Differences between service- and product selling companies in defining their global and local strategies

Tutor: Urban Ljungquist

Students: Jérémy Iehl
          Kordian Goetz

Date: 2014-09-14
Abstract

IY2542 V14 Lp3,4 Master’s Thesis MBA 15 credits

Blekinge Institute of Technology, spring term 2014

Authors: Jeremy Iehl, Kordian Goetz

Title: Differences between service- and product selling companies in defining their global and local strategies

Background: The world-wide present business-to-business product- and service selling companies define their global and local strategies in a different way. The main aim of this research is to investigate these differences and analyze them in terms of their origins and influence on these companies.

Research questions: Primary research question: How service- and product selling companies differ in defining their global and local strategies? Supporting research question: How significant are these differences in light of the performances of the companies?

Methodology: As a research method a single-case study with holistic design has been chosen. Both primary and secondary data have been used in analysis. The authors build, present and test two strategy definition-based models: one for product- and one for service selling company. For verification, empirical data from two corresponding case companies have been used.

Conclusion: There are clear differences between product- and service selling companies when it comes to strategy definitions. Service selling companies tend to build a deep and long-lasting relationship between the company and customer which is a base of driving this type of business. For these types of companies the customer itself is in center. In case of product-selling companies more focus is being put on channel optimization, focusing on core businesses, making concessions and terminating bad customer accounts, but the main core of strategy is based on quality and innovation of the end product.

Keywords: Master Thesis, BTH, Strategy, Competition, Product, Service
I would like, first, to thank my partner in life, my family and my friends who have been the greatest support all along the studies of the MBA. Without them and without their daily smiles, nothing would have been done.

I would like to express my appreciation to the school, BTH for the given opportunity to follow the MBA program. I am especially grateful to some teachers for their ability of transmission of this knowledge that shapes economy and business in our time.

I would like to thank the companies, PwC and Volvo CE, for helping us for the empirical data. I would like sincerely thank Patricia Kroondijk. I am thankful for your time and your friendship.

I would like also take the opportunity to thank other colleagues who has been working with me in other assignments.

I finally wish to express my sincere thanks to my thesis partner, Kordian Goetz, for all the work accomplished in this thesis and previous assignments.

Jérémy Iehl

I would like to thank my family which has been supporting me mentally throughout the whole MBA studies including work on this thesis.

I am also thankful to our tutor, Urban Ljungquist for constructive feedback and many important hints regarding the thesis work.

I would like to thank the companies, PwC and Volvo CE, especially Martin Elovsson and Per-Olof Danielsson from Volvo CE for help with providing the empirical material for cases.

Finally I would like to say thank you to my thesis partner, Jeremy Iehl – it was a pleasure to cooperate during this thesis work as well as during two other previous courses within our MBA studies.

Kordian Goetz

Karlstkrona, 2014-09-14
# Table of Contents

1. Introduction............................................................................................................... 1  
   1.1. Background....................................................................................................... 1  
   1.2. Problem discussion.......................................................................................... 2  
   1.3. Limitations and their influence on results...................................................... 3  
   1.4. Structure of the thesis...................................................................................... 3  
2. Theoretical Framework .............................................................................................. 5  
   2.1. Strategy, from global to local .......................................................................... 5  
      2.1.1. Intro ......................................................................................................... 5  
      2.1.2. “From global…” ....................................................................................... 5  
      2.1.3. “… To local” .............................................................................................. 6  
      2.1.3.1. Developing flexibility in strategy ......................................................... 6  
      2.1.3.2. Regional strategy adaptations ............................................................... 8  
      2.1.4. Strategy communication .......................................................................... 8  
   2.2. Building a competitive strategy ....................................................................... 9  
      2.2.1. Being competitive ..................................................................................... 9  
      2.2.2. Building customer satisfaction ............................................................... 10  
      2.2.3. Example of complete competitive strategy model .................................. 10  
   2.3. Service/product selling companies – effectiveness ......................................... 12  
      2.3.1. The difference in case of business-to-business companies .................. 12  
      2.3.2. Key features of service-selling companies ............................................. 12  
      2.3.3. Key features of product-selling companies ............................................ 13  
      2.3.4. Major differences .................................................................................... 14  
   2.4. Theoretical model ............................................................................................ 15  
      2.4.1. Summary of the theoretical considerations ............................................ 15  
      2.4.2. Model for global and local competitive strategy for a service-selling company .......... 16  
      2.4.3. Model for global and local competitive strategy for a product-selling company .......... 17  
      2.4.4. Formulation of hypothesis ................................................................... 18  
3. Methodology .......................................................................................................... 20  
   3.1. Research method selection ............................................................................. 20  
   3.2. Selection of Cases .......................................................................................... 21  
   3.3. Data Collection and type of data ................................................................... 22  
   3.4. Credibility of the used data ........................................................................... 22  
   3.5. Data collection preparation and questionnaire methodology ....................... 22
3.6. Validity of the data ................................................................................................................. 23
3.7. Data analysis – alternative methods .......................................................................................... 23
4. Cases ............................................................................................................................................ 25
4.1. Volvo Construction Equipment AB in Braås ............................................................................. 25
4.1.1. Global strategy related questions including market & competition aspects .................. 25
4.1.2. Strategy definition for different markets ............................................................................. 29
4.2. PwC ............................................................................................................................................ 31
4.2.1. Global strategy related questions including market & competition aspects .................. 31
4.2.2. Strategy definition for different markets ............................................................................. 35
4.3. Summary of the key-points from collected data ....................................................................... 36
5. Analysis ......................................................................................................................................... 38
5.1. Global strategy vs. Local strategy ............................................................................................... 38
5.1.1. Vision and global strategy definition ..................................................................................... 38
5.1.2. Definition of regional and local strategies ............................................................................. 38
5.1.3. Flexibility of the strategy .................................................................................................... 39
5.1.4. Strategy communication ..................................................................................................... 40
5.2. Competitive strategy and customer satisfaction ....................................................................... 40
5.3. Product selling vs. Service selling companies ......................................................................... 41
5.4. Link between strategy definition and performance of a company ......................................... 42
5.4.1. Differences between selling services and products ............................................................. 42
5.4.2. Financial results of the companies ....................................................................................... 42
5.5. Verification of the theoretical models – summary .................................................................... 44
6. Conclusions and Implications ....................................................................................................... 47
6.1. Summary .................................................................................................................................. 47
6.2. Implications for research and practice .................................................................................... 48
6.3. Possibilities of further studies ................................................................................................ 48
Bibliography ...................................................................................................................................... 49
A.1. Appendix 1 – Interview Questions ......................................................................................... 52
A.2. Appendix 2 – Volvo CE’s customer agreements ...................................................................... 53
A.3. Appendix 3 – Volvo CE’s threats & opportunities ................................................................... 54
A.5. Appendix 5 – Assessment of PwC ............................................................................................ 56
A.6. Appendix 6 – Description of Volvo CE .................................................................................... 57
List of Tables and Figures

Table 1: Similarities and differences between the considered case companies................................. 37

Figure 1: Thesis – information flow................................................................................................. 4
Figure 2: Vicious Cycle or Strategic Rigidity (Hitt & Shimizu, 2004) ............................................... 7
Figure 3: Crucial focus areas for service- and product selling companies ...................................... 15
Figure 4: Model for service-selling company .................................................................................. 17
Figure 5: Model for product-selling company .................................................................................. 18
Figure 6: Volvo Articulated Hauler A40G (Volvo Construction Equipment, 2014) ....................... 25
Figure 7: Predicted growth possibilities for Volvo CE in years 2013-2015 ................................... 27
Figure 8: Updated Model for service-selling company ................................................................. 44
Figure 9: Updated Model for product-selling company ................................................................. 45
1. Introduction

1.1. Background

MBA students often get into the definition of strategy through course literatures and general articles that define strategy as a general concept. Collis and Rukstad define it as statement that shall be kept in 35 words. Contents of the statement are: objective, scope and advantages. According to them, strategy has to answer to simple general principles to be effective. (Collis & Rukstad, 2008) Eisenhardt describes the simple rules to define a strategy. These rules are how-to, boundary, priority, timing and exit rules. (Eisenhardt, 2001) These two articles may appear outdated but they gave some way forward to define a strategy in a company. From both articles, strategy gives some general directions with no relation with the specificity for a market. Moreover some scope of a strategy defined in David J. Collis and Michael G. Rukstad might be completely wrong for some competitive markets. (Collis & Rukstad, 2008) These articles develop that strategy, through strategy planning and implementation has an impact on all parts, choices, and positions of the company. In the case of market strategy, as it is developed by Best, a market strategy influences directly price, marketing, organization, customer position, and therefore inside the company, innovation and means of production inside, and other costs of the company. (Best, 2013)

Markets can be delimited in many different ways. The most common one is to define it geographically, and more especially depending on regional factors. Verbeke & Rugman highlight that the sales impose a regional solution. They insist on the fact that companies shall have a home region oriented structure and strategy. Even if companies tend to define themselves as global, only nine over 380 companies of the Fortune 500 has a truly global strategy. The empirical data of geographic sales dispersion shows that the majority of the firms have a home region oriented in terms of sales and assets. (Verbeke & Rugman, 2008)

As the generally understood “defining strategy” area is very well-known, there is much research data available when it comes to both definition of strategies and strategy-to-competition relations. However, finding relations between similar companies being present at the same markets but offering different things appears to be much more challenging. Taking therefore as example two big international companies, one focused on selling products and the other one on selling services, one can notice that although many similarities as division into global and local strategies, regionalism and way of dealing with competitors, there are differences in the way the companies define their strategies and what are they focused at. The literature search done by the authors of this thesis has shown up that although the area of studies is popular, most of the research papers are focused on more general rules, differences and similarities when it comes to defining a competitive strategy for different markets. That is the main reason why the authors found considerations on differences in strategy definitions in case of big, international product- and service selling companies not only interesting but also important to investigate.
1.2. Problem discussion

Before funneling down to the specific aim of this thesis focused on differences between product- and service selling companies, it would be useful to underline that it generally focuses on strategy-to-competition relations. This aspect is very wide and could be considered from many different points of view. The intention is therefore to narrow down the considerations and constrain it to how the strategy can be adapted to successfully compete and make advantage over other competitors present on the market. The problem involves global strategy formulation for certain company which is a basis for building a company’s structure. Global definition of strategy is however too general to be used on particular markets in an unchanged form. That is why the companies need to adjust their strategy in order to make them work on different markets with different realities. Different markets correspond also to different forms of competition. Companies adjust their strategies not only to existing trends, traditions respected in a country, but also to legal legislations and environmental constraints. The way product- and service selling companies are dealing with it appear to be different and although the area of defining both global and local strategies is well known, there is not much information available when it comes to direct differences between big international companies focused on selling only products or only services on the same international markets with different competition realities.

These aspects are crucial when it comes to the companies’ financial results. Staying competitive on a market requires not only delivering a product/service in a proper way, but also effective dealing with competitors. It can involve price wars, aggressive marketing, different form of advertisements, affecting customers’ habits etc. All these aspects have very regional character and cannot be treated from a global point of view. That is the reason why a company’s global strategy works often as a fundament for the different region-depended sub-strategies. Both global and regional strategy aspects need to be considered in order to understand the relations between them. As the most interesting part, the main core of this thesis is a question how these types of adaptations differ for company focused on selling products and another for company selling services. With regards to strategic requirements that markets impose, in terms of flexibility, rationality, competitive environment, the research is here to study the differences between big international product- and service selling companies in light of strategy-to-competition relation.

In a defined market, to cope with competition and the strategic actions of possible competitors, a company needs to define a strategy accordingly. Therefore the approach of the strategy may change to overcome the different forces that shape the defined market. The approach is however different for different types of companies. The main idea of this thesis is to underline the differences in defining strategy of a big global company selling products with a company of similar size but focused on selling services. In light of the general requirements, the authors managed to collect the data from two companies which fit to the defined profile. Rephrasing aforementioned, following research questions being the main core of this study can be defined:

Primary research question:

**How service- and product selling companies differ in defining their global and local strategies?**

Supporting research question:

**How significant are these differences in light of the companies’ performance?**
In order to precise the specific aim of the study in light of the defined research questions, main research objectives can be defined:

1. To **identify similarities and differences** between service- and product selling companies when it comes to the way they define their global and local strategies.

2. To **investigate if there is a link between these differences and performance** of the companies.

### 1.3. Limitations and their influence on results

As all other research works, this thesis has its limitations that affect the final outcome. One of the most important is time frames and available resources in form of two MBA-program students. Time wise the authors have one semester (approximately 4-5 months) to conduct the work and present the final results. For that reason, conducting a complex embedded multiple-cases research is not possible. The topic has been limited to the area which is possible to investigate in the assumed time frames using available resources and in light of that research questions have been formulated. The authors aim to answer them in a best possible way suggesting at the same time possibilities of further studies in this field. Another limitation is secrecy policies of the case-companies. Although it does not affect the overall outcome, exact financial targets as well as some details regarding local strategies could not be fully shown. In such cases the issue has been explained in a best possible way, without mentioning any details covered by the actual secrecy policy. The authors aimed to define the interview questions (available in Appendix 1) in such way that the answers provide the desired output without touching the issues covered by the general secrecy policies.

### 1.4. Structure of the thesis

To conduct the scientific research in an effective way, real-life examples have been used in the cases section. First, the problem has been discussed in order to sketch the relevant background. As the next step, literature search has been conducted focusing on the trustable scientific journal articles not older than 2010. The reason of such filtering is selecting theoretical data from the most relevant sources securing at the same time that only the latest findings have been taken into account. It prevents the thesis findings to be considered as out-of-date. The theoretical considerations are followed by the cases section where one Swedish company and one English American company have been selected. Based on interviews, the data has been collected and presented in order to draw a picture of how the companies deal with their strategies in different markets with different types of competition. As the last part of the thesis, analysis and conclusions have been presented. In this section cases are related to the theory, similarities and differences have been pointed out. The main target of the whole work is answering the research questions in a vivid, structured, understandable and relevant way. Figure 1 presents graphically the general information flow in the thesis.
PART 1. The introductory section aims to attract the reader in further lecture of this research. The background of the problem has been drawn, thesis topic has been specified as well as purpose of the study including limitation and constraints have been clarified. Problem discussion involves also definition of crucial for the thesis research questions.

PART 2. In this section theoretical background has been presented. Several literature searches have been performed and finally the authors decided to select the most relevant scientific journal articles to rely the theoretical part of the work on. Selected papers are strongly related to the considered topic but at the same their variety allowed to present several different points of view keeping at the same time the research angle constant.

PART 3. Methodology part explains the technical aspects of the thesis. Data collection procedures, credibility of used data, research method selection and companies’ consideration have been presented here. Data collection has been based on interview questions prepared especially for this study.

PART 4. This section contains all the findings from the data collection procedure. Interviews conducted at the case companies have been the main sources of information. Beside that available documents from both companies have been used. All the data has been put together and presented in the way which suits to the applied research method structure.

