both data that shouldn’t be included in the study but have been added, as well as data that should have been included but for some reason has not.

![Over coverage and Under coverage](image)

Figure 3-1 Data Coverage [Source: Dahmström, K. (2011), p.71]
3.6.2. Reliability

Burell & Kylén (2003) writes about the reliability of sources and that “sources with their own experiences of routines and problems are able to give more concrete information than those sources that have heard about or seen a problem”. This doesn’t mean that sources with second hand information can’t give valuable interpretations but the interviewer should always look out for information that is too vague or abstract.

The advantage of using a case study is that the study will have data from real situations to consider. When combining this with theory from scholars it is likely to have clear and complete information.

3.6.3. Relevant sources

Burell & Kylén (2003) describes the importance of mixing information from different stakeholders with different knowledge to get the best outcome. The best way is to use a statistical method, for instance stratified sample which means that information have been supplied evenly from every group. For this study information from different levels of the company has been collected in order to assure the best outcome.

The main reason for failure according to Dahmström (2000) is the human factor, particularly when collecting information and data is done through interviews. The outcome from the interviews needs some kind of interpretation and that means a risk for error. Both the interviewer and the interviewee can make some kind of interpretation of the situation. The interviewer interprets the output of the interviewee and the interviewee might insert their own appraisal of the subject due to the mistakes or due to the sensitivity of the subject which makes it hard to answer truthfully. This is seen as an imminent danger, given the sensible subject covered in this thesis. However the methods for collecting information was not only through interviews and by having several ways of gathering data this problem should be limited.

Thus with this risk in mind it is important for the interviewer to be well familiar with the subject to limit possible misunderstandings. To limit the risk for error based on interviews, reference persons will read the material of this thesis for verification. The interviewees are assumed to give honest answers.

There is also a risk that the data retrieved from the different systems is incorrect. Wrong or invalidated data could have been recorded. The data was critically reviewed and the material and deviant figures investigated. The results have been reviewed by top management of the Transport Company.
4. Theory

This chapter will provide a general overview of the key concepts based on the literature review. The chapter begins with describing why a strategy is necessary for a company. It then provides different definitions of a strategy and how a strategy process could look like. Next it exploits different ways of implementing a strategy and the possible problems with strategy implementation. The chapter ends by presenting the gap in existing theories.

4.1. Why the need of a strategy

Early research has shown that an organisation's strategy is crucial for performance (Heracleous, 2003). Credible research has shown that companies which plan on a strategically level usually perform better than those which do not (Heracleous, 2003). Drucker (1954) who was one of the predecessors argued for an active approach to management which entailed that planning and actions intended to shape a firm's environment as opposed to simply reacting passively to it.

A strategy should give a convincing answer to why the organisation would benefit from following the planned direction and why the organisation will be better off than its competitors (Nilsson, Olve, & Parment, 2011).

4.2. What is a strategy

Management uses a business strategy to roughly explain how they think they can achieve the objectives set out for the future practically (Hamberg, 2001). Chandler (1962) sees a strategy more like a purpose of the long-term objectives of an organisation. Further Chandler (1962) believes strategy gives an acceptance in the organisation of the course for action and the allocation of necessary resources for carrying out the objectives. Furustig and Sjöstedt (2000) definition is a mix of the two. They think strategy can be seen as the art of selecting course of action to achieve a system's overall objectives with the resources available.

Nilsson, Olve, and Parment (2011) develops the definition further. In addition to their view that strategy is a means of achieving long term goals they also refers strategy to a pattern of actions applied intentionally and constantly over time. Thus patterns occasionally grow without conscious decisions. These kind of patterns requires attention on a more operational level and the organisation need to be able to take care of these deviations. It is important to realise that there are several levels to take in consideration. Not all changes within an organisation is because of a strategical decision but to improve the daily operations. The relationships between the strategy formulation, Management control and Task control can be viewed in Fel! Hittar inte referenskälla.

Armstrongs (1986) definition of a strategy summarizes it; a strategy is a plan of action designed to achieve a vision, i.e. a combination of the objectives for which the firm is striving and the policies by which it is seeking to get there. Strategy is planning an organisation's direction, and making decisions on allocating its resources to pursue set strategies.
But a related explanatory view of strategy has also become known and in this view, strategy is something created from individuals and groups in the organisation (Heracleous, 2003). This would mean that a strategy is not a plan constructed only by top management but people from all parts of the organisation.

There are those who believe a strategy is not a number of isolated actions. Hamberg (2001) consider the strategic plan as the general planning device in the organisation which will make it affect all major decisions within the company. For example the decision of which investments to take and which ones it will maintain or get rid of will be influenced by the strategy plan.

In the level of control is somewhat simplified but it is rarely that basic. In large complex organisations, like groups that are then divided into divisions, there is not normally one singel business strategy which applies to the whole organisation (Nilsson, Olve, & Parment, 2011). For organisations with several business units the strategies must sometimes be broken down to better fit the different operations. An example of how strategies can be broken down in organisational hierarchy is shown in Figure 4-2. Here the strategies are divided into group level strategies (applies to the whole company), business level strategies (only applicable for a specific unit within a company) and functional level strategies (a unique strategy for a function within a unit).
When breaking down strategies downwards the hierarchy Porter (1996) points out the need to have close correlates between Business-level strategies and the various functional level strategies. It is not enough to just link the different levels of strategy but also have detailed functional designs (Porter, 1996). In an example, Hamberg (2001) describes that if management has identified a strategy based on product differentiation then new investments might aim at introducing new products that meet customer requirements better, or to introduce variations on existing products that expand the product line.

4.3. Which methods should be used to develop a strategy

There have been times in history when companies believed that a single approach worked for all businesses. It was the Harvard approach of using case studies combined with industry notes that proved to the businesses that strategy had to be determined on a case-by-case basis. The cases showed that the formulation of a strategy depend on both the specific internal conditions of each company and its specific external environment.

In order to determine the direction or strategy of the organisation, it is necessary to understand its current position and the possible channels through which it can pursue a particular course of action. Generally, strategic planning deals with at least one of three key questions (Armstrong, 1986).

1. What do we do?
2. For whom do we do it?
3. How do we improve?

In many organisations, this is most commonly viewed as a process for determining where an organisation is going over the 3 to 5 years. A strategy is sometimes called a roadmap of the chosen path. Organisations sometimes summarize goals and objectives into a mission statement and/or a vision statement. Others begin with a vision and mission and use them to formulate goals and objectives (Armstrong, 1986).

