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Strategies – the way to succeed

- A case study of Lindex

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PREFACE

We would like to express our sincere gratitude to all who have supported and encouraged us during the process of this thesis. We are particularly indebted to:

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The authors would like to wish all readers an enjoyable reading.

Gothenburg, May 2008

Lena Carneskog

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ABSTRACT

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Background and problem discussion: The main objective for the typical company is to accomplish profit. To accomplish superior performance the literature states that it is not enough with a well operating management control system, it must be based on good strategies that are communicated throughout the whole organisation. However, many organisations have problems with the implementation of the strategies. The question is therefore; why could managers consider their strategies “right”, when they at the same time thought that the strategy implementation was a failure?

Aim of study: The aim of the thesis is three-fold: (1) to compare the strategy process within Lindex with what Kaplan and Norton advocates; (2) to describe the components Lindex considers most important and analyse whether there is any correlation with what the literature recommends and; (3) trying to observe, whether the strategy process actually has been successful in Lindex so far.

Method: This thesis uses a qualitative approach, and a case company is studied. For this thesis, both primary and secondary data has been used. The information gathered from the case company is compared with the literature in the field.

Delimitations: The authors have chosen to study a company in depth to see what an optimal strategy process *can* look like. The information used in the theoretical chapter has its starting-point in the newly published article *Mastering the Management System*, by Kaplan and Norton. For the analysis, the situation in Lindex at the time of this thesis will be considered, since the company is not entirely finished with the implementation process.

Analysis and conclusion: Companies need strategies because they need an instrument that can control and organise their processes to head in the right direction. Companies change strategies because that the old strategies no longer serve the objectives, they are not well implemented, and/or a decreasing profit, which cannot be regained with the assistance of the old strategies. The strategy process Lindex recent went through have almost only similarities with what Kaplan and Norton suggest. It seems like Lindex today understand the importance that all managers in a company agree and share the same picture about the organisation. Most of the components Lindex stated as essential to succeed with, were the same as the literature advocated, however, three differences were found. If Lindex focuses on the stated components and succeed with them, it ought to imply that the company will be more successful with its strategies this time and so gain superior performance.

Suggestions for further studies: Since Lindex is in the middle of the implementation process, it would be interesting to study if the implementation process succeeds in the future. Another interesting study would be to discover how the strategies are followed further down in the organisation.

GLOSSARY

Appraisal discussions	Mål- och utvecklingssamtal
Brand target	Varumärkesmålgrupp
Business strategy	Affärsstrategi
Business target group	För vilka ett företag finns och varför det är verksamt inom ett område
Corporate strategy	Koncernstrategi
Cost conciseness	Kostnadsmedvetenhet
Cost leadership	Kostnadsledarskap
Critical success factors	Kritiska framgångsfaktorer
Differentiation	Differentiering
Financial objectives	Finansiella mål
Focus	Fokus
Functional strategy	Funktions strategi
Generic strategies	Generella strategier
Living instrument	Levande instrument
PESTEL-analysis	En analysmodell som utvärderar externa makrofaktorer
Strategic action plan	Plan för hur strategierna skall genomföras
Strategic aims	Övergripande strategier
Strategy process	Strategiprocess
Target group	Målgrupp
TDABC	Tids aktivitetsbaserad kalkylering
Values	Värderingar
Vision	Vision

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1 INTRODUCTION

The first chapter is the introduction to this thesis. It consists of a brief background to the studied topic, followed by the problem discussion that leads to the problem definition. Thereafter is the aim of the study described, followed by an introduction to the case company, the delimitations and last but not least the disposition of the rest of the thesis.

1.1 Background

The main objective for the typical company is to accomplish profit. The question is however, how can profit be achieved? Since most people do not consider it to emerge by itself, it is relevant also to pose the question “what is required”? The answer to both questions is that the management of a company needs a way to guide and control its processes. That is the main reason why management control systems exist. Paulsson Frenckner (1983, p. 68) has defined management control system as “*planning and follow-up of the activities within the organisation toward economical objectives*”. Well known, is the importance for a company to have a good management control system in order to be successful, whereas a poor system can cause great losses (Merchant & Van der Stede, 2007). In the middle of the 20th century, management control system was considered to have its starting-point in the financial area of a company. However, in the 1980s, it was criticised of having a too narrow definition. Subsequently, the definition was extended additionally to include; organisation structure, organisation culture and reward systems (Lind, 2004). If the system is well designed, it should influence the behaviour of employees thus accomplish the company’s objectives in a desirable way (Merchant & Van der Stede, 2007). A significant part of the management control system is the strategic management control.

The close connection between management control system and strategies has existed for a long time. A central starting-point in the literature considers management control system as an instrument to assist the implementation of a company’s strategies. Especially two views are discussed. The traditional view implies that strategies affect the management control system in how the company and its employees should act, to obtain the desired objectives. The second view is relatively new. It concerns how the management control system first is developed and how the company thereafter should evolve its strategies further (Lind, 2004). This thesis focuses on the so-called traditional view, that the strategies first are set and thereafter affects the management control system. To accomplish superior performance it is not enough with a well operating management control system. It must be based on good strategies in order to serve a company in both the short as well as in the long run.

It is obvious that all companies need well-defined strategies. The strategies should guide a company in the right direction. It is therefore of great importance that strategies are communicated throughout the whole organisation. This is particularly important in order to make sure that a company’s employees know how to act along with the organisation’s vision and values. It is not entirely simple to classify the word *strategy*. In the literature for example, it does not exist one general definition of strategy, instead different experts explains it in their own way. Neither is there any agreement on how to develop a strategy successfully. The classification of strategy that will be used throughout this thesis is from Merchant and Van der Stede (2007 p. 6), who settled that “*strategies define how organisations should use their resources to meet their objectives*”.

To sum up, if a company manages to design and develop both good strategies and a well functioning management control system, the possibilities to reach the stated objectives successfully are more likely to occur.

1.2 Problem Discussion

Merchant and Van der Stede (2007, pp. 7-8) refer to a study by Financial Times 1,000, which indicated that “...80 % of directors thought their company had the right strategies, but only 14 % thought that their companies were implementing the strategies well”. The authors to this thesis found this quote very interesting. They wondered why managers could consider their strategies “right”, when they at the same time thought that the strategy implementation was a failure. Therefore, the authors wished to study how strategies should be developed and implemented, both according to the theory that exists and by studying a case company. Two well-known researchers in the strategy field are Robert S. Kaplan and David P. Norton. They have, among others developed a theory of how to successfully design and implement new strategies within a company. However, they are most famous for the development of the balanced scorecard and the strategy map. Kaplan and Norton (January 2008), state that in order to create a superior management control system, a company must first develop functional strategies. The reason is that the management control system considers to be built on the company’s strategies, which can be compared with the traditional view according to Lind (2004). Further, a company should start the process by stating its specific mission, vision, and values. Thereafter the organisation can create its strategies. However, companies must take into consideration that this process normally is time-consuming. After developing as well as by refining existing strategies, difficulties, such as how to implement them within the management control system might emerge (Kaplan & Norton, January 2008).