PART 5. Analysis includes all the relations found between the presented theory and data collection based cases. Similarities and differences have been pointed out; the considerations have been directed in the way of answering the research questions. Positive contribution of the factors to their variables has been checked including their importance.

PART 6. The section contains a brief overview on the whole conducted research. Final conclusions, comments and summary have been presented as the overall outcome. Also research questions have been related to given answers, including subjective judgment to what extent the work has been considered as satisfactory one.

Figure 1: Thesis – information flow
2. Theoretical Framework

2.1. Strategy, from global to local

2.1.1. Intro

The concept and terminology of strategy has been studied by Ronda-Pupo & Guerras-Martin. They highlight the evolution of strategy in a semantic way. Deriving from the Greek “strategeos” which means “general in command of an army”, they explain that strategy started to be associated with management already in 1950s. (Ronda-Pupo & Guerras-Martin, 2012)

All companies deal with competition to some extent what is directly connected to definition of strategy and the approach to its adjustments. It implies to have a full understanding of Porter’s five competitive forces (Porter, 2008). According to him it is always possible to successfully enter and exist on a market if certain circumstances are fulfilled. The strongest competitive force determines profitability of the whole industry and becomes a background for strategy formulation. Besides that, high capital requirements cause a need to invest large financial resources in order to compete and that is a factor which can significantly or even completely deter new entrants. (Porter, 2008) Porter’s five competitive forces that shape strategy are very relevant for any analysis of markets, particularly relevant however, when it comes to defining a strategy which will be adjusted for a certain market including the existing competition.

Nowadays the most of companies in order to survive on the market need to deal not only with aggressive competitors, but also plan their strategies in such way that they will fit to all the markets with different competition realities the company is present at. The bigger company, the more wide and important this aspect is. F. J. Diekmann, in form of asking simple questions brings up three primary points when it comes to strategic thinking: (Diekmann, 2012)

Think differently: “How do we define the business we are in? Get everyone to write it down at the next business meeting or planning session. How many of you have looked at your business model carefully? We've got to have the infrastructure to deliver something differently.”

Define Your Difference: “What makes the credit union different and better than the relevant competition? What do you have that makes you stand out? It's not your brand or your logo.”

Decide What Not To Do: “Given our resources and our market, which opportunities should we pursue to grow our business?” (Diekmann, 2012, p. 54)

2.1.2. “From global...”

The trend toward globalization of the market implies for international companies the need to create and communicate global strategies. This trend is explained by the opening of economical borders and free competitive markets. A. Yaprak et al describe multinational enterprises (MNEs) which are acting globally. These companies with resources have redesigned their communication for strategy globally to get a globalized system. The authors remind that the companies have taken control over the strategies of all entities of the firm by adopting their global strategy. The place of the local entity is therefore reduced to a network scale. The global strategy aims to create a competitive advantage to compete in interdependent national markets. By integrating processes, by standardizing strategy, by defining a structure, they explain the relationship with the strategy performance as well as highlight the importance of corporate culture with innovation capabilities in order to create a superior performance. They propose also eight characteristics which can
influence positively the performance of a globally integrated company. With these eight propositions based on the company’s aptitude toward creativity, structural, hierarchical and integration, the company gets the advantages of the globalized structure to achieve performance. (Yaprak, Xu, & Cavusgil, 2011)

2.1.3. “... To local”

Definition of strategy needs to take in account the different specificities related to particular markets and regionalism is one of them. Companies tend to adapt their internal structure to cope with the phenomenon of regionalism. Verbeke & Rugman explore the needs of taking into account the regionalization of the strategy. (Verbeke & Rugman, 2008) This can be described by the example of Diderich who highlights that product/service range needs to be specifically adapted for every single market as the customers’ requirements vary a lot. (Diderich, 2013)

Ruigrok et al define the fact of taking into account the regional orientation as a way for the companies to outperform on the markets (Ruigrok, Georgakakis, & Greve, 2013). Strategy appears as modular in such a way that it can face the competition in all the factors that build the market. Baroto et al highlight that the strategy needs to be fully adaptable in order to gain advantage in different markets. (Baroto, Abdullah, & Wan, 2012) Regardless to the fact if the company is focused on selling products or services, there is a need of strategy adaptations so that it fits to the local markets. These adaptations imply requirements on the global strategy definition in terms of flexibility. Flexibility and its influence on strategy communication have been described in the following sections.

2.1.3.1. Developing flexibility in strategy

Hitt & Shimizu study the need of flexibility in the strategy. They affirm that the highly uncertain and changing environment requires managers to have a strategic flexibility. Flexibility in the strategy appears to be a response to the complicated competitive markets that companies are facing. Hitt & Shimizu explain this flexibility as a capability of the company to adapt to the changes in the external environment. In the work to provide recommendations to managers, they explain the reasons that are blocking the flexibility in organization and its strategy. Therefore they discuss the barriers, such as organizational insensitivity to negative feedback and self-serving interpretation of it. For Hitt & Shimizu, they are the reason of strategic rigidity that is like a vicious cycle presented in Figure 2. (Hitt & Shimizu, 2004)
In a second part of the text, Hitt & Shimizu propose measures to maintain strategic flexibility. The main objectives are to keep fresh perspectives by ensuring the right mindset, to keep challenging the firm, to measure and avoid mistakes, to gain new ideas by allying with other firms. It is mostly for the firm to understand that the organization needs flexibility and that organization does not gain from being static. (Hitt & Shimizu, 2004)

Matthyssens et al evaluate the strategic flexibility by discussing two cases where managers see the needs for the company of changing directions. The persons involved in the strategy do not dare to fully implement their strategy due to some barriers. (Matthyssens, Pauwels, & Vandenbempt, 2005) The study is linked with the expected performance and with the internal organizational reaction to block changing because of uncertainty and pressure from local managers. The results do not reach any success performance because they do let fully unleashed dynamic capabilities. Matthyssens et al remind that strategic flexibility is important to realize financial performance. They underline also that the creation of strategic flexibility in business markets requires right organizational preconditions. Finally they summarize some papers to create flexibility in business-to-business marketing settings. Matthyssens et al review articles which highlight different aspects that flexibility implies. The focus can be on intra firm processes, or between firm issues. The relation with customers is also highlighted because it can both reinforce rigidity and flexibility. One of the results of the study of Monica Perry and Alan Shao on a sample of advertising shows that client orientation hindered performance of services, whereas competitive orientation stimulates it. “These findings offer a valuable insight: a strong client orientation might lead to a reactive mindset, but a focus on a diverse range of clients with in-house expertise will stimulate product adaptation and growth.” (Matthyssens, Pauwels, & Vandenbempt, 2005)
2.1.3.2. Regional strategy adaptations

Even if globalization appears as an undeniable reality in reference of global culture, sourcing practices, it is not a real fact. Verbeke & Rugman explain that only few multinational enterprises have adopted a transnational strategy. By analyzing data, they have demonstrated that most of the companies on the Fortune 500 have a regional strategy and structure. (Verbeke & Rugman, 2008)

Moreover, companies need to adapt their market strategy depending on the competitive environment. It is common that companies develop several kinds of products according to the final destination of the product. The example of Gucci shows that they adapted their strategy for the market of China by developing two models of strategy for their products. Their objectives are to be in phase with the customers considerations for their products. (Diderich, 2013)

When it comes to the relation with companies’ performance, Ruigrok et al have studied the regional strategy adopted of 211 large European Multinational enterprises and their performance. They remind the theory that MNEs can derive performance from their global position but underline also the different risk of international expansion. They define different hypothesis that are matching the data collected from companies. The hypothesis checks that intra-regional and inter-regional strategic positions are positively associated with performance or less pronounced under high industrial dynamism. Their results show the importance for MNEs with global strategic positioning to adapt a regional orientation in order to outperform. However their results are to be moderated as it less pronounced under conditions of industry dynamism. (Ruigrok, Georgakakis, & Greve, 2013)

2.1.4. Strategy communication

On the example of a global strategy is described by Jindal et al. It is about the Go-global strategy of Nissan. The ambition of Nissan is to become leader in all markets they are operating. Global strategies are defined from this focus. The company has kept a full control over the global processes and transfer of technologies. The strategy is defined by the authors as transnational. “Nissan’s approach has been globally focused but regionally concentrated.” (Jindal, Jee, & Thakur, 2011, p. 196) Therefore the company keeps the markets characteristics in mind in order to enter this market. Even if each subsidiary appears independent, they are integrated with other entities to avoid duplication and to reduce costs. The strategies are completely global. The company has developed global alliance and believed in a 4G strategy for global coordination: training, production engineering, launching and packaging. Jindal et al develop also positive and negative achievements of the company global strategy in emerging countries. (Jindal, Jee, & Thakur, 2011)

Following the case of Nissan, the company needs to have in mind the specificities of each market. Even if they are under global control, each subsidiary is independent. It is therefore subsidiaries’ responsibility to develop a proper strategy in line with the market without rejecting the global strategy of the company. It can be achieved by allowing flexibility in global version of strategy.

Companies tend to be more performant, profitable inside their home-region as Alina Kudina describes. She shows that companies are less performant outside. The reason of this result is a “significant increase in the liability of foreignness, which makes it difficult or impossible for a
firm to deploy its own FSAs in non-home regions in the most beneficial way.” (Kudina, 20012)

Verbeke and Kano goes further in the opposition between the idea of global strategies and the regional one. They imply that managers shall reconsider the way they are thinking about global strategy. The objective is to highlight that most strategies of global companies are in fact not global at all. Instead, they have many features reserved for the regional ones what makes communication of strategies more difficult. (Verbeke & Kano, 2012)

2.2. Building a competitive strategy

2.2.1. Being competitive

Properly coupled competition and strategy may be considered as “competitive strategy”. Olsen et al describe that a competitive strategy is a strategy whereby a firm’s portfolio of products and services is designed mostly to bring together its unique resources and capabilities to gain advantage in the marketplace. (Olsen, West, & Tse, 2008) It implies that resources and capability of a firm are the elements to improve market performance.

As it can be concluded from aforementioned theory, the strategy should be precisely stated and well implemented in order to get an advantage over the competitor. Pugh & Bourgeois brighten the process of implementation in three factors, two of them, learning and discovering are about the current position, the last one, inventing is the “source of true strategic invention and innovation”. (Pugh & Bourgeois, 2011, p. 172) The factors help to define how strategy shall imply for the companies in its directive objectives taking in account the current position toward the future of the companies. The last component is about how to get a competitive advantage, meaning the value to be better than a competitor. This competitive advantage can have different natures. Innovation has been introduced as one of the most important factors related to the competitive advantage. (Pugh & Bourgeois, 2011)

Competitive advantage can be also seen as a way to differentiate from the other competitor. This subject has been studied by Baroto et al. The background of their studies is that many large companies took the decisions of changing their strategies. They look at the strategies used by big corporations involved in international business. From these, they made data analysis. Theoretical background of their study is the description of Porter Generic Strategies which consists in Leadership Strategy, Differentiation and Focus. Baroto et al explain that the differentiation strategy creates a market position that can be considered as being unique, sustainable over the long run. They analyze how differentiation strategy has been implemented in other researches. (Baroto, Abdullah, & Wan, 2012)

As Pearce & Robinson notice, the differentiation strategy is mostly related to competitive advantage by having products and services different from competitors. (Pearce & Robinson, 1994) Baroto et al define the hybrid strategy with different definitions. It appears mostly as a combination of differentiation strategy and a low-price relative for customer strategy (cost leadership strategy). (Baroto, Abdullah, & Wan, 2012) Baroto et al give examples of companies applying cost leadership strategy and some companies applying differentiation strategy. An example is given for a company which applies the hybrid strategy: Wal-Mart which has developed price leadership strategy by price policies and differentiation policies. Baroto et al analyze the implementation of hybrid strategy in three different markets. They define first three types of
markets: saturated market (developed economies), stable market (transition economies), and emergent market (developing economies). Hybrid strategy allows company to implement differentiation strategy for saturated and stable markets which often gives good results. For emergent markets, cost leadership strategy is more adapted. Differentiation and cost leadership strategy have been successfully implemented in the whole world. (Baroto, Abdullah, & Wan, 2012)

2.2.2. Building customer satisfaction

Innovation is often one of the most important factors taking place for the competitive advantage. (Pugh & Bourgeois, 2011) It is particularly relevant in case of companies developing technical products. However, in the case of services or for maintaining customers, there is another approach to develop performance of the company: building customer satisfaction.

The customer relationship with a company which wants to sell a product or a service is depending on the customer engagement for this company. This customer engagement is studied by Vivek et al. The objective of engagement strategies is to develop a deep relationship with potential and current customers. The authors develop some propositions to create or reinforce the customer engagement toward the company. On that basis Vivek et al develop a theoretical model which describe the customer participation and involvement as value, trust, affective commitment, word of mouth, loyalty, and brand community involvement as consequences. (Vivek, Beatty, & Morgan, 2012)

The final objective is to develop customer satisfaction. The customer engagement has been studied for service companies by Cambra-Fierro et al. For the authors, the “approach to client portfolio management boosts customer satisfaction and loyalty, leading to a commitment to spreading positive word-of-mouth” (Cambra-Fierro, Melero-Polo, & Vázquez-Carrasco, 2013, p. 326). They have developed a conceptual model that show that satisfaction leads to performance through commitment, loyalty and word-of-mouth where the customer engagement is therefore a key point to develop performance. (Cambra-Fierro, Melero-Polo, & Vázquez-Carrasco, 2013)

2.2.3. Example of complete competitive strategy model

Rajagopal considers relations between the strategy formulation and market competition. According to him, in case of multinational firms, there is a clear trend of developing complex strategic managements systems where process of making decisions is inherently organic. Furthermore, strategic planning systems plan an important role in the large manufacturing companies’ management efforts. Rajagopal divides “the orchestration of planning and management” (Rajagopal, 2011, p. 182) into three modes that firms can adopt in order to deal with the growth ambitions:

- Agenda setting
- Strategic direction
- Routes to market

The ambitions of Rajagopal is to guide integrated interaction of firms’ strategic planning and by that ensure sustainable growth as well as being competitive on the market. (Rajagopal, 2011)
Dealing with agenda has been presented by Rajagopal by pointing at proper setting of aforementioned three stages as the most important part in each business organization. Equally important is that at each stage necessary functional variables including center stage, backstage and front stage are defined. (Rajagopal, 2011)

When it comes to performance, according to Rajagopal it is not sure that performance endorses business growth in a competitive marketplace. “Financial performance of a firm may unveil a different scenario of growth as compared to the performance of various brands with a product category in the overall product mix.” (Rajagopal, 2011, p. 185) According to the Rajagopal, the strategies can contribute toward improving the firms’ performance “by linking expectations to the capability and competence of managers and employees of the firm and providing necessary support to improve the capability and competency at the first stance.” (Rajagopal, 2011, p. 185) A firm needs to have a good posture in order to proliferate the market in an effective way. There are two possible ways of expansion: horizontally across spatial locations, but also vertically by introducing wide and diversified portfolio of products. (Rajagopal, 2011)

Rajagopal notices also that in most of cases successful firms present in competitive marketplaces aim to gain a distinct place among other competitors and put their focus not only on acquiring new customers, but also on retaining the existing ones. In order to reach these aims in an effective way, Rajagopal proposes consideration of five essential customer values: interest, subjectivity, exclusivity, thoughtfulness, and internality. Analysis of these values performed in a proper way ensures that the firm will create a customer-centric approach and by that its strategies will gain the bottom of the overall pyramid. (Rajagopal, 2011)

In another part, Rajagopal considers the problem of strategic directions. Each firm which decides to enter the market competition needs to develop certain competences in building its own strategy integration and in practice this process involves exploring and creating new business opportunities. Aforementioned customer-centric strategy concerns mostly firms dealing with innovative products and trying to gain new customers in completely new areas. In practice it is about exploring new modes of cooperation among different customers, retailers or even manufacturers. These modes may result from co-design which leads directly to the customer-centric business approach. Customer-centric research develops in general strategies of a “pro-customer” type in order to “focus on better ways of communicating value propositions and delivering the complete experience to real customers.” (Rajagopal, 2011, p. 187)

Another important aspect important to be understood by firms is Value-Chain Management. A proper understanding of this term, assures according to Rajagopal progression of activities which in the end will allow formulating strategy in such way, that the firm will be profitable and operations with suppliers and customers fully coordinated. Marketing firms should put special emphasis on strategic value chain taking market dynamics into account. This is the only way of reacting on the rapidly evolving market and by that staying competitive. Rajagopal proposes answering several key-questions while working with value chain: (Rajagopal, 2011)

- Where is value being created?
- How do we expand business?
- Does the firm need outsourcing?
Which areas need investment?
How do we optimize the value chain?
Should the firm need to establish strategic alliance?