Armstrong (1986) is not the only one who believes the environment has a big impact for which direction should take. In the late 60th century, a prominent consultant measured the affect management had on the strategies and the how much impact the outside world had. The outside environment affected the content of the strategies by 20 percent and the opinions of the management by 80 percent (Brown, 1979). Today these numbers are reversed (Heath, 1997). Again this proves that it is important to base strategies on the external and internal environment. This opinion is second by Hunger and Wheelen (1993). Strategy formulation should be based on objectives derived from mission as well as organisational self-assessment and it should be positioned through situation analysis. Mission statements are implemented carefully by formulated goals, the creation of strategies and the use of programs to achieve the strategies (Hunger and Wheelen, 1993).

The belief of Worley, Hitchin, & Ross (1995) formulates the thoughts of Hunger and Wheelen (1993) in a strategy process. They divide the strategy process into four steps in order to best assemble an appropriate Strategy. The four steps are Strategic analysis, Strategy making, Strategic plan design and Implementation of the plan.

Chandler (1962) deviated from the thoughts of Worley, Hitchin, & Ross. He kept strategy formulation apart from strategy implementation, something that has been questioned by strategy researchers.
Even industrial organisation economists like Michael Porter disagreed and who asserted that “there is no meaningful distinction between strategy and implementation, because strategy involves fine-grained choices about how to configure particular activities and the overall value chain” (Porter, 1999).

Nilsson, Olve and Parment (2011) added another dimension into the strategy process. They believed in a control system that would help realize the strategy. Nilsson, Olve and Parment (2011) saw a clear relation between strategy, control and action that is visualized in Figure 4-3.

Many researchers within strategy management mention the role of management control. Heath (1997) believed that mission statements should translate into objectives by which results of the organisation’s activities are evaluated. When it allows for observed measures of how well the mission and vision are accomplished the mission statement is the most helpful (Heath, 1997).

4.4. What are the problems with following a strategy

Even though there is a clear plan for the future it is important to have flexibility. Market flexibility refers to the speed with which a process can adapt to fluctuations and changes in society, the economy or production. Flexibility has been especially thoroughly studied for manufacturing systems (Browne, 1984). The organisation must be aware of various outcomes and careful not to develop an inflexibility which might lead it to invest everything in a future which may not turn out as expected (Nilsson, Olve, & Parment, 2011). Thus, as mentioned, adjustments and tactical shifts used by an organisation is necessary to meet the changing needs and desires of the stakeholders as well as changes in the organisation’s mission and vision (Heath, 1997).

When it comes to strategy implementation it is thus important to be aware of the affecting conditions. Heath (1997) believes that a strategic plan has little meaning and no chance of success until tactics have been selected and budgeted. He argues that the strategic business plan comes to life through allocation of resources to benefit the organisation and its stakeholders by using revenues wisely (Heath, 1997). If the authority gap is one of the bigger strains in its environment then each organisation needs an operations plan for its group level strategy that calls for an allocation of resources to be able to decrease that gap (Heath, 1997).
Fully committing to a strategy is hard, it is much easier to think of where the organisation should be headed than effectively to lead it in that direction. It is also easier to make a single mistake in implementation and fail than it is to get most of the things right and succeed (Heracleous, 2003). This is why companies often fail to fully implement a strategy if they are not totally committed and prepared.

4.5. How to implement a strategy in an organisation

The main goal for any business is to earn a return above its cost of capital. The intention has to be communicated throughout the organisation so that its employees know what they are expected to achieve and how management has planned to reach those expectations. The company’s strategic planning process is supposed to specify ways of achieving returns above their cost of capital (Hax & Majluf, 1984). Simplifying it you could say that a strategic plan is nothing but a communication device. Its main purpose is to get the organisation to pull uniformly in the direction management has identified (Hamberg, 2001). This is the definition of change management. According to Filicetti (2007-2012) change Management is a structured approach to achieve change in individuals, teams, organisations and communities. Change Management is supposed to help enable an alteration from an existing state to a more desired future state. This is also in correlation to what strategy implementation is striving for. A key is to have a well formulated objective.

Hamberg (2001) declares that a useful corporate objective needs to fulfil five criteria; it shall be specific, measurable, achievable, reasonable as well as timely.

What is then the role of management in an organisation that uses planning and monitoring to best use the resources? There are those who suggests that strategy should go before control. Once strategy is chosen it will then be possible to implement the strategical decisions effectively, but this form of plan-driven implementation has been criticized. Critics say that it can be dangerous to follow a plan without taking the time to follow the market and the changes of conditions around (Nilsson, Olve, & Parment, 2011). The design and use of management control system should always be grounded in an idea of how an organisation wants to prepare for its future. When we argue in favour if strategies, it is not the same as saying that an organisation should draw up a plan and follow it at any price (Nilsson, Olve, & Parment, 2011).

4.6. What does it take to implement a strategy

Regardless of whether the control of implementation is performed with objectives or through persistence the tasks and performance must be described in detail so that managers and employees focus on the right things. This requires accordingly to Nilsson, Olve, & Parment (2011):

- That the description is based on a strategic analysis of both what the organisation wants to achieve and how the specific unit can contribute.
- That communication works: for example that the metrics are accurate and accepted as being reasonable, possible to influence and achieve, and not just a result of external events. They should also provide a good basis for discussions about which action to be taken.
- That there are reasons to get involved, which requires a feeling of being able to influence
Models of management control are constantly modified to fit the market. There are mainly two categories according to Nilsson, Olve, & Parment (2011):

- Models which are founded on a traditional, monetary and accounting-based system of management control but supplemented with other financial metrics, often based on reasoning around market value and share prices. These measures focus on a financial analysis of present and future conditions, using economic theory, rather than historical accounting numbers.
- Models of a management control system which is more untraditional. They are often close to the business and strategically oriented, where the measurements are generally non-financial. Such standards are often already used by those responsible for marketing, personnel, production and quality with the result that the management control system is closely linked to other type of control, like balanced score cards.

If Management control is successful it should act as a link between the strategies of the organisations and the actions of the employees (Nilsson, Olve, & Parment, 2011). There are several managing systems like information, measurement and planning and reward systems that are strategically relevant. Measurement can drive behaviour and therefore affect strategy implementation directly (Aaker, 2011). Management control gives guidelines to both management and employees and it helps them to reach a common understanding of where the business is headed. Cost calculations, financial limits and IT-tools are affecting ideas and behaviour both directly and indirectly. The affect management has on the organisation is also directly affecting the ideas and behaviour of the system (Nilsson, Olve, & Parment, 2011). It is easier to succeed with implementation if middle managers feel like they have contributed to the strategy’s progress as well if the employees feel that their concerns have been heard during the development of the strategies (Heracleous, 2003).