To get a deep understanding of the importance of strategies and the implementation process, the authors decided to apply the theory behind strategies on a case company. Luckily enough, the authors found a case company, Lindex, who just recently changed its strategies. Due to this, a study of the organisation’s procedure was considered very attractive.

1.3 Problem Definition

With the problem discussion as a background the following problem definition has been settled. The purpose of the subsequent questions is furthermore to compose a well-defined structure that will be carried out through the whole thesis.

- **Are there any similarities, and if so what are they, between the strategy process Lindex went through and the strategy model suggested by Kaplan and Norton?**
- **Did the case company point out particular components within the strategy process, which are essential to succeed with, and do they correlate with what the literature advocates?**

In order to answer and describe the above stated question more thoroughly, the authors decided to study these issues further:

- Why do companies need strategies?
- Why do companies change its strategies?

1.4 Aim of Thesis

The aim of the thesis is three-fold: (1) to compare the strategy process within Lindex with what Kaplan and Norton advocates; (2) to describe the components Lindex considers most important and analyse whether there is any correlation with what the literature recommends and; (3) trying to observe, whether the strategy process actually has been successful in Lindex so far. Since the company is not entirely finished with the implementation process, the situation in Lindex at the time of this thesis will be analysed.

1.5 Presentation of the Case Company

Lindex is a retail company, operating in the fashion industry, and founded in 1954 by two men from the western part of Sweden. Lindex nowadays operates in eight countries in Northern Europe. The first store outside of Sweden was established in Norway in the end of the 1960's. Lindex is one of the leading companies in the fashion industry in Sweden. H&M, Zara, and KappAhl are among the company's largest competitors today. Lindex started of as a lingerie-company, but soon shifted focuses to women's clothing in general. Today the company operates in the four different segments: women's lingerie, women's- and children's clothing and cosmetics. The business' target group is "*Women interested in fashion*". Further the organisation's vision is "*World-class fashion experience*" and its business concept is "*Inspiring, affordable fashion*". In 2006/2007, Lindex had a turnover of approximately five billion SEK. In 1995, Lindex became a public company and listed on the OMX Nordic Exchange. The company was listed there until December 2007, when the Finnish group Stockmann purchased Lindex (Lindex homepage; Lindex Annual Report 2006/2007).

1.6 Delimitations

Considering the time limit as well as the great amount of literature existing in the strategy field, some delimitations were made within the thesis. Initially, the focus was to study strategies in general and the strategy process, including the implementation, in specific. Naturally, it was then desirable to do a study of several different companies and be able to go into depth in all of them. However, that was not possible, hence it was decided that the study should focus on only one company. The authors would then have the opportunity to study a company in depth, instead of many companies at the surface (which would have occurred otherwise). The idea only to study one company made it promising to conclude what an optimal strategy process *can* look like. In order to find a case company some criteria were decided (see paragraph 2.3.1). In the end, the case company became Lindex. The concept strategy can be divided into three main categories (corporate-, business- and functional strategy). This thesis focuses on the corporate- and the business strategy.

The information used for the theoretical chapter has its starting-point in the newly published article *Mastering the Management System*, by Kaplan and Norton (January 2008). Since they are among the leading researchers in the field, the authors found it interesting to compare the process Lindex went through with what they suggest. The comparison can be found in the analysis in chapter five. The analysis will further compare Lindex strategies with Porter's debate about generic strategies.

To collect the information needed for the empirical findings, interviews with some of the executive managers at Lindex were made. At a start, the number of interviews was set to three. It was then decided that a follow-up meeting with the contact person was needed. The reasons for the follow-up interview were, to complete the answer to some of the questions and

to make sure that the information was interpreted correctly. The interviews were considered to give enough information and at the same time increase the creditability of the thesis. The result from the empirical findings can be found in chapter four. In that chapter Lindex, strategy model is expressed with one strategy as an example. The reason why the authors have not gone deeper into the other strategies is due to the sensitivity of the information. As stated in the aim of this thesis, the authors hoped to be able to extinguish whether the implementation within Lindex has been successful. However, Lindex had not finished the execution of the strategies at the time for the study. Therefore, the conclusion to that question has its starting-point in where Lindex were at the time.

1.7 Disposition

Chapter one concerns the introduction to the thesis. It involves the authors' thoughts why study needs to be carried out.

Chapter two consists of the methodology section, where the authors describe how they have accomplished the study.

The theoretical framework behind renewal and implementing strategies is revealed in *chapter three*.

In *chapter four*, the empirical findings, which resulted from the interviews made, are exposed.

Chapter five includes the analysis and discussion, where the theoretical framework and empirical findings will be joined together.

In the last chapter of this thesis, *chapter six*, the conclusion and suggestions for further studies can be found.

After the six chapters, the list of references and appendix can be found.

2 METHODOLOGY

Chapter two consists of the methodology section. The methodology will make the readers able to follow the process the authors have gone through to make this thesis come true. The chapter consists of: choice of method, data collection, the selections regarding the case company and interview persons, credibility of sources and finally the critics of sources.

2.1 Choice of Method

The word *method* can be explained in many ways. In this thesis, the concept will be described by using the definition by Holme and Solvang (1991). They describe method both as an instrument, which can solve problems and as a way to create new knowledge. Furthermore, they discuss that everything that contributes to reach the expressed aims, is a form of method. There are two different kinds of methods that can be used to write a thesis; a *qualitative* method or a *quantitative* method. The most significant difference between these two is how figures and statistics are used. The primary purpose of using a qualitative method is to get an understanding of what is studied. Different ways are used when collecting the information; an example is through so-called deep interviews. The information collected by the qualitative method, is partly to get a deeper understanding of the problem definition and partly to describe the entirety of the context (Holme & Solvang, 1991). Moreover, qualitative methods base conclusions on soft data¹, which can be complicated to quantify. The problem with this method is, however, that it is difficult to test, whether the collected data is valid or not. To sum up, the purpose of this method is to describe, analyse, and understand behaviour of the individual object studied (Lundahl & Skärvad, 1999). Since one of the central ideas of this thesis is to reach an understanding of what occurs when a company changes its strategies, the authors have chosen to use the *qualitative* method in the study. The close connection to the source (deep interviews with some of the executive managers at Lindex) is another reason why the qualitative method was considered the best.

The purpose of the quantitative method on the other hand, is to gather data in order to be able to *measure* and do statistical analysis when gathering the information (Patel & Davidson, 2003). The measurement describes or explains the hypothesis that is studied (Lundahl & Skärvad, 1999). By the use of this method, the researcher can have more control of the study (Holme & Solvang, 1991). However, this method will not be used in this thesis and are therefore not further discussed.

2.2 Data Collection

This thesis compares the theory behind a successful development or renewal of strategies, with what actually occurs when a company develops new strategies. To accomplish the study a company, which, as already mentioned, recently changed its strategies, was studied. The case company was the retail company Lindex. The primary purpose of this thesis is to portray the procedure Lindex went through when they changed its strategies. The authors will additionally try to study how the new strategies are implemented within the organisation. This requires information both of how the process should be carried out according to the theory as well as what did occur in Lindex.