Proper analysis of answers given on the aforementioned questions allows for appropriate consideration of such key factors as customer preferences, rate of change of underlying technology and position in the marketplace. (Rajagopal, 2011)

The symphony paradigm presented by Rajagopal is related directly to strategy integration, managing comprehensive marketing components as well as developing intellectual capital. All these factors are coming from human resources and other intangible assets. It is also important to mention that intellectual capital can be managed in such way so that will contribute in determination of the business leadership focused on profit maximization.

2.3. Service/product selling companies – effectiveness

2.3.1. The difference in case of business-to-business companies

Parvinen et al study the impact of systematization of sales activities through sales process management at the firm level. The focus has been put on profitable sales growth in business-to-business (B2B) companies as it has been found that service and product companies differ in how sales process management contributes to the firm’s overall performance. (Parvinen, Aspara, Kajalo, & Hietanen, 2013) They notice a general trend of shifting from product business to service business in case of many industrial companies but at the same time argue that the fundamental interaction characteristics of service-oriented business should be reflected in differences at the firm-level of the applied sales processes. The general approach which has been applied is to identify the key sales management processes in B2B service companies vs. non-service companies with clarification which selling activities contribute most to the overall firm’s performance in B2B focused service and product firms. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

2.3.2. Key features of service-selling companies

Having conducted the research, Parvinen et al find the relation between strategy-based process management activities and profitable growth, but only among the B2B service companies, not among B2B product companies. These results reflect the requirements of buyer-seller interaction of service-based business models, which would include communication, trustworthiness and relationship management. This suggests that service businesses have different success factors in sales process management. Parvinen et al find also out that as the initiation of long-term relationships lead to customer/supplier-specific investments and termination clauses, significantly more deliberation on customer selection is required in the early pre-phase. That is the main reason why the strategies utilizing increased risk from termination require more operational planning. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

In case of the non-personal communication, checking the customer’s reactions with a personal contact appears to be crucial. It has been found that the nature of service selling requires establishing and maintaining interactive relations with a customer and that is the reason why
Parvinen et al find that it is highly important to initiate and maintain personal contacts to a customer, even in the case of non-personal communication. The statement has been classified as an obvious reflection of nature of service businesses and summarized that “will contribute to deepening the service relationship and gradually providing increasing value for the customer, which is known to be a success factor in B2B service business.” (Parvinen, Aspara, Kajalo, & Hietanen, 2013, p. 497) Parvinen et al underline also importance of taking into account considerations why the sales are taking place including deep consideration of any customers’ complaints. Despite the aspects that caused the customer’s dissatisfaction, by dealing with all the complaints in a professional and serious way, a firm facilitates a better overall relationship with the customer gaining at the same time important points for future. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

The relationship between profitability, service quality and customer retention is described in a study for the State bank of India that describe the implementation of Core Banking Solution and adoption of CRM philosophy. This gives the possibility to develop diagram and link service quality and customer retention to profitability. (Parida & Baksi, 2011) The example of the state bank of India highlight as Parvinen that customer relationship is essential for service based companies. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

In case of service-selling companies, there is an important factor of gaining non-profit outcomes in form of trust and good reputation among potential customers. Whittington (2012) defines a standard, “small strategy” being responsible for everything connected to company’s financial performance and “big strategy” which stretch far beyond the company’s performance and involves all the activities related to creation of company’s image but not directly coupled to financial benefits. One of the biggest mistakes a service company can make is to fail in recognizing a potential customer. (Whittington, 2012)

2.3.3. Key features of product-selling companies

Parvinen et al find several characteristic features having impact on the B2B product companies which are exclusive on their firm-level and are not applicable in case of B2B service companies. The variety of possible sales, areas for making business and distribution channels is often significantly wider in comparison to service-selling companies. Significance of systematic channels optimization has been underlines as one of the most important factors determining successful delivery and sales of products. In contrast, service firms very rarely rely on distanced sales or distribution channels mostly due to the inherent intangible and direct nature of service exchange. Putting the facts together, Parvinen et al notice that product businesses, the ways customers evaluate and use the product is fully dependent on the particular channel from which it is bought. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

As it is difficult to find out, selling of services involves in most of cases assumptions of solving customer challenges. That makes deciding on the extent of the solution orientation not as crucial. In product business however, solution orientation implies significant challenges to deliver management, which in consequence make customer analysis-based solution orientation a key issue in the overall strategy of B2B product firms. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)
Parvinen et al find finally that a key sales process for B2B product-selling companies is “providing motives for low-value customers to end customer relationship” In conjunction with that, for all the non-service companies, processes that aim to terminate bad customer relationships appear to be based on a differentiating factor from the perspective of performance. That is opposite to the service-selling companies where the customer base is an asset that can be developed, although does not need to be deep directly from the start. (Parvinen, Aspara, Kajalo, & Hietanen, 2013, p. 500)

Product-selling companies are facing also the challenges of delivering market-driven customer orientated products. This interplay of customer and product innovation is studied by the Bohlmann et al who remind that innovative products can lead to uncertain benefits. The objective of the study is to understand better the issues between customers and product innovation dynamics. The authors highlight that in order to be effective in innovation the companies need to know customers and competitors and the research needs to “extend downstream for a comprehensive understanding of customer needs dynamics.” They formulate also some proposition to reach valuable product performance features for successful innovation. The product innovation dynamics is a key factor for product-selling companies to gain competitive advantage. However as this study highlights, a company has to have a full downstream customer needs’ understanding to develop successful and valuable innovation. (Bohlmann, Spanjol, Qualls, & Rosa, 2012)

According to Guido (2012), successful selling of products always starts with listening. A consultative selling culture is increasingly important today, because many customers not only want to buy a product, but also know how to deploy it strategically. That requires from the salespeople deep knowledge about the technology, but also “client’s strategy, goals, competitors, and industry.” (Guido, 2012, pp. 107-108)

2.3.4. Major differences

The main difference related to defining strategies for B2B product- and service selling companies can be found in “performance-enhancing sales process management”. The most significant processes reflect the differences in mode of exchange which is reinforced by the fact that the most influential processes generally have a weaker link to performance in comparison to the business model-specific processes. It indicates that both in light of strategy definition and directly at the level of sales process management the distinction between products- and service selling companies exists and is still very strong. As the general focus is different in these different types of companies, there are not many sales activities where any systematization would either directly or at least consequently explain performance differentials. Thus, the link between the strategy including definition of processes and performance is considered as weak both in case of product selling and service selling companies. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

Service-selling firms are mainly focused on customer-specificity which is understandable as the adaptive selling angle is a must in order to successfully deal with competition. Their service-oriented business models are assumed to be based on a relationship orientation in which customer is the main driving force of profitability and growth. In case of service-based companies, the crucial key of successful selling is a long-lasting relationship between the
company and customer which reinforces not only the need for contact and relationship recovery, but also maintain skills and “careful pre-purchase preparation”. In product-selling companies on the other hand, the standardized nature of exchange and the strive for more and larger orders “emphasizes channel optimization/economization, focusing on core businesses, making concessions in the face of larger deals and terminating bad customer accounts.” And that is the main reason of different ways of strategy definitions in case of these two types of B2B companies. (Parvinen, Aspara, Kajalo, & Hietanen, 2013, p. 502)

2.4. Theoretical model

2.4.1. Summary of the theoretical considerations

The general concept of strategy has been reviewed by reminding the historical aspect and correlation with Porter’s five forces (Porter, 2008) and the need of surviving in aggressive competitive markets (Dierickx, 2012). From these concepts, international companies develop global strategy (Yaprak, Xu, & Cavusgil, 2011) which are adapted to the regional level, thanks to certain flexibility in the strategy (Matthyssens, Pauwels, & Vandenbempt, 2005). There are therefore two different geographical levels (global and regional/local) in which according to the presented theoretical background the companies studied in this paper differ. The second interesting concern explained by the theoretical research are differences in how these companies manage flexibility in their strategies and what are the reasons of different strategy definitions in case of product- and service selling companies.

Another part of the generally understood strategy definition is about how to build a competitive advantage. Company may focus on innovation (Pugh & Bourgeois, 2011), on differentiation and on price competition (Baroto, Abdullah, & Wan, 2012). It is also by building customer satisfaction that the companies boost their performance. (Cambra-Fierro, Melero-Polo, & Vázquez-Carrasco, 2013). According to presented theoretical background, service- and product selling companies differ significantly when it comes to building their strategy-shaped competitive advantage. From the way to gain a competitive advantage, the model of Rajagopal (Rajagopal, 2011) can be used and adapted for both type of companies.

Parvinen et al study the differences between service and product selling companies. (Parvinen, Aspara, Kajalo, & Hietanen, 2013) The results of the study can be used as a comparison and basis for the construction of the separate theoretical models for these two different types of companies, as well as for definition of hypothesis. Figure 3 shows a summary of crucial focus areas for service- and product selling companies.

<table>
<thead>
<tr>
<th>Service-selling company</th>
<th>Product-selling company</th>
</tr>
</thead>
<tbody>
<tr>
<td>buyer-seller interaction</td>
<td>variety of possible sales</td>
</tr>
<tr>
<td>personal contact</td>
<td>systematic channels optimization/economization</td>
</tr>
<tr>
<td>interactive relations with customer</td>
<td>customer analysis-based solution orientation</td>
</tr>
<tr>
<td>well developed customer relationship</td>
<td>providing motives for low-value customers to end customer relationship</td>
</tr>
<tr>
<td>trust and good reputation</td>
<td>product innovation</td>
</tr>
<tr>
<td>knowledge about the customer</td>
<td>knowledge about the customer</td>
</tr>
</tbody>
</table>

Figure 3: Crucial focus areas for service- and product selling companies
2.4.2. Model for global and local competitive strategy for a service-selling company

The main research question of this paper is to describe how product-and service-selling companies differ in defining their strategy in both global and local way. To demonstrate the differences, the approach is to build some theoretical models of both the product- and service company. These will be used for formulation of hypothesis and compared with the empirical findings in order to highlight how these companies differ in defining their strategies.

The theoretical model of Rajagopal (Rajagopal, 2011) can be used as a background model. However, according to other literature articles, this model does not take in account the many significant differences between product- and selling companies. Figure 3 defines all these differences supported by the scientific articles used in the theoretical section. These findings are going to be used in adaptation of Rajagopal's model in order to highlight the most important issues.

The authors present therefore the model for service-selling companies where local and global strategies interacting with exterior markets have been highlighted. The model is shown on Figure 4: the company's strategy is defined in the center. On the center top, it is top management strategy which corresponds to the global strategy. Global strategy is facing the regional strategy what corresponds directly to the front stage of Rajagopal’s model. In the center, to maintain the cohesion of the company, communication, integration and flexibility, there are internal values of the strategy. In left and right of the model, there are market strategies. Left side focuses, as in the Rajagopal’s model on the monitoring of the company on the market, such as brand management, strategic marketing and competition watching. Right side focuses however on the opportunities to develop a competitive strategy in order to grow on the market.

In case of service selling companies, as highlighted in Figure 3, one of the main focuses is the relationship with the customer. The customer relationship and knowledge is developed in the right part of the model presented by the authors and directly influence the local strategy. The relationship is built on interaction with the customer including their feedbacks. It is important to keep track on how the customers see the company. Brand management is therefore very important and the reputation is one of the most crucial focuses of the strategy from a global point of view. Left side is improved in order to highlight different ways to win the competitive advantage; in this case it can be innovation and differentiation.
2.4.3. Model for global and local competitive strategy for a product-selling company

The authors created similar model for product selling company. Figure 3 highlights that variety of sales, distribution channels, customer solution orientation, innovation, providing motives, knowledge of the customer are going to act as the main subparts of the theoretical model. The model itself has been presented on Figure 5.

Left side remains unchanged compared to the service-selling company’s model. Reputation is removed as it is no longer one of the main focuses in case of the product-selling company. The right part involves competitive advantage that a product company can gain by emphasizing it in the strategy formulation. The product on its own carries values of innovation and variety. Differentiation is one the competitive advantage that contains the focus on motives. The distribution channels is added to the model to highlight their importance for a product selling company to develop their market as it has been shown by Parvinen et al (Parvinen, Aspara, Kajalo, & Hietanen, 2013). Customer satisfaction contains the notion of the relationship with the customer. Customer satisfaction is very important for a product company in order to survive in a competitive market. The alliances are removed and replaced by the distribution channels. This can depend on the regional strategy and not only on the global one. It is important to notice that customer satisfaction can be influenced from both local and global strategy level.
2.4.4. Formulation of hypothesis

The two models for a global and local competitive strategy for product- and service-selling company represent the paradigm of business performance for both types of companies. They have been built and extrapolated according to the read literature chosen for its correlation with the subject, and restricted to recent and relevant literature. The models consider as hypothesis that strategy definition is different and depend on the type of the company.

The Rajagopal’s model is the structural basis, but it does not represent the differences between the types of companies. (Rajagopal, 2011) The created models are therefore extrapolated. There are however limitations in this extrapolation; absence of theoretical framework about the influence of the global or local strategy on a specific competitive advantage can be seen as one of them. For that reason the authors aim to keep the models open for changes. Therefore, if the literature does not specify that global or respectively local strategy has more influence on one area, the assumption is to consider that both have an influence on this area. This can be therefore a subject of discussion, but the model offers the possibility of adaptation and change according to further researches. Some aspects of the Rajagopal’s model do not appear to depend on the type of company, there are therefore kept as Rajagopal describes them.