Constant observations on key actions can determine whether the tactics are going according to plan and thus following the strategy (Heath, 1997). When controllers are involved in management control they often make recommendations regarding the design of the system and often use simple, intuitive statements like (Nilsson, Olve, & Parment, 2011):

- All that is measured, reported and documented can be controlled
- People must see the relationship between metrics and the possibilities to influence
- Reward system is habit-forming

4.7. What is the gap in theory for what level of detail is necessary when implementing

In recent years there has been a higher focus on the correlation between strategy formulation and organisational outcomes. Pryor, Anderson, Toombs and Humphreys (2007) have stated that ineffective implementation can cripple the firm. But still there is lacking attention to the process of implementation (Noble, 1999). Despite this there is extensive concurrence among researchers that strategy implementation is important in order to enhancing an organisations performance (Aaker, 1996; Bonoma, 1984).

Thus researchers and managers agree on the relevance of effective strategy implementation to increase performance, research related to this topic is still limited and the importance of strategy implementation effectiveness is still not given the attention it deserves. Heath (1997) believes this is mainly because research has ignored to focus on strategy implementation as a key organisational potential. This might be true, but one thing is certain, research point to strategy implementation as
one of the key factors for succeeding with strategies. Bigler (2001) even says that strategy execution will emerge as one of the critical sources of sustainable advantage in the twenty-first century.

Consequently, there has been research that begun to investigate effective strategy implementation efforts empirically (Ailawadi & Neslin, 2001) although this research is still limited and the importance of strategy implementation effectiveness is still not well understood (Chimhanzi & Morgan, 2005; Hutzscheneuer & Kleindienst, 2006). The conclusion is that although investments in strategy implementation efforts have been executed there is not many of the initiatives that meet expectations (Bigler, 2001).

There are mainly two factors for limited understanding on effective strategy implementation. First of all research has not looked at strategy implementation as an organisational capability like Hearth (1997) describes. This despite it has already been theorized that a firm's strategy implementation capabilities may play an important role in understanding the link between effective strategy implementation and performance. Egelhoff (1993) observed, almost 20 years ago, that more companies need to shift from relying on superior strategy to developing superior strategy implementation capabilities, and now Pryor, Anderson and Tooms (2007) in recent times called for a comprehensive study with a focus to find that strategic implementation might emerge as a core competence. Another reason for the limited research on implementation-related areas is the lack of a valid measure of a firm's strategy implementation capacity.

When looking at measuring the effectiveness of strategy implementation it is important not to forget all affecting parameters. Past studies on strategy implementation often miss to take account of related issues as organisational culture and their adapting capabilities. Schwandt (1997) argues that it is when we neglect the learning aspects of the social system that we begin to fail at the implementation of strategic plans. The results of strategy implementation refer to process outcomes that are internal and external to the organisation (Nutt, 1998).

Implementation orientation is the set of organisational values that influence the firm's ability to adopt and perform according to a strategy. Implementation orientation affects the power of strategy implementation (Heath, 1997).

Another dimension to strategy implementation is implementation planning. It is the planning that creates the conditions to reach strategy objectives through implementation processes and tasks (Vorhies & Morgan, 2005). Research on how to these implementation plans should be detailed and designed to best achieve strategy goals is also limited and will be included in this study.
5. Case study analysis

The purpose of this chapter is to, through a case study, present the strategy process of a business within the transport industry. While writing this thesis the organisation is about to complete a business plan period and is therefore suitable for evaluation. This chapter is divided into two parts. The first part gives an introduction of the current situation and preconditions in terms of organisational structure, strategy process, business plan, environmental analyses and how the organisation works with change. The second part gives insight in the implemented actions during the business plan period.

5.1. Current situation

The current situation will help the reader to understand the background conditions of the Transport Company and give an insight to the reasons to why the strategy process is constructed as is.

5.1.1. Organisation

The Northern Business Region includes the countries Sweden, Denmark, Norway, UK and Ireland. The organisation in Sweden, which is the country reviewed in this thesis, offers land transport by road, rail, international, ocean and air freight as well as Consulting services and Storage & logistics. The production is conducted in 25 terminals and with the support of 30 local offices. The head quarter for the Swedish organisation is placed in Gothenburg.


- 14.7 billion SEK in turnover (18.9 billion EUR globally)
- 4 000 employees (91 000 globalt)
- 4 000 units
- 6 000 employees in 300 partner carriers
- 42 000 contracted customers
- 17.4 million goods- and parcel shipments each year
- 83 600 air and ocean shipments each year

The organisation in Sweden consists of four main supporting units (Finance, IT, Marketing, Human resources) and three divisions. (See Appendix A)

For the case study the focus will be on the biggest division, the main Division. For the main Division there are five stab functions or sub units (Stab production, Stab Product and sales, Stab Traffic, Human resources, main Division, Controlling) that are supporting the main area. In the organisational chart this is visualized through the vertical boxes (See Appendix B). The main Division is responsible for about 90.000 shipments each day.

5.1.2. Strategy process

The current business plan is valid for the period 2009-2012. The strategically work process is divided into three main steps (see Figure 5-1). The first step is to set mission and Objectives, the second step
is to formulate the strategy with actions and plans attached. The third step is to implement and perform follow up.

The overall mission and objectives on group level are set by the senior-management of the Northern Business Region. Senior-management is also responsible for finding the appropriate Key performance indicators (KPI’s) for follow up purposes.

Each Country and division is responsible for setting their own specific strategy for each focus area and is also responsible for connecting appropriate actions to each strategy.

The divisions are then responsible for setting goals for the predetermined KPI’s. Every four months the divisions are to report the strategic development for the period and the KPI’s applicable for that focus area. It is possible for additional KPI’s if the Division sees a need for individual KPI’s.

5.1.3. Environmental analyses

To be able to set a direction the Transport Company begins their mission and objective phase with gathering the adequate information about competition, market and future. Several analyses have been performed before and during the period of the current Business plan with the intent to get in and keep on track. The analyses handle customer demands, market share investigations and terminal layouts. The purpose has been to find an action for an objective connected to the business plan. Below are some examples of completed analyses.