¹ Soft data is explained as attitudes, values, and conceptions (Lundahl & Skärvad 1999 p.51).

The information collected to the theory chapter was retrieved from books and journals. Most of the books was found with the assistance of the library catalogue, GUNDA, and collected from the library at the School of Business, Economics and Law at Gothenburg University. Further books were either borrowed from friends of the authors or belonged to the authors themselves. The articles came from different journals and found with the help of the internet site, Business Source Premier. To be able to collect the information for the empirical studies, people, who were involved with the strategy process at Lindex, were interviewed. The interviews were supposed to help gathering information of what occurred when the company went through the change. Since the authors wanted more so-called hard data information, annual reports were studied. This was also a way for the authors to control some of the facts received during the interviews. The gathering of information both to the theory chapter, as well as to the empirical studies can be applied on the two commonly used methods of how to collect data information. The techniques are the so-called primary- and secondary data. The difference between the two is explained by how the authors relate to the data collection. Primary data is information that is gathered for the specific study. However, it is not enough that the data collected is used for the specific study; the importance is that the authors themselves have collected the information (Patel & Davidson, 2003). Secondary sources, is data and information that firstly was not collected and compiled for the specific study. For example, this can be books, annual reports and journals. Lundahl and Skärvad (1999) moreover states, that it also is of great importance to determine the validity, reliability and relevance of the used secondary data. The validity and reliability are further discussed in chapter 2.4.

As already stated, this thesis uses a *qualitative method-based* approach. This has a direct affect on the interviews and the different ways they can be characterised. It is possible to divide them into *standardised*, *non-standardised*, or *semi-standardised* interviews. All interviews in this thesis are so-called semi-standardised interviews. This implies that the, by the authors, prepared questions were formulated and asked relatively freely. The point of doing an interview like this was to get the respondent to feel more secure and to structure the interview as a conversation. The intention was thus to make the respondent evolve the answers further and so on acquire more than just the information needed. An advantage with the semi-standardised method is that the information gathered is more comprehensive and diverse than by standardised interviews. Although the information collected is not as comprehensive and diverse as in the non-standardised method. Another reason for why the semi-standardised interviews best suit this thesis are that they collect soft data. This means that it is possible to learn about the respondent's thoughts of the subject and learn what lies behind a certain action. All interviews were so-called face-to-face interviews, which means that the authors met all the respondents in person, one at the time. There are many advantages with this sort of meeting, where the most important are that the interviewer can control the interview as well as only focus on one person at the time (Denscombe, 2000).

2.2.1 Procedure

At the beginning of the process with this thesis, the aim of study was formulated, followed by formulating the problem definition. This was to serve as a start and a foundation to the whole study. After these primary steps, a plan of how the thesis was going to be carried out was established. First and foremost, the plan was to find a case company, and thereafter to read the literature in the studied subject. At this early stage, the authors wanted to study the theory behind strategies before meeting the company the first time. However, shortly after it came to the authors' awareness, that the existing literature in this field was substantial. Even though it would have been preferred to read all existing literature, it was impossible due to the time

limit. Therefore, it was decided that at least one meeting with the case company was to be held before the theory chapter of this thesis was written. After learning which strategies the case company used and their thoughts about it, it was a lot easier to study the literature. Thereafter the theory section was written. The approach, used in this thesis, is the so-called inductive approach. An inductive method states that it is good to start with the empirical findings, instead of the theoretical framework. The reason is that, the studier should have an open mind and not be affected by the theory in the field (Sussams, 1998).

2.3 Selections

2.3.1 Selection of case company

Since a part of the purpose with this thesis is to describe the strategy process, it was necessary to concretise and study the process further within an actual company. However, it was necessary to put up some criteria when searching for a case company. The primary criterion was to find a company located in the Gothenburg region. This criterion was set in order to be able to visit the company in person and do face-to-face interviews. To make the selection more refined, the attempt was to find a company who had a turnover between one and ten billion SEK. The reason for this limit was that this idea best suited an organisation that was neither too small nor too large. After listing the criteria, e-mails were sent to approximately 15 companies. After the initial contact, phone calls to those who did not reject the idea at once were made. Most companies replied the inquiry by answering that they had no time taking part in the study. In the end, a successful phone call, with a following visit, was made. Peter Andersson, the Chief Financial Officer (CFO) at Lindex believed in the idea. The fact that the organisation just recently changed its strategies added a final touch to the study.

2.3.2 Selection of interview persons

When the contact with Lindex was established, the selection of interview persons started. The optimal amount of interviews was regarded to be approximately three to four. A reason for this number was that the authors hoped for a better credibility, than if they only had one or two interviews. Two other reasons were due to the time limit of two months and that Lindex only could provide three interviews, due to that the Finnish group Stockmann recently had purchased the company.

The first interview was scheduled with Peter Andersson, the authors' contact person at Lindex. He is the Chief Financial Officer (CFO) and was by the authors considered "a must" to interview. Andersson has worked at the company for eight years, and considered to have a good insight in the strategy process. This was confirmed during the interview. From the second contact opportunity with Andersson, the authors received the names to the Human Resource Manager (HR Manager) and the corporate group controller at Lindex. Andersson had informed both of them of the idea about this thesis when the authors contacted them. The contact with the HR Manager, Sofia Brax, was made shortly after the interview with Andersson. Some days later, the contact with the corporate group controller, Mattias Ardfelt, was established. In accordance with Andersson's recommendations, the second interview was held with the HR Manager. Brax has worked at Lindex for four years and has had an important role in the strategy development and especially within the implementation process. Therefore, she was also considered important to interview. The third interview was held with Mattias Ardfelt. He has worked at Lindex for seven and a half years. During these years, he has also been working for Lindex in Shanghai, China.

Before the interviews, the questions were sent by e-mail to the respondents. That was in order to prepare the interviewee. However, the questions were only e-mailed one day in advance, so the respondents were not able to prepare too much. All interviews were held at Lindex head office in Gothenburg. The duration of the interviews was one to two hours.

2.4 Credibility of the Study

2.4.2 Validity

For this thesis, the validity has been of great importance. Eriksson and Wiedersheim-Paul (2001, p. 39) define validity as “*a measuring instrument’s ability to measure what it is supposed to measure*”. To increase the validity of the study, three certain measures were carried out. Firstly, the authors prepared the interview topics thoroughly. Secondly, the questions were tested in advance on persons, who had no connection to the study. The reason for the extra tests was to make sure that the questions were formulated clearly, so that the respondent could understand them correctly. However, the face-to-face interviews were a third way to increase the validity of the thesis. If the respondent still felt that, some questions were difficult to understand, the authors could explain what they meant.

2.4.1 Reliability

Reliability will give the survey, through a measuring instrument, credibility and substantial results. Credibility means that results must be trustworthy and likely to occur. The substantial results imply, that another studier is supposed to get the same results, if doing the same survey (Eriksson & Wiedersheim-Paul, 2001). Since this study is based on a qualitative method, the reliability is not as relevant as the validity is. However, has the authors tried their best to increase the reliability on this study. In the next paragraph follows some reasons why the reliability can have decreased.