Based on the reviewed literature and presented models, the authors identified differences and similarities in strategy definitions when it comes to service- and product selling companies. The finding are presented in form of hypothesis that is going to be checked with empirical findings and on that basis verified.

It has been found out that the general focus of strategy is different for these two types of companies: service-selling firms are significantly more focused on the end customer in comparison to product-selling firms that are more focused on quality and innovation of
their end product. These major differences affect also their core values. Focus on the end customers in case of service-selling firms puts high requirements when it comes to interactive relations and personal contact. In order to fulfill the customer's requirements and stay attractive on the market, in the strategy definition the service-selling firms are taking into account a market-adjusted development of customer relationships. That confirms that in this type of companies, not a service itself, but the customers stay in the focus as it is the base of good communication background.

The hypothesis implies also that product-selling firms have different approach in their strategy defining processes. As not the end customer but a product stays in the main focus, emphasis is often being put on the variety of possible sales on different markets. This approach involves significantly more focus on the market itself in comparison with service selling firms. Product selling companies investigate a market, search for possibilities and aim to gain market shares with their innovative product by continuous systematic optimization of their channels. In contrary, B2B service-selling firms follow their customers wherever they do their businesses and by that as a company are less depended on the different markets. Instead, their customers do.

In both cases knowledge about customer and collecting feedback from the field appears to be important. Both service- and product selling firms develop and define their strategy in order to satisfy needs of their current or potential customer and that is why measures related to what the customers think are equally important for both types of companies.

As a complement to the presented hypothesis it would be relevant to mention that there are also similarities in strategy-based selling processes in case of B2B companies. According to Åge (2011), these processes are complex and dynamic. The interests are managed by the actors being involved, which has been defined as “business maneuvering”. The proposed model does not differentiate between product- and service selling companies and the selling process has been divided into four categories:

1. Business standardization
2. Business fraternization
3. Business personalization
4. Business rationalization (Åge, 2011)

The hypothesis assumes also that there are things being in common for both product- and service selling companies in case of B2B alliances. There are four learning cycles defined by Perez et al (2013): alliance inception, joint-learning, specialization and discovery. Aforementioned learning cycles constitute “sequences of increasing understanding, cooperation, and higher order learning between the partners” and can be seen as universal for both product- and service selling B2B companies (Perez, Whitelock, & Florin, 2013, pp. 431-432)
3. Methodology

The approach to write this paper is to follow the Case Study Research Design and Methods of Robert K. Yin (Yin, 2009). As it is described by Robert K. Yin, the case study as a research method is an empirical way to investigate the topic which is under studied. In this thesis, the investigation will be guided by the empirical propositions of case study research proposed by Yin. The objective is to design our thesis around by establishing an empirical structure to our case. As it is described in Yin’s book, one important step is to collect the case study evidence.

In consistency with the general rules of a case study research method described by Yin (Yin, 2009), the data is collected using different types of evidences: data from the companies which can be found on Internet, articles from reliable sources as well as information gathered directly from the company in form of interviews. The main idea for the relevant data collection is to select one product-selling company and one service-selling company that are present on different markets and analyze them from a strategic point of view taking into account how the competition affects the strategy formulation.

In light of that, it is important to find out how the companies manage their strategies from a global view and locally for different markets. Moreover the companies got different financial results which reflect their different strategies. It determines the performances of the company’s strategy. Thanks to the policies in Sweden, a lot of data is easily available for any legal entities registered in the country. Missing and additional information is going to be taken directly from a chosen company’s annual report or interview. If available, reports and articles are also going to be used.

This knowledge is needed in order to summarize how the strategy is defined in different cases, find relations between different types of strategies and types of competition. By using a case study as presented in the section 3.1, the aim is to answer the research questions with satisfactory level of details following at the same technical frames of the chosen research method.

3.1. Research method selection

Case study, although the most common, is not the only one method applicable for similar type of studies. In line with case study there are also experiment, archival, survey, analysis and history available. Yin (2009) states that research questions’ identification determines the research method is planned. Before a decision of which method to choose, an exact evaluation should be done. Formulation of research questions is one of the most important factors determining the selection of research method. Yin (2009) underlined also that case study method is applicable for research questions “how, why?” and “does not require control of behavioral events, but focuses instead of the contemporary ones” (Yin, 2009). Since the main focus in research questions has been put on how service- and product selling companies differ when it comes to strategy definitions, one can conclude that the form of research questions being asked for the purpose of this thesis corresponds therefore directly to the case study research method.

Prior to data collection, an important decision to take is, according to Yin (2009), whether to use single- or multiple-case study design. Yin presents and describes five rationales for using single-case designs in order to help answering this question:
1. Case study represents a critical case in testing a well-formulated theory
2. The case represents an extreme or unique case
3. The case has a representative or typical form, i.e. everyday situations
4. Considered case is a revelatory one: the phenomenon has not been accessible before
5. The case study is a longitudinal case: studying the same single case at more than one point of time. (Yin, 2009, pp. 46-50)

The design of the case study should be strictly adjusted to the considered case. Yin (2009) states that “research design is the logic that links the data to be collected to the initial questions of study” (Yin, 2009, p. 24) Construction, meaning which type of case study to use, should be adjusted to the available data, time frames and complexity of the considered case. As a conclusion from aforementioned theoretical background, a single-case holistic design has been chosen for purpose of this thesis.

3.2. Selection of Cases

Selection of appropriate cases has to follow a procedure. Beyond that companies need to respond positively to the request, there are criteria on the choice of the cases to be considered. The objective of this thesis imposes that obtained data has to be relevant for the chosen subject. In the case of defining strategies in different regional levels, small companies may not fit in the selection. Therefore the authors have defined following requirements to the companies: a company needs to be big enough so they have to manage their resources according to the market. In order to compare the companies in different markets, the company needs to be international. Moreover, the product- and service selling companies need to have spread of their market. Management of these companies must have implemented strategy processes. By matching these few requirements, a range of the potential companies possible to be selected is wide.

In order to improve the credibility of the thesis, the approach is to choose two different cases. The authors aim to select one company selling products directly to the end customer and one company selling services. The case study could have been broaden to more companies in order to define statistics and improve credibility of the results. However in order to respect schedule of the thesis, the results are based on the interview of one respective manager in each company about the defined subject. The chosen companies will be two international companies which answer positively to the request.

The chosen companies are Volvo Construction Equipment (CE) AB in Braås and PwC. These two international companies have developed subsidiaries or legal entities in the world. They have developed management system and strategy process as well as both fit well to the cases’ requirements defined by the authors, especially when it comes to variety of their offer: Volvo Construction Equipment AB sells constructions machines while PwC sells services to the companies. The main aim of this case study is to analyze the two selected sub-cases, meaning Volvo CE and PwC. The used research method tends to answer the research questions, but also to build an explanation of the cases from the analysis point of view. That is the reason why one service- and one product selling- based company have been selected.
3.3. Data Collection and type of data

For purpose of this study, both primary and secondary data have been used. Primary data can be understood as all the information which have been collected only by the investigators and used without any modifications, secondary data on the other hand is everything which has been collected and compiled by someone else, i.e. reports, articles and electronic materials. (Lundahl & Skårvid, 1999) Yin (2009) emphasizes importance of three main principles of data collection technique: using multiple sources of evidence, creation of a case study database and maintaining a chain of evidence (Yin, 2009). Having in mind these principles, the collected data has been taken only from the relevant and credible sources: reliable data from the companies’ internet sites, articles from trustable sources, as well as other types of evidences in form of interviews.

3.4. Credibility of the used data

Even if the used search engines for references are mostly from the BTH University, extra attention is given for the credibility and relevancy of the data. Regarding the credibility of the used resources for articles, only officially published journal papers and scientific books have been used. Credibility of authors has been checked by paying attention on the education, current position, publications and eventual references.

When it comes to resources from internet, official websites of the companies have been used, beside those annual reports. Moreover as companies have to report to the states their results, official websites of Swedish public institutions can only be considered as credible sources. All these sources can therefore be treated as credible and thus the data used as a background for this thesis can be seen as fully reliable. An extra control of the credibility and relevancy of internet resources regarding interviews with people involved in the strategy formulation at the companies will ensure the quality of the data.

The type of evidences for the selected subject of this paper is interview. In order to obtain credible results from interviews, the selected companies and selected persons to interview have to respond to the criteria. The interviewed persons have to be able to answer prepared questions relevant for the subject. They need therefore to have a proper position inside the company which allows them to know about strategy and competitive markets. An extra control of the choice is done in order to find a person who can positively answer to the questions. In order to improve the credibility of the interviews, the questions relative to the subject are prepared in advance and chosen to be precise enough.

3.5. Data collection preparation and questionnaire methodology

Preparation to collect data is an important step in this thesis as only two company cases have been selected. The objective is therefore to ask the manager of the two companies about the strategic movements. However to have a better credibility, the authors will additionally focus on three different markets that the manager can choose. In each of these markets, the companies have different positions. It implies that, in each competitive market, threats of suppliers, customers, new entrants, competitors are different. Guidelines and templates from Michael Dobbs can support the analysis of these markets. (Dobbs, 2014)
With relevant data, the objective is also to obtain a credible, objective point of view. During the questionnaire, a series of questions will be asked during the interviews organized in two main parts. After short presentation of both companies, and about the market, the objective is to go to the point to describe the strategy and competition the companies are facing. The questions will then focus on three specific markets to highlight competition, specificities of the market, and also the strategy adopted by the company to gain a competitive advantage.

3.6. **Validity of the data**

Collection of valid data is one of the biggest challenges when it comes to case study method. The design begins always with definition of research questions defining the main scope of the studies. According to Yin (2009) in order to successfully prepare and collect data relevant to the defined research questions, a proper preparation is required: training for a specific case study, developing protocol for the investigation, screening the candidate cases and finally conducting a pilot case study. In order to conduct the data collection in an effective way, the investigator should be a good listener, behave adaptive and flexible as well as focused on asking the right questions being previously defined in light of the research questions. Holding the time frames on the interview avoids focusing on thing having minor importance for the case study. Well defined questions and in consequence getting good answers is a key factor of an effective data collection. (Yin, 2009)

Yin (2009) defines also six different sources of evidence being a foundation of data valid for a case study. The first two sources are available documentation and archival records. The sources are stable, exact and broad. However, might be difficult to find, out-of-date or incomplete. The third source is interview which is the key point when it comes to collection of valid data directly focused on the case study topics. Interviews are most insightful, i.e. provide perceived casual interferences and explanations. There is however risk of bias due to poorly articulated or too vague questions and thus the sufficient focus should be put on those. As additional sources direct observations, participant observations and physical artifacts have been mentioned. (Yin, 2009)

Interview questions used in this case study have been presented in Appendix 1.

3.7. **Data analysis – alternative methods**

Analysis of collected data consists of examining, categorizing, tabulating and testing in order to draw empirically based conclusions. According to Yin (2009), each case study analysis should follow a general analytic strategy, defining priorities for what is going to be analyzed and why. In a case study, the data can be analyzed by following one out of four general strategies. *Relying on theoretical propositions* is the first and most preferred strategy. The principle is simple and based on existing and listed theoretical prepositions that led to considered case study. *Developing a case description* is second strategy based on developing a descriptive framework for organizing the case study. This might be a good alternative while having difficulties making the first strategy work, for example collecting the data before setting the research questions or propositions. *Using both qualitative and quantitative data* is the third strategy reserved mostly for experienced writers with significant resources for the investigation since it involves embedded unit of analysis. The last strategy, *examining rival expectations*, is the most universal one. Initial theoretical propositions may include rival hypothesis which are going to be examined in light of defined research questions. (Yin, 2009) In this case study, *relying on theoretical propositions* has been selected as the data analysis strategy.
Yin (2009) extensively explains five analytic techniques being a consequence of properly selected analysis strategy. It would not be relevant to describe all of them since more advanced techniques are reserved for more extensive research projects involving experiments with significant resources planned. *Time-series analysis, logic models and cross-case synthesis* can be mentioned as examples here. In this case study, the *pattern matching* analysis technique have been selected which the most common one. However, the authors have focused on elements of *explanation building* which is a special type of pattern matching technique. The goal is therefore to compare the empirical part with the theoretical one with elements of building an explanation about the case since this type of approach fits well to the considered case of one service- and one product selling- company where the authors not only tend to answer the research questions, but also underline the differences while analyzing the two selected sub-cases.
4. Cases

In this section all the information received from the companies have been described. Two of information sources have been used: interviews with employees and documents available at the company. Where useful and available - appendices have been created.

4.1. Volvo Construction Equipment AB in Braås

For purpose of this thesis, Volvo Construction Equipment in Braås has been taken into account. The site manufacturers Articulated Haulers in four different sizes: A25, A30, A35 and A40. Designation of models is logical and letter “A” stays for Articulated Hauler while the following number corresponds to the load in tones they can carry. Figure 6 shows the biggest type of the articulated hauler in its latest version: A40G. A general description of the company can be found in Appendix 6.

![Figure 6: Volvo Articulated Hauler A40G (Volvo Construction Equipment, 2014)](image)

4.1.1. Global strategy related questions including market & competition aspects

The main objective of Volvo Construction Equipment (CE) is to be a global player in construction business which in this particular case means that the company aims to be in a “Top 3” in the segments the company is present at. The company is present in the most segments of construction except the heavy mining sector where Volvo CE is not present at all. The “Top 3” ambition is directly related to total turnover of the company as well as profitability meaning operating margin and can be seen as the most important objective of the whole Volvo CE. The core values of the company are Quality, Safety and Environmental Care. (Volvo Construction Equipment, 2014)

Historically Volvo CE has always defined its strategy for coming 3 years. Although the overall shape has always been similar and focused on gaining market shares as well as increasing profitability, each version of strategy has the main focus areas defined and prioritized in a different way. For purpose of this thesis the latest version of the strategy (2013-2015) will be analyzed. At Volvo CE the strategy for coming years is defined based on the assumptions and predictions based on the market signals what is consistent with the general rules of creating the strategy.
Volvo CE has defined its own processes to communicate the global strategy internally within the company. One of the most important drivers in strategy communication is the president of Volvo CE who is visiting different sites in order to work with the strategy on the more local levels. “Town Hall Meetings” and “Webcasts” are the main activities related to this process and all the employees have possibility to either actively or in a passive way participate in this process. In such way the management of the company is physically available and present in defining global or more site-related goals, as well as answering questions related to the different focus areas. All the documents are available on the local intranet “Violin”, all the Volvo CE sites receive a folder where all the details related to the global strategy are specified. Content of such folder has been presented in Appendix 4. It is however important to mention that due to secrecy policy of the company, for purpose of this thesis external versions of the documents have been presented. Secrecy covered internal versions are to significant extent identical, but complemented with several more specifically defined goals.