Segment development

The Marketing department ordered in the year-end of 2010-2011 a market analysis with the purpose to investigate the company’s development of the product segments. The recovery from the financial crisis in 2008-2009 hadn’t been as successful for all segments as anticipated which lead to not fulfilling set objectives in the business plan (Gabrielson & Wedel, 2011-01-17).

The analysis was an environmental investigation, including mapping of competitors, mapping of current customers and patterns in internal statistics. The analysis was comprehensive and included deeper investigations in the development in population in the country, changes in trade, economic development, regional development, change in transportation, and the Company’s internal development among different segments in regard to above analyses (Gabrielson & Wedel, 2011-01-17).
The market analysis showed that during the crisis the market changed in an attempt to better follow the actions of the consumers. Even though the goods market was growing, the sizes of the shipments were decreasing which for the Transport Company meant a transition between different segments. The analysis also showed that the Transport Company has a small market share in the city regions and at the same time those were the areas in which the transports are increasing the most (Gabrielson & Wedel, 2011-01-17).

**Regional development**

There have been several analyses, on a more regional basis, investigating the market development on branch level. These analyses have been ordered with the reason to get an overview of the current customers and to find the market potential (Skoglund & Ranäng, 2009-01-15).

These kinds of analyses map the economic structure in the region with the aspect of population, common areas of trade and future ventures in the area (Skoglund & Ranäng, 2009-01-15).

The analyses often results in a compilation of the share of sales the Transport Company had to various industries, share of sales per customer category and a compilation of interesting primary industries in the area (Skoglund & Ranäng, 2009-01-15).

5.1.4. **Strategies**

In the Business Plan of 2009-2012 the Transport Company defines their business idea as follows: “We shall offer the best logistics and transportation services on the market and shall meet customer demands for quality, efficiency, simplicity and sustainability”, (Senior-Management, 2009).

The overall mission for the Transport Company in the Business Plan of 2009-2012 is “to be recognized for having the best quality and to increase EBIT” (Senior-Management, 2009).

The Transport Company has chosen to work with six focus areas in which they want to improve. These focus areas work as a basis for the Business plan and is the result from environmental analyses performed by internal resources. The focus areas for 2009-2012 and the reasons for choosing them are listed in **Fel! Hittar inte referenskälla.** below.

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>“Studies show that good quality creates value for the company to an even greater extent than the total growth. The Swedish transport market is lacking an actor that can assert itself as one with the “best quality”. Those who succeed in taking such a market position will both win new business and strengthen their brand.”</td>
</tr>
<tr>
<td>Leadership</td>
<td>“All are leaders, sometimes for them self and sometimes for others. We are a service company and the difference between us and our competitors will always be the people who work here, the human skills. Without us, the company is nothing.”</td>
</tr>
<tr>
<td>Growth</td>
<td>“Companies can’t get to comfortable or content, you can choose to retreat or you can move forward. We believe in constant growth to achieve this we develop our business and enhance our market share.”</td>
</tr>
</tbody>
</table>
Satisfied customers  “Satisfied customers do business more often and more extensively. Satisfied customers say positive things about their provider to others and satisfied customers do not leave their provider.”

Efficiency  “Efficiency is about getting as much as possible for each dollar spent. We aim to use as little resources as possible and still deliver as much value as possible to the customer.”

Sustainability  “Sustainable development is a condition for any enterprise and is key for our existence. Our contribution to a sustainable society is an ongoing effort to conserve global resources. The philosophy is similar to the efficiency, the only difference is that the company’s resources are one thing - and the world’s resources are another. But we do not work with sustainability issues just to be kind. It has been proven that there is a clear link between making money and how successful they are in their environmental efforts.”

<table>
<thead>
<tr>
<th>Table 5-1 Business Plan 2009-2012 [Source: Transport-company (2012)]</th>
</tr>
</thead>
</table>
| The strategies, objectives and activities for the main Division in the Business plan of 2009-2012 are a continuation of an earlier plan. The decision was to prolong the existing Business Plan (2005-2009) when the crisis hit Sweden in 2008. This was an attempt to stay focused on limiting the affect the crisis had on the Transport Company instead of setting new objectives to an uncertain market. The finished strategies are detailed below per focus area beginning each strategy on group level objectives and finishing with unit level contributions:

**Strategy for quality**

All units shall in the coming years, focus on strengthening competitiveness through investment in quality. (Senior-Management, 2009)

- We will continue to improve the tools used for supporting the business, for example handheld computers and information systems
- We will continue to simplify our operating procedures and processes
- We will above all continue to build a strong culture of quality by working with the program “Rätt från början” (translated to “Right from the start”).

The improvement in quality should come naturally for all. Only then can we win a strong reputation in the market and be associated with the concept. (Senior-Management, 2009)

The main Division will contribute with (Senior-Management, 2009):

- Quality should be an obvious incentive for all employees
- Frequency and cost of goods damage and deficits, reduced
- Each employee and carrier will practise “Rätt från början”

**Strategy for maintaining strong Leadership**

The Company must contain of motivated and healthy employees. Our relationships should be open, honest and kind. We know that the key to our success is just that - and it can only be achieved if management at all levels has this philosophy. (Senior-Management, 2009)
The main Division will contribute with:

- Prioritize basic leadership skills for all in a leading position
- Raise awareness about how Management is acting as role models for other managers and employees.
- Support Perform follow up of the development of Management - and the composition of - their management teams.
- Prioritize performance appraisals and the usage of these evaluations as a tool in the development of leaders in all levels, and decommissioning / relocation if unsuccessful results.
- Prioritize that NMI are reviewed and that action plans are developed.
- Leadership development is to be a priority for the groups that need it the most.

Also, always provide a professional recruitment process and always seek to have female applicants wherever possible. We will always try to achieve a satisfactory proportion of women. (Senior-Management, 2009)

**Strategy for growth**

Sweden focuses on gaining market share in all market segments in which the Transport Company compete, and market position in major cities must continue to be strengthen. (Senior-Management, 2009)

A tender submitted to a customer must show the best there is to offer. It means involving a lot of people that are able to create solutions that gets the Transport Company where it is necessary to be. The Transport Company must be sharper when it comes to offering integrated solutions based on combining different products. (Senior-Management, 2009)

The main Division will contribute with:

- Make the marketing organisation more efficient by having the industry's best sales force and sales management (recruitment and organisational development).
- Simplify the sales process for the "standard" solutions and be more proactive and increase the expertise when it comes to larger, more complex transactions (sales organisation for the Division and KAM-organisation).
- Through integration, organisational efficiency and improved processes reach a very competitive cost level.
- Ongoing adjust production and the capacity of the Carriers based on need
- Have the highest quality in the industry.