Something that could contribute to a negative reliability in this thesis was that no Dictaphone was used during the interviews. However, the authors consider that to be compensated by the fact that both of them were present at all interviews and that both of them wrote down notes. Another measure to increase the reliability was the all interviewees could be contacted afterwards if the received information had no accordance with the authors’ notes. The last way to increase the reliability was the follow-up meeting with the contact person.

2.5 Critique of Sources

The information collected from the interviews (the so-called primary data) as well as the documents obtained from the case company, has been invaluable in order to perform this study. However, it is important to remember that the information received from Lindex is subjective. In addition, it is needed to consider that the authors cannot control whether the respondents told the truth, or whether they mediated the information, as they wished to be perceived. The fact that the respondents received the questions a day in advance is also a source of insecurity. The interviewees then had a chance to control certain facts and to ponder about how to answer the questions. After discussing that problem, the authors still reached the conclusion to e-mail the questions in advance. This was in order to give the interviewees some time prepare. To minimise the risk, only the main topics were sent. The authors have of course tried to present all the information from the case company as objectively as possible.

There is also a need to consider the secondary data that was used. The secondary data cannot be controlled in the same way as the primary data. To minimise the risk for irrelevant information, as newly published books and journals as possible were used. Furthermore, this was not always possible and older editions were then used. The articles used were all gathered from the database Business Source Premier. It is difficult to reveal how reliable this database is, considering the articles credibility. The names of the authors to the articles as well as to the books have been found in many of the used sources. Most of the different articles and books have discussed the same facts. It is mostly the information that has been found in many places that is revealed in this thesis. This considers compensating the difficulty to control the background of the articles as well as the books.

3 THEORETICAL FRAMEWORK

Chapter three consists of the thesis' theoretical framework, which is the foundation to the rest of the study. The chapter starts with a brief introduction to strategies, followed by Kaplan and Norton's model of how to develop a strategy. The model is the main focus of this thesis. Further, three types of strategies are discussed and thereafter follows Porter's suggestions of how to compete with a strategy. The last section describes some pitfalls regarding strategies.

3.1 A Brief Introduction to Strategy

"Strategies define how organisations should use their resources to meet their objectives."

Source: Merchant & Van der Stede (2007 p. 6)

The development of strategies within management control system is an ongoing process, and the concept *strategy* is not the same today as it was just a couple of years ago. Five decades ago, strategies were considered to involve width but lacked substance. At that time both the development and the implementation of strategies were regarded to be the main responsibility of a company's CEO. As an aid to design strategies, the managers could use the already developed SWOT-analysis (Montgomery, January 2008). SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. The strengths and weaknesses stand for a company's internal control, whereas the opportunities and threats stand for the external influence (Lynch, 2006). Nevertheless, according to Montgomery (January 2008), the SWOT-analysis was not sufficient. The coming decades a completely new industry around the concept strategy along with new tools, such as the Boston Consulting Group's growth-share matrix, emerged. Today the depth in strategies has increased, but the stature and width have been lost on the way. The problem now can be that; *"It has become more about formulation than implementation, and more about getting the idea right at the outset than living with a strategy over time"* (Montgomery, January 2008, p. 56). Before the difficulties, which can emerge when creating strategies can be discussed, the concept strategy needs to be evaluated further.

In the article *What is Strategy?* the primary purpose of all organisations established is to have "superior performance" (Porter, November-December 1996 p. 61). To accomplish desirable profit, two important needs are verified. The first critical success factor is the operational effectiveness within a company. Operational effectiveness is described as *"...performing similar activities better than rivals perform them"* (Porter, November-December 1996 p. 62). However, it is not enough just to learn how to perform the activities better today. The success in operational effectiveness must be sustained over time. Therefore, there must constantly be improvements in a company's operational effectiveness. Otherwise, there is a possibility for competitors to approach easily. This has to do with the simplicity for organisations to imitate each other, as well as companies' general tendency to behave in a similar manner. Due to these factors, a second aspect that companies need to consider in order to succeed is stated. The second critical success factor is the need of a well-defined strategy. Strategy is argued as executing; either different activities or similar activities in different ways, than what a company's competitors do. This statement is the base for the further discussion of the concept (Porter, November-December 1996). In order to create a well functioning strategy, a firm must first consider its purpose. The aim of the company must be the spirit of the strategy. It should direct the whole organisation in the right way, from the top of the organisation all the

way down. It is therefore of great importance that the purpose is expressed clearly and distinctly (Montgomery, January 2008). It is moreover, emphasised that an organisation, which chooses a strategy, must do it with the expectation to deliver a unique mix of value. Customers must perceive the strategies and especially the activities performed as different, in comparison to the company’s competitors. Otherwise, it is possible for the strategies to seem more like marketing slogans, rather than unique value offers. Moreover, a well-defined strategy should communicate and guide the employees as well as facilitate to make the right decisions (Porter, November-December 1996). It must though be remembered, that the idea with strategies is to be a dynamic instrument that guides the organisation over time. Companies’ must therefore not forget that strategies are an ongoing process that never ends (Montgomery, January 2008).

3.2 Design of New Strategies

The most essential question is then, how should a company do when they develop a new strategy? According to Kaplan & Norton (January 2008), there are two basic rules for how an organisation successfully can create strategies. The first one is to understand how the management cycle links strategy and operations together. At first, management system according to Kaplan and Norton must be defined. They refer it to the “*integrated set of processes and tools that a company uses to develop its strategy, translate it into operational actions, and monitor and improve the effectiveness of both*” (Kaplan & Norton, January 2008 p. 64). Even though the definition by Frenckner (1983) was used in the first chapter of this thesis, it is important also to reveal the classification by Kaplan and Norton (January 2008). To design a successful management system, companies must create, what is called a closed-loop management system. The system includes five stages. The second rule is to know what tools to apply at each stage of the cycle.