The global strategy of Volvo CE is based on the actual challenges of the market and thus can be seen as strictly related to them. A relevant example of more specific focus area could be to mention the road machinery products. The sector expands dynamically and the company would like to participate in that process by gaining new market shares. The strategic target defined for this field is to achieve rank 1 or 2 as well as to significantly improve market share in each region. Besides that, Volvo CE aims to be able to provide a portfolio of competitive road products designed to cover significant part of the whole road machinery market. (Appendix 4)

Another example of strategy coupling to the market challenges could be to mention Volvo CE ambitions of profitability grow in the acquisitioned Chinese company SDLG. Chinese market is very price-focused and the challenge is to meet the market needs by providing products which not only will be good, but also price-competitive. The overall goals are to achieve significant increase of excavator share in Chinese market, but also to grow the export business and customer solutions export business as well as to improve operating margin and positive cash flow supporting the overall targets. (Appendix 4) The global strategy meets the market challenges also when it comes to the specific of a market. North America, European Union and other developed countries are markets where focus is put mostly on comfort, efficiency, environmental factors and law restrictions. These types of markets in Volvo CE’s nomenclature are called “regulated markets”. A characteristic fact is that they are “saturated” to a significant extent and sales possibilities are due to that fact constrained. In the developing parts of world such as BRIC countries, price and effectiveness are one of the most important factors. These markets are defined as “unregulated markets” due to lower emission restrictions. The competition is tough and it is a challenge to deliver a product which will meet the specific market needs. Possibilities of earning money are significantly bigger on these markets since the volumes of required products are much bigger. Volvo CE aims to provide a product which fits to a growing-market customer by offering an effective, robust and price-worth solution.

Possibilities of growth of different markets are different for different products. In case of whole Volvo CE product range, the possibilities are significantly bigger on unregulated markets while the regulated markets remain saturated with significant amount of products. When it comes to Articulated Haulers however, the situation looks in a different way. The latest market research
shows that good growth possibilities are visible both on regulated and unregulated markets. The differences have been graphically presented on Figure 7. Also here, only the overall trend has been presented due to secrecy policy of this data: no digits on the diagrams could be published.

![Figure 7: Predicted growth possibilities for Volvo CE in years 2013-2015](image)

The global strategy is defined by Volvo CE’s highest management and obviously the intentions are to make the company even more profitable and competitive. However, constantly changing political and economic situations on the different market causes that some of the assumption may be out-of-date or unfitted. To the obvious advantages one could account the work with market-adjusted portfolio of products, actions taken to increase the overall gross margin and improve the efficiency in product portfolio development as well as promoting excellent leadership type within the company. The proper interpretation of strategy disadvantages may only be verified afterwards when the situation on the market is already known. Based on that knowledge, a practical disadvantage can be related to very ambitious target when it comes to certain products. A will of leading position on the market (1-3) in a certain sector requires that significant amount of products X will be sold. Products have different profitability indicators, in reality it may happen that product Y will also offer similar properties for the customer and would also deliver more money to the company. In practice however, since the focus has been put on the X-product related sector, it may be prioritized to sell such one in order to reach pre-defined target. Although aforementioned practice is not a direct disadvantage of the defined global strategy itself; it may be seen as an Achilles hill of big companies being present on significant of markets, offering products in almost all the sectors available. Volvo CE deals with such types of issues by adjusting the strategy on the local, market-adjusted levels.

Volvo CE delivers and communicates the global version of strategy to different parts of company’s organization and that is the core of the whole business. The different organizations of the company however, adjust interpretation of the global strategy so that it fits more in the overall picture of R&D, sales, or any other company’s organization overall picture. All the
adjustment are in line with the global strategy and organization-depended different interpretations do not change the overall meaning of it. The situation is different when it comes to the market-depended strategy adjustments but this is going to be described in section 4.1.2.

Market of articulated haulers is a specific one and the company decided to follow the principle “One product fits all”. Volvo CE has one offer for the whole world but there are different law restrictions that differs the machines sold on regulated and unregulated markets. The differences are present when it comes to different engine versions and exhaust gases emission levels but the whole product is identical regardless to where in the world it is going to be sold. Different engine versions with different complexity levels are thus the only differences in the product being sold worldwide. That is what Volvo CE offers as a company, however there might exist other requirements from the market side. These requirements are called MRS which stays for “Market Related Standards” and contain all the requirements and specifications the product does need to fulfill in order to be sold on a market. It is also important to underline that although the safety requirements differ from country to country in the same way the exhaust gases limits do, Volvo CE has chosen to deliver the top-safety products to all the markets without taking any advantage of lower requirements on some of them. It implies a very high safety level of a machine already in the standard version, especially when it comes to ROPS (Roll Over Protection Systems) and FOPS (Falling Objects Protection Systems) criteria.

In case of Volvo CE, aforementioned product selling strategy is valid for articulated haulers only. Other construction machines, as excavators and wheel loaders are not being delivered in the same version to all the markets worldwide. In these cases, although high level of modularity is kept, the company has chosen to introduce two different base products: for regulated and unregulated markets. The differences in these cases, except emission levels, can concern different designs and functions in order to adjust the product according to actual market requirements. It is also practiced to manufacture previous generations of machines in some markets while selling the latest generations on the other ones. The differences in selling strategy between articulated haulers and loaders have their origin in total volume of the products the company sells. Excavators or wheel loaders are being sold in hundreds of thousands units per year while articulated haulers oscillates around several thousands.

Volvo CE is a global company and the products are being offered worldwide. There are only few countries in the world the company is not present with its sales network so that there are actually no legal limitation for the company to sell a machine everywhere. It does not however mean that Volvo CE does not attempt to penetrate the markets with new products, in practice it is in opposite way. There are continuously ongoing actions related to introducing other products on the markets they are not present yet. An example could be to mention sales in India: the market requirements are very specific and Volvo CE sells many backhoe loaders while have difficulties to introduce several other products there. Penetrating the market with excavators and wheel loaders is a challenge which could be given as an example of how company tries to introduce new products on the market is already present at, but with a different portfolio. The same concerns articulated haulers which are still not very popular on the Chinese market, but the company is undertaking activities to introduce this concept and sell the product as an alternative to for example lightweight dump body trucks.
In case of Volvo CE, there is an internal program taking care of reducing waste, costs and decreasing lead time. The program’s name is Operational Development (OD) and one of the overall outcomes of it is definition of potential threats and opportunities for the whole company. Taking into consideration latest market trends, the main threats are aggressive competitors, low demand related price wars and high cost of manufacturing the product. Opportunities, on the other hand can be found in emerging markets, innovative climate, lean culture of the company and CAST program. Focus area of the last one is out of the scope of this thesis and thus will not be developed further. Appendix 3 shows the graphical illustration of this interpretation.

4.1.2. Strategy definition for different markets

In the three different markets section the focus has been put on one generally understood developed market, one developing and one poor. In case of Volvo CE, based on the sales results and market penetration factors when it comes to articulated haulers, following markets have been selected in order to make the classification relevant and suitable in light of the research questions:

Developed market: **USA**

Developing market: **China**

Poor market: **Republic of South Africa**

All these markets are interesting from different points of view and their selection allows focusing on market-based different strategic actions performed by Volvo CE. The developed market representative, USA, can be characterized as a premium product-focused. Standard versions of machines are equipped very well, also Market Related Standards (MRS) are high what additionally requires some extra safety features. In case of Republic of South Africa (RSA), the most characteristic features of this market are extremely high price-based competition, low safety and emission requirements as well as generally understood low competence of personal that use and serve a product. Chinese market seems to have unlimited potential when it comes to volumes, safety and emission requirements are not as high as on regulated markets, but a lot of focus is being put on productivity and efficiency of working.

Volvo CE follows the market trends by monitoring the sales historically, but also by keeping contact with presents and potential customers, actual requirements on certain market are being analyzed. Many of requirements are also being steered by the governments, especially when it comes to safety and allowable emissions. These are the specification that affect the cost of a product in a significant way and that is the main reason while the world has been divided into aforementioned regulated and unregulated markets.

In RSA it is important that a machine is durable. Misuses are very frequent, products are often repaired on site and the general competence of maintenance and service is very low. Drivers and maintenance staff has in most of cases very low level of education and generally there are no habits of maintaining the product, it is used as long as it works. Motor failures due to misuse or oil leakages are frequent and second hand value of products is normally very low due to their bad overall condition.

China is a characteristic developing market and although Volvo CE sells many different products there, articulated haulers have not penetrated the market to a satisfactory degree. The interesting
thing is that the company sells many haulers to China, not directly to the market but to the international contractors that perform construction works on the Chinese territory. Developing markets are in between the poor and developed; the products do not have high safety and emission requirements, but on the other hand instead of price-press, focus is being put mostly on productivity and work efficiency assuming that the product is maintained and served in a proper way during whole lifetime. Drivers and maintenance staff is in most of cases prepared for dealing with these products. The overall focus on these types on market is therefore earning money, not by saving them on service and necessary repairs but of effective use of the machines. Well maintained products not only assure better working properties, but also maintain the second hand value on the market.

It is also relevant to mention that in case of articulated haulers, different products have different use rates. The smallest product, A25 is mostly used in road constructions and by smaller contractors while the biggest product, A40 is often used in mining and applications where the mass needed to be transported is extremely high. The difference is that A25 is generally used while needed, i.e. 8-10 hours/day while the big products, A35-A40 are being used around 24 hours/day in order to effectively use invested money. A25-A30 haulers are often moved by the customers from one place to another while A35-A40 products are normally adjusted to work on the same place throughout whole lifetime.

Volvo CE belongs to one of the biggest players on the global market but it is also important to underline that competition is tough and related to both price- and innovation aspects. From among Volvo CE’s biggest competitors one should point out Komatsu, Caterpillar and Hitachi, but also John Deere, Liebherr, Sany, Doosan Bell and Hyundai should be mentioned. One of the biggest competitors, Caterpillar has developed a very wide customer service network and offers huge amount of different machines in many different configurations. Beside that a complex system of financing a machine has been developed and thanks to that Caterpillar can sell significant amount of products by being close to the customer and offering exactly what is needed at certain point of time. Komatsu sells successfully the products mostly thanks to the superb cost-control systems that allow delivering good products keeping at the same time the price on a decent level. Volvo CE does not offer equally big customer service network and historically has always been selling innovative high-end products of very good quality and low fuel consumption. Each of the market-leading companies represents therefore different strategies and on the global level that is what can be seen as characteristic.

It may be also relevant to mention that each of the market-leading companies works mostly with its own strategic approach but it does not mean that the frames of these strategies are fully rigid. Caterpillar focuses a lot on a soft offer i.e. adjusting the product for an individual customer in a high degree. Komatsu sells in an opposite way – very low different variants allow keeping the costs on a low level. Volvo CE stays focused on delivering fuel efficient innovative high-end products but due to the strong competition, much focus has also been put on production cost reduction literally meaning increasing gross margin per unit.

The aspect of competition is a complex one and although different approaches vary with time, in case of Volvo CE the last several years, as well as coming few years are strongly related to aggressive price-based competition. It is directly related to the Chinese market which stays for
very high volumes of products. Competition on the construction equipment market is tough, especially because of the low-price domestic manufacturers that offer products from different shelf, but also not comparable when it comes to price. Market shares are in such situation spread among many different companies, both domestic and international and any attempt of getting a customer involves aggressive price competition i.e. delivering a product that fulfills customer requirements but at the same time is competitive on the market. It does not only concern the Chinese market itself, but also Chinese products being sold worldwide. The unstable economic situation puts many potential customers in difficult positions and many of them are searching for a low-price product which is threatening market shares of Volvo CE. Price-based form of competition can be therefore seen as the most important aspect related to the existence of a market and the trend is the same worldwide, on all the markets Volvo CE is present.

When it comes to general trends observed by the company, although price-based competition is present everywhere, regulated markets tend more to technology-based form while unregulated markets are characterized by even harder price-pressure or service-based form of competition. Quality-based form of competition from Volvo CE’s perspective should not exist since “quality is not an option”. Price depends on offered quality and the main competitions within this branch deliver product which correspond to the customers’ quality requirements. No customer would be willing to pay high-end price for a low-quality product and that is the main reason why pure quality-based form of competition is not visible on the construction equipment market.

In case of articulated haulers it is also crucial to have some representatives that would deal with any types of field problems directly on customer’s site. It is often response time and the customer’s feeling how the issue has been handled that is crucial for further cooperation. Understanding the customer and ability of helping is therefore important for building verbal relations with present customers, especially when it comes to developed and developing markets, but also on poor markets in case of big customers.

Many other competitors are also introducing their own concept of articulated hauler and that can be seen as a barrier in increasing the Volvo CE’s market shares. The company has introduced articulated hauler as first in the world what corresponded automatically to 100% of market shares in the beginning. Nowadays, the number is around 30% and although Volvo CE is still number 1 or 2 on the global market, the competition work hard to gain some additional market shares. There are no signs of blocking any of the market in an illegal way, however, all the competitors do their best to deliver a product which will be seen as the most attractive and finally chosen by the customer. What type of product will it be is very market related and that is the main reason of local adaptations of applied strategy.

4.2. PwC

PwC is a professional company, one of the leaders in its area. Contrary to Volvo CE which is an industrial company, PwC can be classified as a service company as it offers advices to other companies. With a presence over 157 countries and 180000 employees, the company has forged reputation in audit & assurance, tax advisory, legal, consulting. The company is one of the Big Four with Deloitte, Ernst & Young and KPMG. Business of PwC is based on laws, standards, regulation and internal policies with an understanding of the limits of them. PwC is not a single
firm; it is rather a professional services network. Each firm is legally independent. The headquarters are in United Kingdom. As professional advisers, they have developed core values (excellence, teamwork and leadership) and code of conduct for all PwC people and firms.

4.2.1. Global strategy related questions including market & competition aspects

PwC is presenting having a simple strategy based on 3 groups: clients, employees and competitors. As the company is a knowledge company, the strategy is to provide the value to their client that they are looking for. They offer therefore a range of services in a fastest way with the best people. The strategy is translated into targets. Revenues are the most important target. The company is basically owned by partners which are the co-owners of the company. Profits are paid off to the part-owners which are highest bosses. The legal structure is a partnership, it influences therefore the strategy which may be included in short term processes. Every year, the profits are paid and therefore the company tries to get highest sales every year.

They have target for sales. But the last two years, the target has been focused on growth. In order to grow, there are a lot of strategies to grow by acquiring companies, by recruiting. Growth is in number of people and in terms of revenues. As it is not on the stock exchange, all financial data are not publically given. However it is possible to have access to their annual financial review. This board is available but does not go as deep as publically companies. Assessment of the company is difficult to analyze.

They have a global firm with a global CEO, but each country is operated from its legal entity. Global strategy is communicated to the whole network of companies. In each country, every three years, a strategy is developed, it is a growth planning. They have to feedback the plan to the global group to determine if it matches with the global strategy. It can appear that the strategy of one entity is not in phase with the global strategy. The communication of the strategy through the company is not an easy task from Top management to down in entities. It is a lot of communication back and forth between global and local companies. The CEO and top management are mostly in USA, even if the headquarters are in United Kingdom. They tend to welcome more and more people from developing countries, such in China, Brazil in the top management.