**Strategy for satisfied customers**

We want our customers to describe us who work at the company as "Responsible, knowledgeable, positive and easy to deal with". All our work is essentially based on trust and is built up in several different relationships with client representatives. It applies to all of us who are in contract with the customer, i.e. driver, sales men, booking or Customer Service; we all have joint responsibility of the customer relationship. (Senior-Management, 2009)
We continuously measure how satisfied customers are with us and if they would be willing to recommend us to others. All units of Sweden should strive to continuously improve the results of those evaluations. (Senior-Management, 2009)

The main Division will contribute with:

- We will maintain a high quality in deliveries and the industry's best quality of e-services.
- The customer must feel that her expectations are met by billing the right prices and keeping a high quality in invoices.
- We must have the best customer service in terms of response time and quality of the answers we give to our customers.
- The customer should feel that we are a supplier that is easy to do business with and also easy to get in touch with locally for those functions where this is important for the customer.
- Our drivers must further strengthen their already high level of service through
  - Education,
  - Effective processes and tools, and
  - Good cooperation between Carriers and Transport Company.

**Strategy for efficiency**

Efficiency is about the ability to create the most value for their clients without consuming unnecessary resources. It is about minimizing waste of premises, vehicles, working time, and maximizes the potential for economy of scale benefits that we as a market leader have. By making more money than our competitors, we can invest more in the future. Therefore, we measure our effectiveness in profit margin.

Correcting errors is time consuming, therefore, our project "Rätt från början" gives great potential to improve efficiency. (Senior-Management, 2009)

The main Division will contribute with:

The efficiency goals of the main Division are not to increase the costs per units for the terminals and offices from the levels of 2007 (Senior-Management, 2009).

The costs will be decreased by:

- Using the DRP as a tool to discover new opportunities
- Streamlining production flows and terminal layout
- Streamlining the processes with the help of the New Production Platform-projects (NPP)
- Integrate the products processes
- Gradually implement new support system created in the correlated IT project (as soon as they finish)
- Through efficiency in marketing and sales and with high quality obtain higher volumes, which in turn provides economies of scale
- Through the establishment of PU Domestic, we are now able to actively provide domestic routes and distribution arrangements and in collaboration with the carriers streamline and tune the structure towards a higher utilization
• Through "New International Business logic" establish an entirely new approach that makes it easy for the district and sellers to control the pricing and thus reduce the internal resource consumption to a minimum
• Increase the percentage of EDI and Internet use throughout the business

The main division acknowledges that they need to work vigorously in the coming years to modernize the IT systems and standardize the work processes (Senior-Management, 2009).

Strategy for sustainability

Sustainable development for the Transport Company is about developing transport and logistics services that meet market needs in a way that does not jeopardize the possibility to meet the needs of future generations. Climate change is a huge issue where transport accounts for a large portion of CO2 emissions, and where we as a leading transport company must show the way. We have developed a program of seven points that indicate the areas we must improve within. By 2020, we must have halved CO2 emissions from a typical transport of the Transport Company. Within just five years, our main Division shall have managed to reduce CO2 emissions by 16%. (Senior-Management, 2009)

The main Division will contribute with:

Work on sustainability will be done with the help of the company’s seven-point program below and through careful marketing and production strategy. (Senior-Management, 2009)

• Driver behaviour – eco driving / right speed.
• Modernizing of the fleet.
• Better fuels
• Combining different types of transport modes
• Working for the usage of longer vehicles
• Increased utilization
• Smarter city distribution logistics

In addition the above steps also allow further development for the new mobile data project, which gives better possibilities for positioning and communications capabilities. Better mobile data functionality contributes to more efficient transport and better measurement of the consumption of emissions. (Senior-Management, 2009)

5.1.5. Working in a changing organisation

The Transport Company does not have an outspoken change management approach nor do they have a clear implementation strategy. However they are constantly changing the products and organisation.

In correlation with big organisational changes in the past, senior-management initiated a project to investigate and identify health and safety implications and possible health risks to affected employees. At the same time unit managers was to conduct similar risk assessments from the local perspective. The assessments concerned workplace conditions after an implementation of a revolutionary sort (Transport-Company, 2010b).
The risk assessments focused on, what management for the main Division, identified as the three main processes of change for that point in time (Transport-Company, 2010b):

1. New "model" organisation of the Districts activities
2. Integration of an external process into main production in the Districts
3. New organisation for the Customer Service function

Although a number of aspects of the assessments were process-specific, three important common denominators were identified as something the organisation required (Transport Company, 2010b):

1. Clear organisation - definition of interfaces, roles and profiles / business responsibility
2. Skills development - training linked to new "profiles" and changed / increased operational responsibility
3. Focused and present leadership - listening, support and ongoing monitoring

Implementing large scale changes requires skills that are not usually necessary in the everyday work in more stable conditions. Some expertise exists in various parts of the organisation, but some lessons were learnt during the process.

The main Division recognized that the knowledge from the change process needed to be documented so that it may be applied to all future changes, big and small. The routine included both requirements and recommendations from the organisation and is intended to meet the needs of the different phases in a change process.

5.2. Implemented actions

The major prioritized projects and programs for the period of the Business plan 2009-2012 can always be followed on the company’s internal internet portal. The initiatives are described and the progress is accounted for.

5.2.1. ‘Rätt från början’

To further support the objectives for the focus areas Quality, Customer Satisfaction, Efficiency and Growth, the main Division has implemented an extensive program called ‘Rätt från början’ (called ‘Right from the beginning’ from here on). The expected improvements with ‘Right from the beginning’ are to increase efficiency and quality of the services the company offers its customers (Transport-Company, 2011).

Performed investigations show that about 20 percent of working time is spent on correcting errors. The investigation resulted in the program with the purpose of having all employees’ change the way of viewing their own impact and influence. ‘Right from the beginning’ will lead to considerably quality improvements within the company. ‘Right from the beginning’ is the collective name for two projects and a working method (Transport-Company, 2011). These are described below.

100

Information about the company’s 100- program can be found on the company’s intranet and on the offices around Sweden. The aim of the 100-program, according to the information, is for each
terminal to take on the message and to establish routines with the support of follow-up boards. The 100-program is a working method with the ambition to find continuous improvement. The name 100 refers to 100 percent quality and is a variant of lean production (Transport-Company, 2011).

The objective with the program is that the basic principles should be accepted by the entire organisation within a five year period (i.e. 2012, as the project started in 2007).