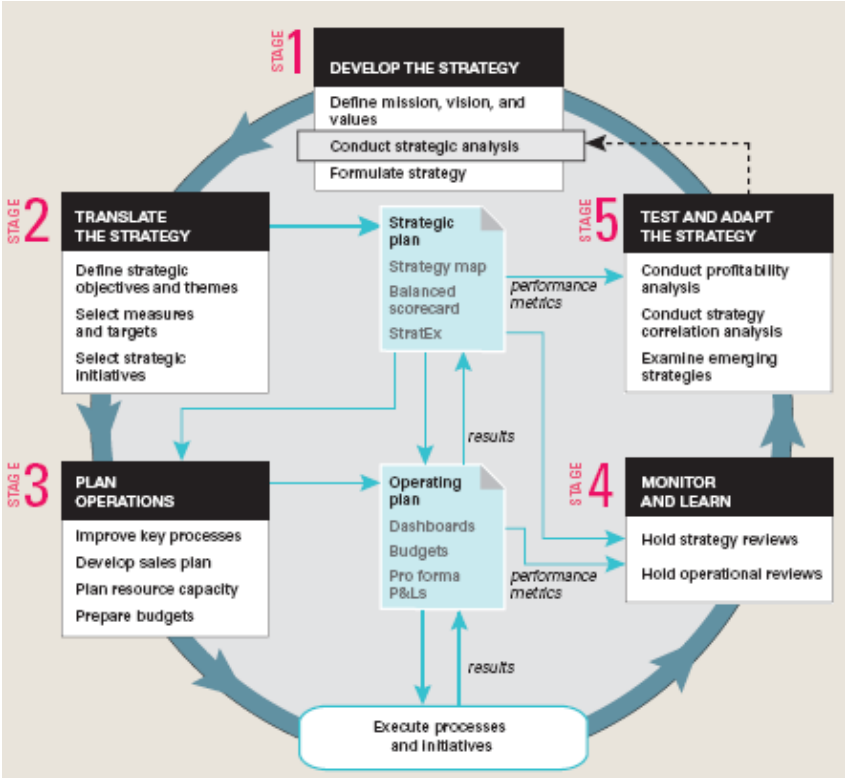


Figure 1. The strategy process model

Source: Kaplan & Norton (January 2008)

3.2.1 Developing new strategies

The primary step in the strategy process is of course to express a company's strategies. According to Kaplan and Norton (January 2008), strategies are useful for approximately three to five years. Thereafter they are normally modified or totally renewed. However, even during the years when the strategies are used it is important for the company to regularly evaluate and update them. For example, this can be done at annual meetings. The management team has two options to discuss, whether the strategies need to be improved or whether they need to be renewed. If the management reaches the conclusion that the company is in need of entirely new strategies, it normally requires additional meetings. The meetings usually last for a couple of days. At these meetings, the executives need to remember what competitive environment their business acts within as well as the business' essential statements. When that is achieved, the actual strategies can be developed. To make the process easier, some support questions that ought to help the managers with the strategy development process have been settled:

- ***What business are we in and why?*** This question declares that all managers, no matter what business the company operates in, need fully to agree on the company's mission (the purpose), vision (desire for future result) and values (internal guidelines for the organisation's actions). The mission of a company should state *why* the organisation exists, the vision classifies the mid- to long-term plans, the *goal*, and finally the values should impose the organisation's *attitudes and behaviour*. Ultimately, the settlement of these three statements will guide executives in the right direction when agreeing on the company's strategies.

- ***What are the key issues we face in our business?*** As the first question is answered, managers now have to continue the process with a strategic analysis. This should cover both the external and internal business situation. The well-known model "five forces"², created by Michael Porter, is a good framework to start up with. Further, is the so-called PESTEL analysis³ helpful, and together expresses these two models the external macroeconomic information. Thereafter, the managers should take a close look at the internal side of the company. A suggested approach at this point is to use the value chain model⁴, which will answer what internal capabilities the company possesses. When the external and internal components are completed, the results are put together in the classic SWOT-analysis (Kaplan & Norton, January 2008). As already stated the SWOT-analysis tries to reveal the company's current situation by communicating its internal (strengths and weaknesses) as well as the external (opportunities and threats) position. The external parts of the SWOT-analysis are also known as environment-based strategic options, whereas the internal parts are called resource-based strategic options (Lynch, 2006).

- ***How can we best compete?*** This question treats partly how the strategies should be formulated and partly how the goals of the company can be achieved. Moreover, when formulating the strategies, the managers should take some already developed models and frameworks into consideration. One example is the generic strategies, which are developed by Porter and more closely discussed later on. It ought to be remembered that the managers need to design the company's actions in order to distinguish itself from its competitors and so on achieve competitive advantages.

² The five forces model consists of *bargaining power of buyers, bargaining power of suppliers, availability of substitutes, threat of new entrants* and *industry rivalry*.

³ A PESTEL analysis is described as *political, economic, social, technological, environmental* and *legal* factors.

⁴ The value chain model gives details about how to develop, produce, and deliver products and services and how to finally sell it to customers.

3.3 Implementation of Strategies

3.3.1 Translation of the strategies

After the strategies have been developed and formulated, the company has reached the second step of the cycle. There is then of great necessity to translate the strategies into actual measures as well as actual objectives. Thereafter, strategies can be communicated to all employees within the organisation. It is though important that it is accomplished with good precision. Helpful instruments that might make the translating process of a strategy easier are so-called strategy maps, balanced scorecards and strategic themes. The strategy map for example, visualizes the chain of cause-and-effect relationships between strategic objectives. Usually, written down on a piece of paper it gives an overall view of the financial objectives. The chain is also linked to objectives that are associated with customer loyalty and value propositions. A balanced scorecard is a tool that visualizes the target for each strategic objective. It should serve the executives in a way, so that they can make better decisions concerning strategies and executing them. The balanced scorecard should also help the managers with measuring the progress. The last suggested instrument is the so-called strategic themes. It can be described as a simplification of the strategic map. It is seen as “...*a vertical slice within the map...*” (Kaplan & Norton, January 2008 p. 68) in which there are some precise related strategic objectives. These initiatives are often durable in a relatively short period. The suggested timeline is 12-18 months.

3.3.2 Plan Operations

Once strategies have been developed and communicated, the subsequent step is to make plans in how to achieve them, which is the third step of the closed-loop management system. At first, the company needs to decide what processes within its projects it should prioritise on improving. Therefore, sales- and capacity plans, which lead to budgets, must be created. The third stage, plan operations, can further be divided into four steps, where the first step is *the improvement of processes*. The purpose in this step is to subdivide each process of the strategy development in order to recognize critical success factors, which are important, not least for the employees. In order to implement the strategies in present processes and to improve them, they must be measured. The measurement should be in areas such as responsiveness, speed, quality and cost. When focusing on activities such as total quality management, lean management, Six Sigma and reengineering programs, higher profit is expected. This is due to that they are closely related to the objectives in balanced scorecards and strategy maps. To let employees know about their performance and to give feedback on their actions, electronic facilities⁵ can be used. *Sales plans* are the second step within stage three. Managers need to subdivide the company’s sales objectives into specific targets. It is of great importance for managers to identify “the right” resources needed to implement the strategic plan. When having information about process improvements and sales plans, it is possible to make a *resource capacity plan*, which also is the third step, within this stage. Here, the manager must do an estimation of what resources might be needed in order to execute the strategic goals. A helpful instrument is the time-driven activity-based costing (TDABC⁶). The instrument brings new capability to interpret future sales numbers, into prognoses of required recourse capacity. The TDABC-model helps managers to update the model with new information. The model also facilitates to discover how much supply of people, equipment and other resources, is needed. After discovering the level of the overall needed resources, the

⁵ That is: electronic physical dashboards, displaying data on the key indicators of local process performance.

⁶ Activity-based costing: should “*measure the costs and profitability of process, products and customers*” (Kaplan & Norton, January 2008 p.72)

last step *dynamic operating and capital budgets*, can be formed. With the information gathered in the previous steps, the executives should now estimate the financial implications needed.