In each entity, even if the strategy is done every three years, there are planning every year for the next three years for our main strategies. These include the number of employees, the clients the company is working with, and revenue planning. There are also other sections in the report regarding branding which is a way to position the company inside the market. It is more difficult to get target about it, however the company takes attention to know how high the company is ranked in each market, between competitors. Branding and differentiation was part of the strategy in order to differentiate the company from the other Big Four. After analysis of the competitors’ logo, the logo of PwC is nowadays colorful.

Each department of each entity may have different targets according to their function on the market. Some department may have more aggressive targets such as tax and consulting departments. Accounting is for example difficult to grow as it is tough market. Tax is considered as a growing market because global companies need advice how to manage their tax for them and for their employees in the world.
All the competitors are very similar. Differentiation is one the challenge. Even if the companies are competing globally, it is locally where the companies are competing by biding on contracts, trying to keep their local clients, trying to take some competitors clients. It is on the local level that companies are meeting their competitors. Even if we often consider the Big Four, there are also other competitors, locally, some niche competitors that are specialized, and client department which may have also the service in their own. Globally there are even more competitors than the Big Four. For example, after the crisis, many strategy companies, such as Booze Allen, could not sell as many as strategy consulting, they went down to the core business of PwC. Competition has grown, implying tough competition environment for PwC which has to decrease their rates to match with competition. Competition is a lot now on price. It is a challenge for the company to make some profit. In order to cope with the global market and the challenges it implies, the strategy actions implies that PwC has to buy their competitors. They bought other consulting firms, such as Booze, 3000 people. PwC is very interested to acquire companies which have services that PwC does not have. Internally, the strategy is built on the external factors, and the company tries to learn from social media and communication technologies to make improvements internally in order to link people better so that the employees answer customer better and faster than the competition. A lot of focus is done now how to connect the 180000 employees and how to improve how they answer the customer so that the company wins the bid. Contrary to industries which often have a traditional approach regarding new technologies, PwC tries to adapt even if the moves are slow. If one competitor is moving, the move of PwC is slow. This is due partly because the company is much decentralized compared to some of their competitor. Even if they have a strong top management team, it is still each country which decides. It is a challenge for the company to adapt the strategy very quickly as the decision making is long, and to make every entity looking at the same direction.

Strategy is organized in different levels: global, regional, and local. There are many strategies, and the focus of important things may be lost. For example, some local strategy can focus on recruiting and from the regional strategy; the focus may be to integrate the resources. It can be also on the company client. Strategy may focus on a very important global client who may not be for a local agency which cannot reserve resources for him, so it is complicated to have a full consistency in the strategy between local, regional and global.

The company is keeping track of data while working for a customer. PwC has also some targets for rankings of the company in each market, percentage of utilization of the employees. Flexibility in the strategy is quite high in PwC. Each entity can deviate from the global one even if it is quite strict. It is a broader strategy which let for each country enough space in interpreting the strategy.

The company is present in a large amount of countries. It is not many countries which does not have the presence of PwC. Most of the country has accounting as one of the services. In the countries with few services, they try to offer to their clients other services such as consulting and tax services. It is mostly due to large clients which are operating in this country that PwC develops in many countries by reaching the local CEO locally to present their services. Via relationship, they enter new markets thanks to their clients. Through their clients, they also try to sell other reach the partners of their clients to offer the partners consulting, tax services.
In politically unstable countries, PwC is also present to be where the clients are. They do not approach to be there for the possibility of growth that these countries may offer. They first access if the safety of the employees. The work is rather on a project based. In those countries, it is not sure that the company has established legal entities. If the market is important for the client, the presence of PwC will be there. PwC considers that the markets are not as important as their clients. Politically unstable countries are not a market for PwC but the client may be one even if the client is in these countries. Geographical locations are less important for PwC. For developing countries, the same situation appears. For China for example, PwC wants to be present in China, but their clients also want to be in China. So PwC is there to accompany their clients in China. It is important to have customers in politically unstable countries, otherwise PwC may not go there.

Barriers in markets are not really existent for the Big Four. In none of the market, there is no predominance from one of the Big Four, markets are fairly well distributed in each country. Power is balanced. Of course, in some countries, one of the Big Four may have bigger presence than other. Each year, there are reports of the ranking of PwC in each country.

Regarding threats, the biggest threat is that the company gets a law suit, for example if the company made a mistake or if PwC audited a company that went bankrupt. They may have bad publicity locally from these mistakes and loose some market shares. Another type of threat is competitor. For example, one competitor may organize themselves much better. For example, Ernst and Young is growing faster in number of consultants than PwC right now in Sweden. The competitor is more efficient to attract employees. PwC analyses the moves from the competitors, when PwC is losing contracts for a competitor, when a competitor is successful in recruiting. One of the reasons of losing contracts is lower prices. Even if PwC does not go below a certain price, PwC takes in account the moves to change the direction of the strategy. This may imply some managerial changes, such as change of leaders who are running a group. This may imply some change in the recruitment strategy, for example aggressive in the recruiting. In accountancy, big contracts are for four years. If the company is losing the contracts, it is considered as a signal that the company is not doing well on the market. In Netherlands, few years ago, PwC lost a lot of accounting contract with big banks. After every contract, there are reviews of the contract to analyze the result of the contract to become better for the next time. Feedbacks from customer are very important to improve the processes and organization. Client feedbacks are very important, as it is relationship and interact with clients.

They have groups in the company to consider innovation to help their customers with these questions. The innovation for a service company is more in improving the processes of their services. It is mostly on how to deliver more efficiently the contracts, how to interact with customers, how they can improve communication inside the company by using the new technologies. As a service company, they look at the technological development that can help their processes to give their services to the customers.
4.2.2. Strategy definition for different markets

PwC does not consider market in terms of geography or regions. PwC has some interest to develop in developing countries and has some plans to be in these countries. But these plans are in phase with their customer localization. The company is customer driven.

In order to be present in these potentially growing markets, such as Brazil, China or Mexico, the company is changing the leadership by including some members from these countries.

The company has developed three types of client list: important global client, regional list, and a local list. PwC values their client on how much revenue the company is getting, and how strategic the company is judging them. In the case of strategic clients, PwC does not expect the same of revenues than the important clients. After analysis of the organizational structure and the will to grow, PwC offer them the possibility to accompany them in their growth by proposing some agencies in the countries in which the company is developing. The company tries to mirror the countries organizational structure of their client in the same objective to support the customer to achieve their strategy. In this account management program, the company is getting more and more companies from developing countries. This program is to take extra care of the important customer. A team is dedicated to that client. There is not so much difference between customers from developed countries or developing countries. The customers may have different issues, but these issues will not be treated differently by PwC.

To investigate the requirements of the market and therefore their customer, PwC organizes some workshop with responsible team and customer. These Account planning workshops have the objective to know the needs of the customer and highlight the areas where the customers can receive some help from PwC. PwC helps their customers how to develop in other countries. This kind of planning is for big or strategic companies and not every client. In Sweden, 40 to 50 accounts got this kind of workshop. PwC sees some differences of customers between developed and developing from their demand. Companies in developed companies are more interested in the international network and in the presence of PwC in different countries. Smaller companies are interested if PwC knows the local market, the language, and the price is also important for smaller customers. Network is also important for smaller companies, such as manufacturing companies, in order for them to get know in their own market.

In this professional service companies, there are Four Big competitors. There are also local competitors. Competition is mostly based on price and on recruiting talents. PwC analyses the moves of their competitors in each market. There are some rankings of market share on each market.

Global strategy offers enough space for local strategy to take some moves and adjustments. The local strategy can be adapted from a customer point of view. Team working for a client can be adjusted according to the required work for this particular customer. These adjustments in terms of people can be done fast. One critic is that these adjustments can be too rapid and may not be long term thinking and therefore best solution for some customers.
Mistakes have been done with some strategic acquisitions that the company did few years ago. The mistakes are due to the structure of PwC was not matching with the structure of the company they bought. It implied some difficulties to integrate the company inside the PWC. The acquisition is an acquisition and people and of their knowledge. The strategy of acquisition of the company is now to wait before integrating and to analyze how to integrate best the company inside PwC.

Barriers exist in professional services. Beyond that some customer just tends to use only one professional service, there are some rules and laws that can shape the market by not allowing different types of professional services for one customer.

4.3. Summary of the key-points from collected data

The main goal of summarizing the findings is to sketch a clear picture of similarities and differences between the two considered cases: a product selling company (Volvo Construction Equipment in Braås) and the service-selling company (PwC). Table 1 shows the empirical findings-based comparison.
### Table 1: Similarities and differences between the considered case companies

<table>
<thead>
<tr>
<th>Key point</th>
<th>Case company 1 (Volvo CE)</th>
<th>Case company 2 (PwC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main focus</td>
<td>Product-selling</td>
<td>Service-selling</td>
</tr>
<tr>
<td>Presence</td>
<td>Worldwide</td>
<td>Worldwide</td>
</tr>
<tr>
<td>Core values</td>
<td>Quality, Safety, Environmental Care</td>
<td>Excellence, Teamwork, Leadership</td>
</tr>
<tr>
<td>Communication of strategy</td>
<td>“Town Hall Meetings” and “Webcasts” organized by CEO, employees have possibility to either actively or in a passive way participate in this process of strategy adjustments.</td>
<td>A lot of discussion-based communication back and forth between global and local companies.</td>
</tr>
<tr>
<td>Global strategy definition</td>
<td>To be a global player in construction business i.e.to be in a “Top 3” on the market in all the segments the company is present at.</td>
<td>Based on 3 groups: clients, employees and competitors. Revenues and growth are prioritized.</td>
</tr>
<tr>
<td>Time frames of global strategy</td>
<td>Defined for coming 3 years, reviewed on a local level.</td>
<td>Defined for coming 3 years, planning an follow-up every year for the next three years.</td>
</tr>
<tr>
<td>Influence of global strategy on local entities</td>
<td>From global level downwards, specifically defined global targets are to be taken into account in local entities. Entities adjust the global strategy according to legal requirements or specific conditions.</td>
<td>From global level downwards, local entities feedback the plan to the global group to determine if it matches with the global strategy.</td>
</tr>
<tr>
<td>Local strategy definition</td>
<td>Decentralized, local entity based. Global strategy-based adjusted for the local market. Dynamic adjustments in order to react for competitor’s movements are possible.</td>
<td>Decentralized, local entity based. Global strategy-based adjusted for the local market. Dynamic adjustments in order to react for competitor’s movements are possible.</td>
</tr>
<tr>
<td>Local strategy focus</td>
<td>Mostly results-based, percent of market share. The company aims to have, certain amount of sold units or target of gross margin on certain product on certain market.</td>
<td>Can be focused on recruiting or integrating the resources, but also on the company’s client in case significant amount of services is being sold there.</td>
</tr>
<tr>
<td>Flexibility of local strategies</td>
<td>Low/medium. The local strategies are based on the global strategy and cannot deviate much. Local strategy can be more specific and have defined focus areas.</td>
<td>High. Each entity can deviate from the global strategy even if it is quite strict. It is a broader strategy which let for each country enough space in interpreting the strategy.</td>
</tr>
<tr>
<td>Main competitors</td>
<td>Komatsu, Caterpillar, Hitachi, John Deere, Liebherr, Sany, Doosan, Bell and Hyundai</td>
<td>Deloitte, Ernst &amp; Young, KPMG (PwC is a part of “The Big Four”)</td>
</tr>
<tr>
<td>Type of competition</td>
<td>On a global level between the companies, but very locally based competition when it comes to selling the products.</td>
<td>On a global level between the companies, but very locally based competition when it comes to selling the services.</td>
</tr>
<tr>
<td>Main strategic focus</td>
<td>Innovation, products’ efficiency improvement, being present at customers’ site.</td>
<td>Branding and differentiation to differentiate the company from the other competitors.</td>
</tr>
<tr>
<td>Other actions to overcome competition</td>
<td>Yes: acquisitions. Volvo CE buys other brands to broaden product portfolio and gain additional markets shares.</td>
<td>Yes: acquisitions. PwC is very interested to acquire companies which have services that PwC does not have.</td>
</tr>
<tr>
<td>Monitoring of markets</td>
<td>Following the market trends, amount of sold units in each market, comparison with competitors and defining focus areas based on the predicted trends. Gross margin is a key factor while comparing.</td>
<td>Keeping track of data while working for a customer. PwC has also some targets for rankings of the company in each market as well as percentage of utilization of the employees.</td>
</tr>
<tr>
<td>Market barriers</td>
<td>No predominance, natural competition.</td>
<td>No predominance, natural competition.</td>
</tr>
<tr>
<td>Biggest threats</td>
<td>Aggressive competitors, low demand related price wars and high cost of manufacturing the product.</td>
<td>The company may get a law suit, for example having made a mistake or if PwC audited a company that went bankrupt.</td>
</tr>
<tr>
<td>Different markets approach</td>
<td>Clear division, strategies defined separately for poor, developing and developed markets.</td>
<td>Does not consider markets in terms of regions, aim to grow in developing countries but all movements are fully customer driven.</td>
</tr>
<tr>
<td>Strategic mistakes from the past</td>
<td>Lost customer focus due to other strategic actions, among others acquisitions.</td>
<td>Acquisition-based. Structure of PwC did not match the structure of the company they bought. It implied integration difficulties.</td>
</tr>
<tr>
<td>Accessibility of financial data</td>
<td>Available, annual reports show all the figures.</td>
<td>All financial data are not publically given, assessment difficult to analyze.</td>
</tr>
<tr>
<td>Relation between strategy and results</td>
<td>No. Strategy definitely affects the financial results but the numbers cannot be estimated due to many other external factors.</td>
<td>No. Strategy definitely affects the financial results but the numbers cannot be estimated due to many other external factors.</td>
</tr>
</tbody>
</table>

Table 1: Similarities and differences between the considered case companies
5. Analysis

5.1. Global strategy vs. Local strategy

5.1.1. Vision and global strategy definition

The first case company focused on selling products aims to be a global player while increasing profitability by improving market shares in each region. They have defined regulated and unregulated markets which is characteristic of the simple rules strategic steps. The second case defines its global strategy largely and the company focuses on growth in terms of revenues and employees. The way of the case companies’ strategic thinking is in line with statements of F. J. Diekmann who claims that the companies not only have to deal with aggressive competitors, but also plan their strategies in such way that they will fit to all the markets with different competition realities the company is present at. (Diekmann, 2012) As consequence, in the first case company, the strategy is to provide a portfolio of competitive products to respond to the wide ranges of requirements and needs of customers. The main objective is to get a clear competitive advantage over the competitors. The second case company meets on the other hand their competitor while bidding for contracts for customers what corresponds to a continuous fight to win contract and to win over competition.