The 100-program aims to gain time in the production and one factor for success is to let the teams maintain the time gained to do further value-adding work.

If successful, the 100-program will improve service and quality towards the customers and increase the participation of the employees in the process of improvement.

**Future Administrative system support**

The project aims to introduce a modern IT system, giving the transport company improved competitiveness by being more integrated and providing more rapid development of new products and offerings. It will also provide an opportunity to reduce production costs and increase customer value (Transport-Company, 2011).

Future Administrative System Support (FASS) main objective is to introduce a new system which replaces several of the systems that the Transport Company’s domestic operations use today.

The system support which will be developed within the FASS project is aligned with operational requirements and the changes taking place as a result of the introduction of the a New Production Platform (Transport-Company, 2011).

**New production platform**

New Production Platform (NPP) is the collective name for several projects, from the beginning about 40 (Transport-Company, 2011). The projects aim to improve and develop the production process.

The NPP purpose is to standardize all work on all terminals belonging to the main Division. The platform will create the opportunity to choose the production method that is best suited for each individual unit (Transport-Company, 2011).

The NPP is a series of projects with the objective to implement a number of improvements to be able to support the purpose of the program (Transport-Company, 2011).

**5.2.2. Verksamhetshandboken (Operations manual)**

A need for comprehensive and updated process information has been identified. Today there is varying quality of the documentation of routines and processes. With this identified problem it was decided to centrally implement an Operations manual that will be managed and updated regularly. Another problem was with the ownership of processes and updates. This will be solved with the new release of the Operations manual for all processes (Transport-Company, 2011).
6. Analysis

In this chapter the focus will be on the findings from the case study. The section is divided into strategy process where the mission and objectives, strategic formulation and implementation are investigated and analysed in terms of structure. The second part describes the accomplishments such as economic measurement and set strategies. The chapter ends with a discussion about possible cause for the level of accomplishments the Transport Company have achieved.

6.1. Strategy process

The present method of the Transport Company for creating a strategy has several similarities with that of Worley, Hitchin, & Ross (1995). The biggest difference though is that the focus areas set the direction even before the environmental analyses are performed. This goes against the thoughts of Hunger and Wheelen (1993) that thinks strategy formulation should be based on objectives derived from mission as well as organisational self-assessment and it should be positioned through situation analysis.

The environmental analysis is performed through an SWOT-analysis for the overall business objectives and is conducted by the divisions. This means that the analysis has a predefined direction of what the divisions and supportive units should find improvements within. This is much like the levels of strategies Nilsson, Olve & Parment described where group level are the strategies set by top management and the unit level strategies are set by the divisions.

The divisions are using benchmarking methods and independent studies to identify both internal and external opportunities continuously within the Business plan period. These conditions are then considered when taking decisions about which projects or changes to make in order to fulfil the mission.

The risk with this approach is that the organisation will not feel included in the future. Senior and middle Management has already decided what to focus on which do not make the individual to feel included.

6.1.1. Mission & Objectives

The current strategy process is the product of continuous development during the last decades. As for a lot of big companies the most important measurement is the financial objectives like the EBIT-marginal. This measurement, due to its importance, usually gets a lot of focus and so is the case for the Transport Company.

Instead of only looking into numbers it is more rewarding to see what really impacted the results. All change is not good change, but without taking erudition, it is easy to do the same mistakes again or worse, not take advantage of a thriving concept. If a thorough analysis is carried out, it is easier to derive the factors that created the conditions for success.

The focus areas are to be considered as a form of a vision for the company. These targets are long term and it is important for the company that these are possible to measure. It is like accordingly to
Nilsson, Olve, & Parment (2011) that argues that the tasks and performance must be described in detail so that managers and employees focus on the right things.

Although the description should be based on a strategic analysis that includes both what the organisation wants to achieve and how the specific unit can contribute, the organisation do not have an opportunity to contribute to the vision of the business.

6.1.2. Strategic formulation

The Transport Company has always worked with creating business strategies. Extensive work goes into the process of updating and creating new strategies that are modified to fit future needs.

For the business plan 2009-2012 there is not however any clear activities connected to the objectives nor are there any clear measures. The objectives are set on a high level. It is hard to understand how senior-Management is planning to pursue the objectives and how the organisation will be affected, at least in the business plan that is presented internally.

There are only a few concrete actions that could be measured but more often there are mentioning of programs that will contribute to the different objectives. This is total contrast to Hambergs (2001) statement that useful corporate objectives need to be specific, measurable, achievable, reasonable and timely.

6.1.3. Implementation & Follow Up

Although some executed projects in the period were inherited from strategies set in earlier Business plans, much has happened in the last couple of years. Many projects have been implemented in the organisation with various successes.

In general, those projects that have been thoroughly secured among the affected employees have been the most successful projects. My observations and conducted interviews show that when the people are involved with setting routines and choosing the appropriate approach the implementation goes smoother and with success. It is like Hamberg (2001) mentions, the main purpose is to get the organisation to pull uniformly in the direction management has identified. But there is no outspoken change management approach for strategy implementation and this is affecting the results.

The implementation is often not the biggest issue it is ensure the quality and following through completely that are the biggest problems. It is almost like the most important part of the strategy implementation process is to implement “something” not that it actually supports the mission of the company. There is no information to get from the formulation of the projects, information like the background of the project or purpose. There are no plans with activities and timeline to look at.

The same problem applies for the company’s follow-up process. The method is described on paper but there has been problems with actually performing the follow-up sessions according to plan.
6.2. Accomplishments

It’s a challenge to evaluate the different objectives set for each focus area. The main reason is there are no measurable objectives to consider except for the EBIT margin. An evaluation on objective level is described below and the evaluation is dived into financial results and for each Focus area. The input for this evaluation is taken from observations and interviews.

6.2.1. Financial results

The focus of the current strategy process has been to perform follow-up on a regular basis, i.e. once each quarter. The aim has not been to look at the progress of set objectives and related actions plan but to look at the financial targets.

The goals for EBIT margin that was set for 2010 and 2011 was only met by about 80% compared to budgeted targets.

For 2010 and 2011 the following results could be found (see Fel! Hittar inte referenskälla.):

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<td>Sales</td>
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<td>2010</td>
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<td>Against Budget</td>
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Table 6-1 Year 2012 Financial results

6.2.2. Quality

The organisation is aiming for high quality in processes, procedures and in the finished product. The main objectives for quality were to decrease the cost and frequency of damages and for the employees to continuously work and focus on quality. Measurements have proved that there have been reductions in both frequency and compensation in relation to total transport turnover. The damage frequency has been reduced with almost 10%.