3.4 Following-Up Process

Stage four of the strategy process, is called **Monitor and Learn** and as the name reveals, this step should help the managers to follow-up and learn about the developed and now implemented strategies. Further, the managers should be able to see and evaluate the outcome of the strategic- and operational plans. To facilitate this, three kinds of meetings are suggested to be held. The first two types of assemblies focus on the already developed strategy, whereas the third type focuses on evaluating the strategy. The third kind of meeting is discussed in the last stage of the cycle. The first type of meeting focuses on the operational actions and need to be held often. The point with this meeting is to reveal upcoming problems at an early stage and come up with solutions to the difficulties. The meeting also concerns the performance by, for example balanced scorecards in order to see that it operates desirably. The second kind of meeting focuses on the strategy review. These assemblies are not required to be held as frequently as the first type, however, they must be held regularly. The main point with these meeting is to evaluate how the strategy is operating according to the company's objectives. If these kinds of assemblies are not held the management will not know when they need to develop new strategies. Stage five, called **Test and Adapt the Strategy**, is the last step in the management system loop. It involves the third kind of meeting, in which the importance of always revising and following up the company's strategies lies. If the executives realise that the developed strategies fail in achieving the company's objectives, they must decide whether to improve the strategy or develop an entirely new one. When the evaluation of the strategies in last step of the closed-loop management cycle is completed, the company is back to the first step within the circle (Kaplan & Norton, January 2008).

3.5 Three Levels of Strategies

The concept strategy is divided into three categories. The three categories are corporate-, business- and functional strategy. However, the corporate- and business strategies are the mostly discussed concepts in the literature and these concepts are the focus in this thesis.

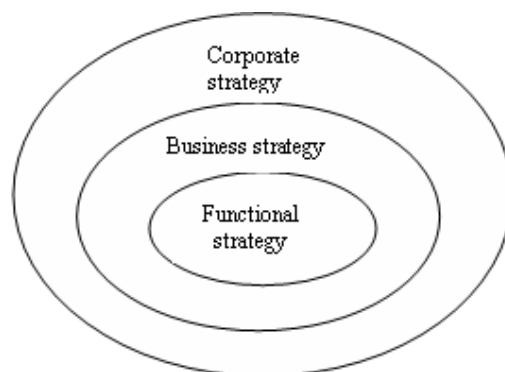


Figure 2. Hierarchy of strategy

Source: Wheelen & Hunger (2000 p. 13)

- **Corporate strategy:** expresses a company's general direction. The strategy at this level should answer to the question in which industry or market the organisation should operate. Further, the corporate strategy concerns how a company shall attain growth,

stability and even retrenchment, if that is needed. The last part of the corporate strategy involves how the management in a company should coordinate the activities and allocate the resources.

- **Business strategy:** is implemented at a business unit or at a product level. The idea is that it should help to improve a company's competitive position. The business strategy points out that, improvements constantly need to be made, in order to sustain a competitive position. If a business strategy is not competitive, it ought to be cooperative (Wheelen & Hunger, 2000). Michael Porter has developed one of the most famous models in how a company should consider its strategy according to the business strategy level. He states that in order to develop a superior strategy, companies need to consider three aspects; the companies positioning, its trade-offs and fit (Porter, November-December 1996). These three concepts along with a second view of strategic positioning, follows in chapter 3.6.
- **Functional strategy** is the approach, which describes how a functional area shall obtain the objectives within its unit (Wheelen & Hunger, 2000). This strategy concept is not mentioned further in this thesis.

3.6 Positioning as a Strategy

3.6.1 Generic strategy

A company needs to choose how to position itself within market. According to Lynch (2006), Porter discusses a company's positioning and strategies, as a part of the external components of the SWOT-analysis in the book *Competitive Advantages: creating and sustaining superior performance* (Lynch, 2006). The external parts, also known as the environment-based options are thus the start for the further argument. From there are the so-called **generic strategies** developed. They can be regarded as the simplest and broadest level of how a company can position itself. The generic strategies consist of *cost leadership*, *differentiation* and *focus*. Porter (1985) states that, when an organisation formulates its strategies, no matter what business field it operates in, the three strategic options (cost leadership, differentiation and focus) are always available. That is the reason why they are called *generic* strategies. However, it is of great importance for a company to avoid the failure of focusing on all of these positioning strategies and not succeed in any of them. If that occur, Porter means that it will lead to disadvantages for the whole company. This assumption has however, been much disputed. Some researchers mean thus that it is not at all devastating for a business to focus on all of these strategies without being a leading company in any of them. In the following paragraphs, the different positioning strategies will be further discussed.

- The term **cost leadership** is the first of the three generic strategies. Cost leadership means that a company tries to position itself as the low-cost leader in its industry. The idea is further to gain a higher average-profit than its competitors will achieve. Most of the time, cost leaders produce standardised products.
- **Differentiation** is the second generic strategy. It states that an organisation strives to be unique in those areas where its customers consider most value to emerge. The plan for the organisation is to meet the requested needs by the customers. Ergo, the idea is to deliver a solution to those things a company's customers find most important. However, the way a company can differentiate itself depends on what industry it is involved in. Differentiation

for a company can be everything from creating different products to have different marketing approaches.

- The third and last generic strategy is **focus**. This way to position a company, is quite different from the two other mentioned positioning strategies. When a company positions itself like this, it chooses what customer group or customer segment it should focus on, and at the same time exclude the rest. Two versions of focus exist; cost focus and differentiation focus (Porter, 1985).

3.6.2 Strategic positioning

Porter (November-December 1996) further argues about a more specific way for companies to position themselves, which is called strategic positioning. This theory portrays three different assumptions as well. However, it is not necessary for them to operate exclusively instead, it is common for them to overlap. The first part of the positioning theory focuses on the company's choice of varieties concerning products or services. This theory does not focus on the customer segments. Positioning a company like this is therefore called *variety-based positioning*. The approach is especially sufficient when a company "...produce particular products or services using distinctive sets of activities" (Porter, November-December 1996, p. 66). The second part is "*needs-based positioning*" and focuses on the needs of customers, regarding them as different groups with different needs. The use of this method occurs when an organisation can provide the customer groups tailored activities. The third and last way of positioning a company is the "*access-based positioning*". It is advisory to position this way when the customer segments can be reached in altered ways, for example, when customers are situated in different geographical locations. A reason why companies need strategies is therefore due to the lack of an ideal positioning.

3.6.3 Trade-offs and fit

It is not enough for a company to have a good position on the market if it wishes to gain superior performance. Since a "perfect" position will increase the risk for competitors to imitate the leading corporation, another important aspect, the trade-off, needs consideration. The idea with trade-offs is, that it is not possible to combine all activities of a company. If a business wishes to focus more on a specific object, it immediately leads to less attention in another. Trade-offs ought to protect a company from rivals' attempts to imitate them. The motive for trade-offs is that a company needs to make a choice; it needs to "...choose what not to do" (Porter, November-December 1996 p. 70).