According to Yaprak et al, the global strategy aims to create a competitive advantage to compete in interdependent national markets; the company gets the advantages of the globalized structure to achieve performance. (Yaprak, Xu, & Cavusgil, 2011) The first case company’s strategy for coming years is defined based on the assumptions and predictions based on the market signals. It is preventing strategy which is aware of how the market will act. It is also in line with presented by Pugh & Bourgeois understanding of strategy by “making the most of our current situation and planning so that we are even better positioned in the future.” (Pugh & Bourgeois, 2011, p. 178) Market approach of the first case company is according to the principle “One product fits all”. The company follows mostly the requirements from the market and from the safety point of view. However this kind of principle is not always valid for other products. The company tends to adapt the other products according to the each market and a high level modularity is taken into account.

Looking at the global strategy-related vocabulary of the two cases, the most used words in the first case are increase, develop, profitability, significantly, products and globally. According to Ronda-Pupo and Guerras-Martin, these words can be classified in goals and actions that the company needs to take in a defined environment. (Ronda-Pupo & Guerras-Martin, 2012) In the second case, the vision is to be the world number one in their domain; the objectives are based mostly on the growth which is the main focus of the company.

5.1.2. Definition of regional and local strategies

Hybrid strategy studied by Baroto et al (Baroto, Abdullah, & Wan, 2012) is an intelligent understanding between differentiation strategy and leadership strategy. It matches more the first case company strategy because they place their products according to these strategies. By aiming to provide products which fit to a growing-market customer by offering an effective, robust and price-worth solution, the case aims for leadership in construction equipment to ensure presence
in all markets. The analysis shows that the strategy of the first case differs from their competitors. Competitors do not offer the same range of products and services of the same quality and quantity.

Diderich (2013) underlines importance of developing several kinds of products according to the final destination of the product. (Diderich, 2013) The first case company follows that rule and although the rule “one product fits all”, final adjustments on equipment and comfort features allow adjusting the product to a local customers’ needs. By that, the company tends to adapt the products according to the each market's needs and a high level modularity is always taken into account. It is not only important to adjust the product to the market, but also adjust the market to its own product. As a proactive step in developing the market for own products in would be relevant to mention the training program of the first case company in Africa. The company introduced vocational training schools for mechanics and operators in order to promote economic development but also to train a pool of mechanics that can service and support their products.

Verbeke & Rugman explain that only few companies have adopted a transnational strategy. (Verbeke & Rugman, 2008) It is in line with the second case that has many local entities. The regionalization in market is maximized so the company can adapt the right services to their customers. The first case company keeps the full control of the needs of each market to adapt the range of products and services offered on each market. This understanding of the regionalization of the market can help both companies in their performance. They can use their global positioning to stay leader of the market and perform better as it is described by Ruigrok, et al (Ruigrok, Georgakakis, & Greve, 2013).

5.1.3. Flexibility of the strategy

Flexibility studied by Hitt & Shimizu is a response to the complicated competitive markets. (Hitt & Shimizu, 2004) It is in line with the strategy of the second case. Even if the strategy has a global strategy, it lets enough room for each entity to deal with their own strategy. This is the core of the flexibility in the second case company. The flexibility does not stop at a country level; it is also in customer level with possible adjustments in number team members responsible of a customer, adjustments in terms of offered services. In the first case company, flexibility cannot be defined as easily as in the second case. Rigidity of an industry is often due to the existence of barriers in the company which prevent from needed adaptations. Flexibility exist however because the case company tends to have in each market the defined products that can match the needs of the market. The company has an understanding of the possible sales of each of the products according to the application. By having a clear look at their market, for example saturation of products, it is possible for them to plan the production of the products. The strategy of the first case company is based on assumptions about market and economic situation but in some cases it may deviate from the realities of the market.

The barriers have been studied by Matthyssens et al who remind the case study in which client orientation hindered performance, whereas competitive orientation stimulates it. (Matthyssens, Pauwels, & Vandebempt, 2005) By focusing on several different customers, the second company case has a similar approach by product adaptation and stimulation of growth.
5.1.4. Strategy communication

From the communication of the global strategy of the first case, each core businesses adjust their organization from the interpretation of the strategy in order to fit with the overall picture for each core business. This interpretation matches the adaptable organizational structures described by Brown & Eisenhardt. As the organization seems extracted and interpreted from a global strategy, it can appear as proactive change as Brown & Eisenhardt call it patching as changes are ongoing. According to them, it is considered as an efficient advantage on markets. (Brown & Eisenhardt, 1999) However strategy is defined every three years, this may not be considered as regular small steps. Jindal et al underline importance of market-adjusted realities of strategy communication. A company needs to have in mind the specificities of each market. Despite the global control, each subsidiary is usually independent. It is therefore subsidiaries’ responsibility to develop and communicate a proper strategy being in line with the market and with the global definition of strategy. (Jindal, Jee, & Thakur, 2011) The statement is in line with the second case since the company is very adjustable to the markets’ and to the clients’ needs. Allocation of employees for particular client can change only because the client is ordering fewer services. The organization is matching with the customer to follow them and offer them the services they need. The company is based on few legal entities that allow these moves.

5.2. Competitive strategy and customer satisfaction

Olsen et al underline that a competitive strategy is a strategy where a firm’s portfolio of products and services is designed mostly to bring together its unique resources and capabilities to gain advantage in the marketplace. (Olsen, West, & Tse, 2008) It can be concluded that the strategy should be precisely stated and well implemented to get an advantage over the competitors. In both case companies the main competitors and their strengths are clearly defined. In the first case, threats from substitute products are mostly based on innovation on products. For the second case there are some threats from new entrants: example of companies extending their services in areas that are the core business of the second case. In both cases, clients are also a threat they can own, develop and manage their products and services which can lead to extra competition to the two cases. In terms of substitute, the threat also exists in form of the fact that businesses are based on laws, regulations and norms.

Innovation is one of the most important factors related to competitive advantage and customer satisfaction. (Pugh & Bourgeois, 2011) It is particularly relevant in case of companies developing technical products. Research and Development is defined in the overall picture of the strategy of the first case company where innovation appears as integrated inside the strategy. Innovation and ability of offering a premium-class product has always been the main ambition of the first case company and it appears to be a key to stay on the market as one of the leaders. However, in light of dynamically changing situation on global markets, threat in form of aggressive price competition can negatively affect the company’s market shares and actions in direction of cost reduction are required in order to stay competitive and secure its own operative income. In case of services or for maintaining customers, there is another approach to develop performance of the company: building customer satisfaction. The second case company aims to integrate new technologies to improve contact with their clients, internal communication and collaboration. By improving their processes, the second case company utilizes innovation. Furthermore, the
company aims to create value for the customer that can be seen as a core of the whole business. In terms of alliances and business strategy, the case company made some acquisitions of companies which can offer some extra services. There is also a strong brand management with differentiation of the other big competitors. Moves of the competitors are also analyzed in each country. The company is ranked to compare how the company performs in each country as well as analyzes when contracts are lost for competitors, and when employees leave for competitors. Recruiting competent people is one way to grow for the second case company.

Competitiveness is also related to acquisitions and searching for additional market shares by growing in form of buying potential competitors. The first case company bought a Chinese company in order to gain their market shares. The second one tries to get more leaders from emerging countries. Innovation and adaptation of products and services are included in the process of both companies where relation with customer is highly valued. The trend is stronger in the second case company focused on selling services. It is in line with the model presented by Vivek et al where the objective of engagement strategies is to develop a deep relationship with potential and current customers in order to propagate their involvement as value, trust, affective commitment, loyalty, and brand community involvement. (Vivek, Beatty, & Morgan, 2012)

5.3. Product selling vs. Service selling companies

Product selling companies are being characterized by Parvinen et al with several features determining their strategy formulations: possibly high variation of sales, significance of systematic channels optimization, customer analysis-based solution orientation, providing motives for low-value customers to end customer relationship as well as crucial importance of product innovation. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)

The core values for product selling companies are consistent with the way the first case company defines its strategy. Strong solution orientation and optimization of channels are reflected in the company’s vision: to be in a “Top 3” on the market in all the segments the company is present at. The first case company focuses on high variation of sales by adjusting the product portfolio to the markets the company is present at. The selling channels are adjusted to the existing situation on the market in order to maximize the amount of the reached potential customers. Global strategy of the company is being defined from the global level downwards where specifically defined targets are to be taken into account in local entities. Decentralized entities adjust the global strategy according to legal requirements or specific conditions. Local strategies are fully adjusted to the regional markets but the global strategy definition is always treated as a background. Thus flexibility of these strategies can be defined as low/medium. Main focuses of the company are innovation, products’ efficiency improvement, being present at customers’ site what makes the strategy definition background consistent with presented theoretical approach.

Parvinen et al by mentioning following items describes in similar way strategy definition-related features for service selling companies: requirements of buyer-seller interaction including trustworthiness and relationship management, personal contact and interactive relations with a customer, possibilities of gaining non-profit outcomes in form of trust and good reputation and finally crucial importance of customer relationship. (Parvinen, Aspara, Kajalo, & Hietanen, 2013)
The second case company also defines its strategies according to the rules described in the theoretical section. As a service selling company, the main focus is being put around the customers and working with them in a best possible way. The global strategy definition is focused on 3 groups: clients, employees and competitors. This key-focus areas underline importance of the end customer where revenues and growth of the company, although crucial for existence, are placed behind. A well-defined global strategy definition exists but the local entities have much more flexibility in adjusting regional strategies for dynamically changing needs of the local customers. The company focuses mostly on the end customer aiming to differentiate from the other “Big Four” members and by that increase its market shares.

5.4. 

**Link between strategy definition and performance of a company**

5.4.1. Differences between selling services and products

Strategy definition is related directly to the financial results but this is not a linear relation, financial results are affected by many other factors. Additionally, dynamic situation on markets requires ability of quick responses and adjustments of the present strategy according to current needs. It is therefore difficult to relate the strategic adjustments directly to the financial results without taking other factors in consideration, especially when it comes to actions being rapidly undertaken by the competitors. More relevant measures reflecting the strategy could be found in market shares or even customer satisfaction since that is one of the most important factors deciding whether the customer will come back to buy a new product/service or not.

When it comes to the first case company, it has shown up that the approach of being more present at customer’s site has been the right one. Mostly when it comes to poor and developing markets the ability of delivering customer adjusted soft offers is crucial. In case of articulated haulers, the customer is interested mostly in transporting goods from point A to B and the machine is just a tool which should make it possible. Reliability, second hand value and effectively are therefore important. Developed market as USA beside all the legal requirements are also focused on comfort and safety features that can decrease the overall costs of using machine. Convenient working environment and feeling of comfortable workplace are characteristic for these types of markets. The second case company is also focused one being present at customers’ site since that is a must of building good relations. The service-selling sector differs from the product-selling sector as there are no physical goods that need to be taken care of. However, the way of competition is very similar: the biggest players on the market are competing with each other in order to gain additional market shares.

5.4.2. Financial results of the companies

In the first studied case, the considered strategy has been defined for years 2013-2015 and since the thesis is being written in Q1-Q2 of 2014, first official results based on annual report 2013 of the whole group of the first case are available. The year of “extensive product renewal” has passed and according to the global strategy, 2014 should “drive organic growth” while 2015 “deliver profitability” as the overall outcome of the strategy definition for years 2013-2015. However, from an economic point of view it would be difficult to see the strategic action to be reflected directly in financial results mostly due to slow down on the global markets which has affected all the players. Actions taken by the first case company allowed keeping the markets
shares on a similar level what in light of aggressive price-based competition can be seen as a positive sign. Additionally, according to the strategy definition, years 2013-2014 are mostly for preparation of changes which in 2015 should bring tangible financial profits. Generally the operating margin has been a challenge for the first case company since it has dropped from 6.8% in 2011 to 5.7% in 2012 and finally 2.6% in 2013. The negative trend has been the main reason of the new more cost-reduction focused global strategy definition and the positive trends are that although difficult economic situation on all the markets, the company has fulfilled the plan of keeping the sales and markets shares at least on a similar level. In light of the global down time on the markets this can be as a positive factor. (Volvo Group, 2014)

In consistency with its policy of defining the strategy for coming 3 years, it is also relevant to relate it to the financial results for the previous period 2010-2012. Both net sales and operating income in 2010 were lower than 2011 and 2012 what is consistent with the global strategy’s theoretical assumptions, i.e. preparations of changes, implementation and “harvesting” the profits in the last year of the three-year strategy definition cycles. In real life it is obviously not that simple and both net sales and operating margin are affected by many other factors where the global economic situation steers the demand being the most important of them. A good example can be to mention the economical downtime 2008-2009 where 2009 was also supposed to be the last, “harvesting” year of the three-year strategy definition cycles but the reality has verified the plans. It is therefore possible to state that the financial measures are not always the best ones to judge the implemented strategy. Market shares are more relevant, but also in this case “moments of inertia” are significant since it always takes some time to react on the customers’ aggressive actions. The first case company has put emphasis on more dynamic and customer-focused local strategies and year 2013 shows that it is what the customer expects, regardless to the overall economic situation on the market. (Volvo Group, 2014)

In the second case company, it is difficult to evaluate and analyze the achievements of because of the absence of publically published results of the company per entities. However the achievements of the strategy for the whole case company are presented in the annual review (PwC, 2014). Appendix 5 shows a table with assessment of the second case company where one can notice a clear trend to grow in terms of revenues and employees. This growth is not homogeneous, advisory gross revenue is much higher than in assurance. Only during the financial and industrial crisis of 2009 and 2010, financial indicators are going negatively. Moreover this negative trend is followed in number of employees in 2010. Since 2010, the numbers of employees went from 161718 to 184235 employees. The growth in number of employees is continuous through the years. The company tends to be present in more countries from 153 in 2008 to 157 in 2013 and more locations from 757 in 2009 to 776 in 2013. Revenues in all different areas show also a clear trend of growth. Strategy appears to be in phase with the achieved results. It is also important to compare the achieved results of this case company toward the other actors of the market. The ranking and the revenues of the respective actors are studied on Internet (big4.com, 2013). From 2008 to 2013, we can notice that one competitor achieves better results than the case company which is even losing the leadership globally to get the second place on the podium globally. Regionally, it is interesting to note that it is in developing areas that it can be high level of revenue growth such in Asia or South and Central America. It is on these areas that the case company is fighting to take the leadership.
5.5. Verification of the theoretical models – summary

The models defined in chapter 2.4 for product- and service-selling companies show the different components that shape the strategy in both levels: global and local. Data collected from the description of the strategy of the case companies on different competitive markets is used in order to compare the cases with the theoretical models. Theoretical models were built for both product and service-selling companies from the Rajagopal’s model in order to identify the similarities and differences of the types of companies while defining their strategy, globally and locally.

Regarding the service-selling company, in the center of the model, there is the definition of the strategy in both levels: global and regional. The service-selling case company communicates the global strategy downward to all local entities, which, in return, send a feedback of a planning that reflect the global strategy in regional outcomes. Flexibility is confirmed from the case-company as each entity is nearly independent from the main one and defines its own strategy. For the service-selling companies, the flexibility implies that more responsibilities are taken from a local point of view.