The projects within ‘Right from the beginning’ have been or are in the process to be implemented and the organisation is familiar with the concept. In the organisation this is not a way of working it is more like a catch phrase and most likely this is because nobody understands how this should be accomplished. It is not clear that it is for example connected to the 100 program. There are no measurements and nobody has performed follow-up on the project.

The projects within the NPP-project are still under implementation but so far they support the objective to work to simplify operating procedures and processes. It also supports the objective to improve the tools for supporting the business and increasing quality.

The 100-program is implemented at the terminals but there is still some work to be done when it comes to really using the program as a part of the everyday routine. It requires total dedication from
the managers that are responsible for pursuing the program. Observations show that they are already cutting corners due to lack of time and interest from the employees.

6.2.3. Management

There has been extensive work done on education and support. The education will support the work on building a strong foundation for the future.

Substantial resources have been used for the development within the main Division. The operations managers have had extensive training at the district / PU. The courses are comprehensive, 15-21 days / training for each.

Additional to the efforts done there are always managerial courses available that are offered to new and existing leaders.

When watching the figures from the satisfied employee index, a result from an inquiry done by the company once a year, it looks like the employees are most part happy with their environment. The index for 2010-2011 was weak, most likely related to the actions taken due to the inflation, but the 2012 index seems to have recovered which is an indication that the actions taken have had affect.

6.2.4. Growth

Projects that support the simplification of the sales process for the standard solutions have been implemented. An example of a project is the alignment education that the sales forces have taken to get knowledge about products not normally included in the salesman’s sales portfolio.

When it comes to working proactive with the more complex transactions there have been some initiatives. For example, routines for which steps to take when a customer needs to have deviating collection and sorting procedure have been documented. This would prepare the organisation for which challenges and problems that might occur when implementing a more complex set-up. But there is still work to be done to reach the objectives. The Transport Company’s production is built around a “standard” solution so to get the complex set-ups implemented it would require extra focus and effort.

Continuous efforts to integrate the different products have been implemented, but it requires intensive work to go the whole way. This is not only a cultural or organisational issue, but also a matter of location. The production of the products are conducted with different methods and sometimes separated into different buildings.

6.2.5. Satisfied customers

Continuous improvements in the Customer Service process, efficient processes and a high overall quality will ensure satisfied customers for the company.

The customer demand will constantly change and it is also important to be responsive to these demands, and act quick. The need of today might not be the need tomorrow.

The majority of the objectives for Customer satisfaction are associated to the objectives for Quality. The improvements in the relationships towards the customers and improvements in processes,
response time, deliveries and service all points to increasing the quality in those areas. Therefore the work and investments done in increasing the quality within the organisation also supports the Customer satisfaction.

6.2.6. Efficiency

Several objectives have been met when it comes to efficiency. A number of projects within NPP support better efficiency. Examples of implemented projects are streamlining Production flows and development of the terminal layouts and working towards Integration of the products.

Efficiency might need another measurement than in profit margin. As it is written in the Strategy for Efficiency “Therefore we measure our effectiveness in profit margin”. It might not be clear on which actions taken that really support a more efficient organisation. Just because profitability goes down, it does not mean efficiency has.

6.2.7. Sustainability

The Transport Company is one of the leading companies when it comes to work within sustainability. The company is involved in a lot of different project both internally and externally to help find solutions that holds for the needs of the future, for example projects that are focusing on smarter city distribution and longer vehicles. These projects are long term investments and are supporting future requirements.

The company has also been successful in the short time objectives as actions with eco-driving education for the drivers, increased utilization and continuously improving the fleet.

6.3. Discussions

The short term targets, the economic objectives, are quite easy to measure therefore it’s understandable that most companies do so. Companies like the Transport Company need targets that are easy to understand and easy to measure. Heath (1997) believes that constant observations on key actions can determine whether the tactics are going according to plan and thus following the strategy. This requires measurable objectives something that the Transport Company is lacking.

The focus on easy targets get in the way of the more long term objectives that are more difficult to measure, I think this is the problem for the Transport Company. The long term objectives are vital for the future operations and the course of the company. Some objectives, like change in culture or enforcing a new quality approach, take longer to implement therefore a company can’t afford to put this process aside.

Just because the focus lies on the more economical targets doesn’t mean that the Management doesn’t find other objectives important. But right now the pressure from senior-management to reach the economical objectives is more significant than the pressure to reach the objectives for the focus areas.

When the pressure shift focal point from the focus areas and towards reaching the short term economical goals, the middle management will most likely focus on the more short term winnings
like optimizing the work force and limiting resources. Another result of changing focus is that the follow up on the down prioritized objectives feels unnecessary and finally this step will forgotten.

6.3.1. Change Management

Understanding the Change Management approach the Transport Company has is hard. There are visions and objectives about what to accomplish but not which approach to take in order to put them into action. Nilsson, Olve, & Parment (2011) argues that if Management control is successful it should act as a link between the strategies of the organisations and the actions of the employees. The Transport Company has a long way before they can achieve that.

The organisation feels like projects get implemented but there are gaps when it comes to support, follow up and handing over the responsibilities. An example of this is the 100-program. The program was implemented with an extreme focus and was well executed, but there are opinions that the program was only implemented and not maintained. The original objective with the program was for the whole organisation to work according to 100, but it has only been implemented fully in part of the company.

For this program, which is an offspring of lean, it is vital for the management to listen and take the ideas seriously. This means that no matter how good the ideas of the employees are if they are not taken care of and considered the employees will stop making the effort. It is the same thing as for the activity plan of the Business Plan. If the managers don’t feel like the efforts will pay off or be considered the efforts will slowly reduce.

Persistence and follow-through is necessary as much for implementation as for the process of follow-up. Failed implementation costs more than money and time, it also lower the morale and trust of the management (Heracleous, 2003). A failed implementation could even lead to a more inflexible organisation than before due to a higher level of cynicism. Cynicism is a feeling of hopelessness that leads to having no faith in the change agents (Heracleous, 2003). Results and actions must come out of the efforts or else the people involved will lose interest.

As Heracleous (2003) describes; vague and unclear direction in the Strategic plan will have impact wheatear or not the objectives are met. The efforts of creating the strategies will make no difference if the directions are kept on an abstract level and not brought down to a day-to-day plan Heracleous (2003). This applies for the whole organisation. All improvements that are implemented must be traceable back to an overall vision or strategy. The strategies and action plans must become a part of the everyday work for the best results and not put aside to make time for the economic follow-up. Heracleous (2003) also describes the value of having clear connections to the strategic objectives. The organisation requires a project not only to be finished in time, on budget and according to requirement but also that it is connected to the strategic plan.