The operational effectiveness, developed in chapter 3.1, strives to accomplish the best in a company's individual activities. An organisation must however, also consider how it can combine activities in order to gain advantages. This is how fit connects with strategy. A business has to figure out what actions can influence each other and when put together, raise the company's profit. That argument appears from a discussion by Porter, where he discusses how a strategy composes a fit between the activities in a company:

"The success of a strategy depends on doing many things well - not just a few - and integrating among them. If there is no fit among activities, there is no distinctive strategy and little sustainability."

Source: Porter (November-December 1996 p. 75)

3.7 Pitfalls Regarding Strategies

It is important to remember, that developing strategies sometimes is not as simple, as it may seem. In fact, it exists complications in the strategy process, which ought to be remembered. Some of the most essential pitfalls discussed in this section, underlie the analysis in this thesis.

A risk in the beginning of the strategy process is for an organisation to create too grand strategies. This might have the effect that the management has difficulties breaking the strategies into pieces. If the management cannot convert the strategies into a company's goals and targets, there will be great difficulties for the employees to understand what the strategies are and how they should achieve them (Kaplan & Norton, January 2008).

A second difficulty is the implementation problem. Montgomery (January 2008) considers firstly a positive aspect with strategies, which is that they facilitate organisations in an analytical precision. However, when strategies are developed the risk is that they result in being just a paper product. Hence, organisational ineffectiveness can be a reality. An expressive quote states:

“What we have lost sight of is that strategy is not just a plan, not just an idea; it is a way of life for a company. Strategy doesn't just position a firm in its external landscape; it defines what a firm will be”.

Source: Montgomery (January 2008 p. 56)

This problem is more closely explained by an old graphic description made by Seymour Tilles. The example illustrates men, who were asked what they wanted to achieve by the time they turned 40 years old. The answers can be divided into two categories: those who responded what they wished to *have* and those who answered what kind of man they wished to *be*. The difference between the two responses can even be applied on businesses. It can be explained in a way, that the answer “*have*” concerns organisations that mainly focuses on the financial targets. The respond, “*be*” implied that the man had a plan of where he was heading, not just what he wished to accomplish. This is true, even for companies. The risk is not thus for companies to forget its objectives but instead *how* to accomplish them. In the end, it is argued that when strategies became a science, the implementation process was forgotten (Tilles, 1963).

3.7.1 Not all strategies are worth pursuing

There is of great importance that managers perform a well-functioning background analysis of the company, before developing successful strategies. However, not all strategies are always worth to pursue and implement. There are especially some strategies, which companies, should avoid.

- **Follow the leader:** To imitate the strategy of a leading competitor is not always advisory. There is a risk that the company that imitates forgets about its own strengths and weaknesses and only put focus on catching up. There is also a possibility that the leading company does not have the right strategies.

- **Arms race:** If a company involves itself in a battle with another competitor in order to increase markets shares and revenue, it can, in the end cost more, than it is worth. This is due to the cost of advertising and promotion.
- **Do everything:** If there are plenty of interesting options for a company to choose between, there might be a risk that managers wish to concentrate on all of these options. At the start, a company can acquire the resources needed to pursue the projects. In the end, it will probably cost more than it actually is worth (Wheelen and Hunger, 2000).

As discussed in the introduction to this chapter companies must remember that strategies are a dynamic instrument that guides organisations over time. What not to forget is that the strategy process is an ongoing procedure that never ends (Montgomery, January 2008).

4 EMPIRICAL FINDINGS

The fourth chapter of the thesis includes the empirical findings the authors have found during the interviews with Lindex, the case company. The first part describes the case company and its old strategies. Thereafter, follows a description of the developing process of the new strategies. The last section of the chapter consists of the implementation and the following-up process.

4.1 Lindex

The case company studied in this thesis, is the retail company Lindex. The company, founded in the Gothenburg region, has been in the retail industry for the past 54 years. Lindex today operates in four segments; women's lingerie, women's fashion, children's fashion and cosmetics. It became a public company, listed on the OMX Exchange in 1995 until 2007, when the Finnish group Stockmann purchased it. Within the markets Lindex operates, the company sees its operations out of a country perspective. The different countries are first responsible for their own business. Thereafter the head office in Gothenburg will collect the information and compile the results, forecasts et cetera for the entire company. Hence, this effect Lindex strategies, the overall strategies are approximately the same in the different countries, but each country can have its specific objectives. This thesis focuses on Lindex operations in Sweden (Lindex homepage).

To collect the information to the empirical findings, three interviews with an extra follow-up meeting were held. The interview persons were; Peter Andersson, Sofia Brax and Mattias Ardfelt. Peter Andersson is the CFO at Lindex and has worked at the company for eight years. He was also the authors contact person for this thesis. Sofia Brax is the HR Manager at Lindex and has worked there for four years. Both Andersson and Brax are a part of the executive management team at Lindex. The third interview was held with Mattias Ardfelt, who is the corporate group controller. Ardfelt has worked at Lindex for seven and a half years. All interviews were personal interviews and held at Lindex head office in Gothenburg.

4.2 Effect of the Old Strategies

Lindex old vision was "*Our passion is to inspire women to look and feel great*". According to both Peter Andersson and Sofia Brax, the previous *vision* of the company could be apprehended as old-fashioned, a bit unclear and complicated. Hence, this affected Lindex's *strategies*. A problem with the strategies was that they were only implemented within the management control system and not completely in the whole organisation. The greatest problem, according to Andersson and Brax, was that not the entire executive management team shared the same picture about Lindex. A contributory factor that might have caused this split picture, was the former CEO. According to a Swedish newspaper, he was accused of having too little interest in the company (DN:s homepage, March 9, 2004). These circumstances led to difficulties for the employees further down in the organisation, since they did not know what strategies to achieve and what values to stand for (Andersson 2008; Brax 2008). At this time, Lindex had many problems with its strategies and the way they were carried out. In the next coming paragraphs follows a short description of the different difficulties.

The company's earlier strategies were so-called "push strategies". The effect of a push strategy was that Lindex focused on *pushing* out large volumes of clothes. The opposite of a

push tactic is the so-called pull tactic, which will be discussed in the chapter where Lindex new strategies are expressed (Ardfelt, 2008). According to Brax, the old strategies were mostly focused on financial targets. Andersson further meant that although the strategies were clear and sufficient in theory, they failed to succeed in practice. The strategies at the time advocated, for example *market shares through large volumes* and *fashionable basics*. What caused problems with the push strategies, was that Lindex purchased larger volumes of clothes than the company could sell, which resulted in giving the customers too large discounts. The discounts were considered the only option the company had, to sell the purchased clothes. This created a sense of fashion at a low cost, which the customers did not apprehend as attractive. An additional problem concerned the supply chain, which at that time was long and not very flexible (Andersson 2008; Ardfelt 2008).