The components that shape the strategy are therefore a bit different. From the case-company, differentiation and innovation seems to be more in a global level but is valid at a regional level. However, these two components together with innovation can be seen as a part of the differentiation process for the service-selling company. Contrary to the model, competition is watched from both regional and global way as the ranking of the case companies is measured in all levels. Competition is taken seriously from a global level as it is also a way to manage the brand. In the same case, it shall be added the other possible threats such as law suits. Threats were missing in the previous, theory-based model. Customer relationships are one of the biggest elements of the strategy in the development of the company in other markets. Route to market
through relationship and evaluation of the needs of the customers, and therefore the model shall be adapted so that customer relationship is linked directly to the global strategy. The main type of growth is also to buy competitors or other companies that may be of interest for the case company. The alliance link to the global stays unchanged. The graphical representation of the updated model for the service-selling company is presented in Figure 8.

Regarding the product-selling case company, communication is done downwards from the top management of the company. Each entity interprets the global strategy according to the markets they are facing. Product is central in the development of the company. There are two main components which are highlighted in the case company: the product variety and the R&D on the product. The model is valid for these components, and for the differentiation with the competitor, as the case company tends to have different values and qualities than their competitors. Threats are however to be highlighted at the same time in form of competition. The knowledge of each market is also important on both local and global levels so the company can place the right products. It implies the development of proper distribution channels for the markets. The other part is to have innovative products that are satisfying the customers in each market, regionally and globally. But it is mostly the local entities that get the customers’ feedback about the product. Figure 9 shows corresponding graphical representation.

![Updated Model for product-selling company](image)

Both models defined in the theoretical part were close to models that can be defined thanks to the data received from the case companies. The adjustments show that communication of the strategy in the company and structure of the company influence how the strategy will impact on the markets. The high flexibility of the service-selling company gives the local and regional entities more responsibility in the development of their services toward their customers. They are also more responsible when it comes to the success of the company on the local markets. The product-selling company is more defining the strategy downwards within the company. The
influence of the global strategy has an impact on all components of the strategy. The strategies of service- and product selling companies are therefore different in the way that locally, the product selling company is more dependent on how the global strategy is defined. It has to be considered that the size of the model for the product-company is more developed than for the service-company since the later has to focus mainly on the customer relationship while the product selling company’s one focuses on both customer oriented variety of products as well as on the customers’ feedbacks.
6. Conclusions and Implications

6.1. Summary

The primary RQ of the thesis is to understand the differences between service- and product selling companies in defining their global and local strategies. The main differences between service- and product selling firms are connected to the fact that the end customer is different. Service selling companies are mainly focused on the customer-specificity and their business models are based on a relationship orientation in which customer is the main driving force of profitability and growth. By that, these types of companies build a deep and long-lasting relationship between the company and customer which is a base of driving this type of business. In product selling companies on the other hand, the nature of exchange and the strive for more orders puts more focus on channel optimization, emphasizing core businesses, making concessions and terminating bad customer accounts. Product selling firms are significantly focused on quality and innovation of their end product what makes that in these types of companies not a customer itself, but satisfying the customer by delivering a good and innovative product is in the main focus.

Theoretical findings summarized in hypothesis are generally in line with both case companies. The companies have both defined global and regional strategies in order to match the market needs. They have also defined strategy in line with the competitive markets with high focus on the customer relationship as well as product and service experience.

The models developed in the theoretical section were adjusted thanks to the data collected from the case companies which at the same time validate these models. The models show the different components that shape the local and global strategies. The two models differ in several areas: service-selling company puts its main focus on the customer relationship and the product-selling company on the customer-product experience. The challenges are therefore different for both types of companies. Only by overcoming these challenges the companies can reach growth and stay competitive on their markets.

However, the link between the strategy including its definition of processes and companies’ performance is considered as weak both in case of product selling and service selling companies. Many external factors need to be taken into account to get a clearer link with the performances. Global economic environment influences directly the results of the strategy definitions for both case companies. The general trend of the service selling company shows a growth. However, in details, the strategy is not always working for all entities. Even if the company is making well globally, in some region, their rank compared to some other competitors, is not increasing. For the product selling company, it takes significantly more time to regain after difficulties. It is however interesting to note that both companies tend to grow in a similar way, by acquiring companies, i.e. acquiring knowledge for the service-company, and new ranges of products for the product companies. Both companies tend to monitor the markets when it comes to competitors’ movements and possible threats. One difference is that the considered case companies do not consider the markets the same way. The product-selling company is much more depended on the type of market the product is being sold at, mostly due to many laws and regulations. The service-selling company follows their customers wherever they do their businesses and by that as
a company are less depended on the different markets. It allows to work in a similar way regardless to the fact if it is poor, developing or developed market it is about.

It is also important to underline that for both cases knowledge about customer and collecting feedback from the field appears to be crucial. The companies aim to satisfy needs of their current or potential customer and that is why measures related to what a customer think are important. However, efforts being put on gaining non-profit outcomes in form of trust and good reputation appear to be more visible in case of service selling companies.

6.2. Implications for research and practice

The authors have selected two different case companies in order to analyze differences in their strategy definitions approaches. Information received from these case companies have helped to provide adapted models characterizing their strategies, both from a global and local points of view. It helped to understand that the companies define their strategies in a different way mostly due to their different types of relation with customers. These models are of value for research as they can give a path forward to have better understanding how strategy is linked with the type of the company. By highlighting differences in defining strategy, the models confirm that there is no general way to state a strategy for a company. It highlights also that the companies have common objectives regarding their relationship with customers. Product-selling companies may focus more on the experience of the customer, and the service selling company on the relationship with the customer. The adjustments made on the theoretical models after the empirical findings show that it is important to allow some changes in accordance with the type of the company and its specificity. The presented findings define several important components that shape the strategy in case of these two types of companies as well as explain the origin of these differences.

6.3. Possibilities of further studies

Further studies can be carried out to show the dependencies of each component of the models with the strategy definition from both local and global point of view. It can be of interest to determine how does the focus on each component between local and global strategy for both types of companies look like. I can be also interesting to determine more complex models that can describe strategy shaping processes in a more general way. Data could be collected from a bigger amount of companies. By statistical calculations of possible hypothesis, it could be possible to analyze more in details the relationship of the strategic model towards all the different components.

Another type of research could be to add other types of companies. In the selection, the authors focus only on B2B product- and service selling companies that reflect the private sector. However, smaller companies or public owned companies may have different models of strategy that could be of interest in case of broader research perspective.

Finally, further studies could be also recommended to determine the relation between strategy definitions and financial performance of a company. The authors, although found several relations, have not succeeded to deliver a clear linear link between them. The amount of market-related external factors appears to be significant and thus it is still an unclear and uncertain path that could to be considered in a more extensive research as a potential help in strategy defining processes for these types of companies.
Bibliography


Appendices

A.1. Appendix 1 – Interview Questions

Questions:

Part 1 – Global strategy related questions including market & competition aspects

1. What is the global strategy of the company, what is it based on and what are the main objectives?
2. What are the processes to communicate and apply the strategy and how does the company put them into practice? I.e. what are the strategy implications on the company’s organization, (R&D, sales, marketing etc.)?
3. What are the competitive challenges of the global market, how is the global strategy prepared to cope with them and what are the advantages and disadvantages of the applied strategy formulation?
4. What are the actions the company undertakes in order to try to enter/penetrate new markets and how are these actions related to the achieved results?
5. Are there any threats that affect the overall product portfolio of the company and what are the consequences of it reflected in the whole organization? (I.e. new low-price competitors, substitute products, poor potential customers, law restrictions etc.)

Part 2 – Questions regarding the three different markets (developed, developing, poor)

1. Which markets fit well to the “developed, developing, poor” classification and what are the main characteristics of these markets from the company’s perspective?
2. How does the company investigate the market requirements in terms of products/specifications and how the requirements differ from each other in case of the three selected markets?
3. Which companies can be seen as present competitors and what form of competition (price, technology, service, marketing, and quality) can be seen as characteristic for these markets? How do these competitors react to the company’s strategic actions?
4. What are the specific adjustments of the global corporate strategy in order to cope with the three selected different markets?
5. Are there any historical strategic mistakes the company has done? If yes, what was the reason and how have they affected further strategy development for this market?
6. What are the typical barriers when it comes to the three selected markets? Do some competitors tend to block the market? Are there other barriers the company is facing?
A.2. Appendix 2 – Volvo CE’s customer agreements

THE GOLD AGREEMENT

• A worry free, full service, maintenance and repair contract. Fixed costs guaranteed for the life of the agreement (excluding site damage).
• Complete, certified service history, providing highest resale potential for your machine.

THE SILVER AGREEMENT

• Our most flexible agreement.
• Add or delete features during the term of agreement.
• Tailor it to changes in machine use.
• Lets you set the extent to which you are covered for major repairs.

THE BLUE AGREEMENT

• Your best way to achieve fixed costs for regular service and maintenance work.
• Includes MATRIS machine operational analysis - our state of the art tool for assessing a machine's operational patterns.
• Regular machine software updates to give your machine our latest improvements.

THE WHITE AGREEMENT

• Regular machine inspections by Volvo trained technicians.
• Detailed inspection reports to support effective service planning and enhance machine resale value.
• Regular machine analysis to support maximum machine performance.

Figure A.2. Volvo CE’s Customer Agreements (Volvo Construction Equipment, 2014)
A.3. Appendix 3 – Volvo CE’s threats & opportunities

Figure A.3. Volvo CE’s graphical illustration of threats & opportunities (Volvo CE’s internal document)

Figure A.4. Volvo CE’s global strategy postcard (Volvo CE’s internal document)
### A.5. Appendix 5 – Assessment of PwC

#### Years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global (US$ millions)</td>
<td>32,1</td>
<td>29,657</td>
<td>27,468</td>
<td>25,21</td>
<td>26171</td>
<td>28,2</td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>4%</td>
<td>8,00%</td>
<td>9,00%</td>
<td>0,30%</td>
<td>-7,10%</td>
<td></td>
</tr>
<tr>
<td>Assurance (US$ millions)</td>
<td>14,8</td>
<td>14,864</td>
<td>14140</td>
<td>13273</td>
<td>13143</td>
<td>13808</td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>1%</td>
<td>3,30%</td>
<td>4,90%</td>
<td>-1,30%</td>
<td>-4,80%</td>
<td></td>
</tr>
<tr>
<td>Advisory (US$ millions)</td>
<td>9,2</td>
<td>8,702</td>
<td>7,458</td>
<td>6206</td>
<td>6110</td>
<td>6899</td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>8%</td>
<td>16,7%</td>
<td>18,0%</td>
<td>7,9%</td>
<td>-11,4%</td>
<td></td>
</tr>
<tr>
<td>Tax (US$ millions)</td>
<td>8,2</td>
<td>7,944</td>
<td>7,372</td>
<td>7090</td>
<td>6918</td>
<td>7478</td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>5%</td>
<td>7,80%</td>
<td>5,70%</td>
<td>-2,9%</td>
<td>-7,50%</td>
<td></td>
</tr>
</tbody>
</table>

#### Countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Locations</td>
<td>776</td>
<td>776</td>
<td>771</td>
<td>766</td>
<td>757</td>
<td></td>
</tr>
</tbody>
</table>

#### Locations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce</td>
<td>184235</td>
<td>180529</td>
<td>168710</td>
<td>161718</td>
<td>163545</td>
<td>155693</td>
</tr>
</tbody>
</table>

#### Workforce

<table>
<thead>
<tr>
<th>Hours of professional skills</th>
<th>566000</th>
<th>406000</th>
<th>286000</th>
<th>249000</th>
</tr>
</thead>
</table>

#### By region:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia (k$)</td>
<td>3706</td>
<td>3728</td>
<td>3427</td>
<td>2935</td>
<td>2627</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>2,10%</td>
<td>7,90%</td>
<td>8,50%</td>
<td>8,20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia and Pacific Islands (k$)</td>
<td>1642</td>
<td>1681</td>
<td>1677</td>
<td>1210</td>
<td>1176</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>-0,90%</td>
<td>-5,00%</td>
<td>23,5%</td>
<td>-3,30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Europe (k$)</td>
<td>11828</td>
<td>11984</td>
<td>11518</td>
<td>11062</td>
<td>11155</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>1,50%</td>
<td>4,40%</td>
<td>3,70%</td>
<td>-0,60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East and Africa (k$)</td>
<td>1074</td>
<td>1077</td>
<td>987</td>
<td>823</td>
<td>704</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>6,80%</td>
<td>14,6%</td>
<td>15,4%</td>
<td>8,50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America and the Caribbean (k$)</td>
<td>12000</td>
<td>11187</td>
<td>9881</td>
<td>8952</td>
<td>9032</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>7,30%</td>
<td>13,4%</td>
<td>9,40%</td>
<td>-1,70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South and central America (k$)</td>
<td>1028</td>
<td>1037</td>
<td>955</td>
<td>778</td>
<td>699</td>
<td></td>
</tr>
<tr>
<td>% change at constant ex. rate</td>
<td>9,40%</td>
<td>12,9%</td>
<td>22,1%</td>
<td>11,9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue Deloitte

| Revenue Deloitte | 32,4 | 31,3 | 28,8 | 26,6 | 26,1 | 27,4 |
| Revenue E&Y      | 28,5 | 24,4 | 22,9 | 21,2 | 21,4 | 23   |
| Revenue KPMG     | 23,4 | 23   | 22,7 | 20,7 | 20,1 | 22,7 |
| Revenue PwC      | 32,1 | 31,5 | 29,2 | 26,6 | 26,2 | 28,2 |
| Rank PwC Global  | 2    | 1    | 1    | 2    | 1    | 1    |
| Rank PwC America | 3    | 3    | 3    | 3    | 3    | 3    |
| Rank PwC Asia    | 2    | 2    | 2    | 2    | 2    | 2    |
| Rank PwC Europe  | 2    | 2    | 2    | 2    | 2    | 2    |

Figure A.5. Assessment of the second case company (PwC, 2014)
A.6. Appendix 6 – Description of Volvo CE

Volvo Construction Equipment AB is one of the world's largest manufacturers of articulated haulers, wheel loaders, excavation equipment, road development machines and compact construction equipment. The company aims to evolve as a “total solution provider and to develop its segmentation approach to customer needs”. In line with the whole Volvo group's strategy Volvo Construction Equipment expands its soft products offer, including remote machine monitoring systems and uptime services. The focus has been put not only on the machine portfolio, but also to increase the growths within soft products. (Volvo Construction Equipment, 2014) Volvo CE has a wide variety of products which has been presented on Figure A.6.1. Different machines are manufactured in different production plants in order to meet the market requirements in a best possible way. The main industry segments have been shown on Figure A.6.2. As presented on the diagram, heavy infrastructure and road construction sectors correspond to significantly more than 50% of the company’s turnover.

![Volvo CE Product portfolio including R&D/Production plant division](image-url)
Figure A.6.2.: Volvo CE’s Industry Segments (Volvo Construction Equipment, 2014)