But the employees are not the only ones that can feel sidelined when it comes to working with change. Middle management have big impact on the results, so even with pressure from senior-management, if the middle management feel the strategies compromises their self-interest or if they don’t agree with the strategies, they can and will sabotage the strategy implementation both actively and passively (Heracleous, 2003).
It’s been explained to me that the Business Plan is meant to work as guidance instead of a tool. This is probably the explanation to why the objectives are not as structured or straightforward as I would expect them to be. But managing a company is according to Bergstrand (2003) the same thing as to create a control system so that employees solve the right problems with the right goals in mind. When the company manages to do that, a useful framework has been reached.

Successful and sustainable transformation efforts require leaders who know how to manage change. At the simplest level, managing change means (Strategic planning, 2012):

Knowing what you want to achieve and creating a convincing vision that motivates others
Understanding stakeholders and communicating with them early, consistently and often
Managing the varying levels of support and resistance that will inevitably emerge in response to any change
Change Leadership are essential for all levels of leaders, who are responsible for setting the vision, communicate the vision and make the changes happen

6.3.2. Organisation

I believe it’s key to have an organisation that supports the strategies to be able to reach the set goals. With an organisation chart of a business you are able to see what is considered to be important for that business as well as getting an indication of the key functions and areas. For example, I’m missing Quality as an own supporting unit. Today Quality is organisationally placed beneath Marketing and also as a subunit under the main Division.

My point is that if Quality is chosen to be one of the focus areas this should be indicated by the position in the organisation as well as in responsibility, significance and authority.

With the existing business model and the way the divisions and subunits are accountable for the results this might create a risks for playing safe. One example is one of the objectives for Growth that was for the main Division to be “more proactive and increase the expertise when it comes to larger, more complex transactions”. Since a customized solution is more uncertain than the standard solution, one of the challenges is to for someone to take a business risk on that deal. In an organisation where you are responsible for the results it is not encouraged to take uncertain deals. This would put pressure on the sales organisation. The positive side with having accountability for the results is that it can encourage working more effective and with continuously improvements.

When it comes to the cultural aspect, the Transport Company has sometime chosen to adapt implementations to the current culture, but in some cases culture has not been considered at all. One example is the main Division that implemented major organisational changes but waited until afterwards to identify health and safety implications for those employees affected.

In the problem discussion I mention the need for a shift in attitudes and behaviour of the employees and managers when big change is implemented (Balogun, 2001). Mainly because there will always be resistance when it comes to change and good ways of overcoming them is to communicate the reasons, effects and timescale.

If the people working in the organisation don’t believe in the changes implemented it will most likely not be accepted which would lead to not getting the effect that is required (Heracleous, 2003).
Culture can be altered with the help of some techniques like involving the employees in the solution, involving top managers, Cross-functional teams or strong internal communication (Heracleous, 2003).

6.3.3. Implementation

When talking to the organisation the common feeling seems to be that the company’s way of implementing a project is to give training and hand out information. The employees are so use to management pushing out change and since it is more common for a project to fail than to succeed this is how the organisation is approaching the implementation process.

When I asked the question, what would make you care?, 9 out of ten answered that they would about performing their best if it was something they saw important. The organisation is not positive to being measured; however they understand the need to.
7. Conclusions

This chapter answers the researched question asked in chapter 2 by drawing its conclusion from the case study in chapter 5 and the analysis presented in chapter 6.

The question to be answered in this thesis is if “it necessary to break down the strategy in detailed activities to achieve set goals?”

It has been proven that if there are clear objectives and they have been communicated and accepted by the organisation it affects the result of the implementation. All points to the fact that the more detailed the objectives are the easier it is to create an action plan that correlates to the objectives and helps to a successful implementation. With a comprehensible action plan it is easy to see if the progress of the strategy implementation. The organisation will also see the link between activity and objective and thus understand the importance of the changes. It helps the individual worker to understand what impact one action have on the results.

Essential for being able to concretise the objectives into a detailed activity plan is to have a strategy process that provides input. I believe an influential strategy process leads to success in reaching set objectives in a Business plan. The Strategy process should include an extensive analysis that handles the areas of which the company acts upon, this is vital for being able to control the effect of a change. The objectives must be possible to measure and understandable for the whole organisation and supported by the senior-management. The whole organisation should to some extent be involved in setting the objectives in order to really establish the direction of the company in all parts of the organisation. Next the objective need to be translated into an activity plan or implementation plan so that the problem (objective) is divided into graspable tasks and visualised in order to for the tasks to be measured when completed. These actions should be customised according to the level of strategies. It gives a sense of accomplishment to see when the target has been completed and the results been reached through individual or group performance. Just as the objectives should have measurable targets so must the actions in the plan. This is important for implementation and follow-up purposes.

When there is an activity plan the next step is implementation. A standardised and efficient change management approach makes the strategy implementation well-organized and successful. It is important to have a change management approach that includes and involves the organisation since this has proven to be the best way of succeeding with targets. Continuous follow-up of the activities, measurement and visualisation helps management to keep the course of the strategies under control and updated to fit the environment.

7.1. Implications

The results of my study are relevant for all involved in managing a company, unit or operational team. It is important to understand that it requires an understanding of how a specific organisation can handle working with change in order to find an effective way of introducing change. It not only requires dedication but also commitment from all levels of the organisation.
I found it hard to find a way to measure the relevance of detailed activities when implementing a strategy successfully. There are a lot of aspects involved affecting the result of a strategy implementation and there is some research but mostly it focus on a specific area like change management or the importance of organisational structure. What is missing is how everything is connected. I found that the success of a strategy implementation is affected by both management approach, organisational structure and the approach used for setting strategies. I had to limit my approach by looking at the related aspects as supportive “tools” in order for me to move forward in the study.
8. Reference list


9. Appendixes

Appendix A – The Transport Company’s Swedish organisation

Supportive units

Transport Company

Finance

IT

Marketing

Human Resources

Divisions

Road

Logistics

Air & Ocean

Figure 9-1 Transport Company’s organisational chart, Sweden [Source: Transport-company (2012)]
Appendix B - The main Division Organisational chart

Figure 9-2 Organisational chart of the Transport Company's main Division, Sweden [Source: Transport-company (2012)]