When a clothing company purchases quantities of clothes, it designs and orders the clothes many months before they actually are sold in the stores. The orders are based on predictions of future sales. According to Andersson, a company will always buy clothes that become hits (“winners”) and clothes that no one will buy (“losers”). The trick for a company is, naturally to purchase the clothes that will become hits. The customers will buy the winners immediately, whereas the company will have difficulties to get rid of the losers. The problem for Lindex at the time was that when the company bought too large volumes, it was impossible for them to purchase more of the winners. That was because there was no place to store them, the warehouse was full and so were the stores. Moreover, the stores were often too full of “wrong” kinds of clothes, which did not yield satisfactory profit. Figure 3 below shows a curve that describes the distribution of the different types of clothes in the stores. The curve is normally distributed. The effect was then that Lindex ended up on the left side (the red circle in the Figure 3) of the curve. However, to succeed a company needs to be on the right side (the green circle in the Figure 3) of the curve.

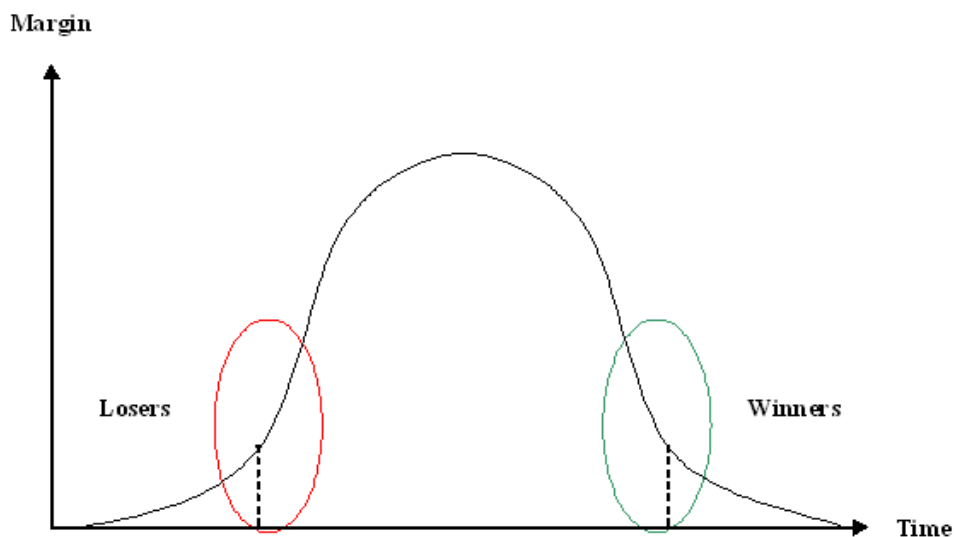


Figure 3. Winners and losers

Source: Illustration by the authors

The consequence, that Lindex too often appeared at the left-hand side of the curve, was one of the reasons, why the executive management team decided that the company needed new strategies. However, the company had more difficulties, which inter alia, is illustrated with the assistance of the so-called *Fashion cure*.

Another problem that followed the old strategies, according to Andersson, was that Lindex never chose a place on where to act on the Fashion curve (see Figure 4). The curve indicates that a retail company can be either a clothing company or a fashion company, not both at the same time. To describe the Fashion curve Andersson portrayed an example of jeans. Companies at the left-hand side of the curve, the innovators, design and sell jeans at a cost of 1999 SEK, whereas companies on the right-hand side sell the same kind of jeans one or two years later to a cost of 19,99 SEK. A consequence, for Lindex who had no position on this curve, was that the company had difficulties gaining market shares and thus satisfactory profit.

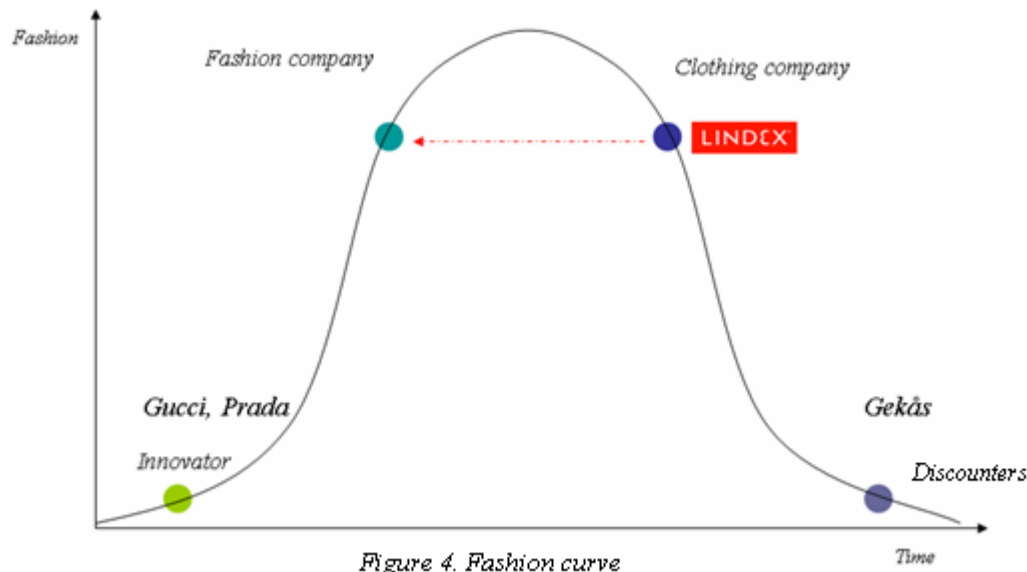


Figure 4. Fashion curve

Source: PowerPoint-document Lindex

A further aspect that contributed to reducing confidence for Lindex at the time was the design and look of the stores. The stores were located in the most attractive areas in the central parts of the cities. However, the design inside the stores mediated a different feeling. The last reason for the weakened market position was caused by spending money on insufficient advertising campaigns. One example of this was in the beginning of the 21st century, when Lindex did its first TV-commercial. The commercial communicated Lindex as the fashion company it wished to be. Nevertheless, when the customers came to the stores they apprehended Lindex still to be a clothing company. This contradiction led then to decrease confidence for the company. Andersson further said these commercials were both expensive and did not lead to a sales increase (Andersson, 2008).

4.3 Design of Lindex's New Strategies

4.3.1 The change

In the autumn of 2004, Göran Bille succeeded Lindex former President and Chief Executive Officer (CEO). Bille had 25 years of experience in the retail industry. When Bille replaced the former CEO, he decided for some adjustments within the company. Bille, along with the executive management team started to evaluate Lindex as a company. They discussed what Lindex meant for them at the time, where they wished the company to be in the future, and how to get there. First and foremost, they decided to re-establish the profit, (the latest years

sales, operating profit and profit after financial items are illustrated in Figure 1 in the appendix). In order to regain profit, the idea was to dispose the non-satisfactory parts and instead focus on the “right” activities. Lindex decided to reduce the warehouse volumes by ten per cent. That was achieved in approximately one year (Figure 2 in the appendix illustrates this). Lindex had previously had an approach that the paid price for the clothes was low, meaning that the customers received large discounts. An example was when customers purchased three items but only had to pay for two. Lindex considered the discounts to be compensated by the large volumes the company had purchased. Andersson moreover, pointed out, that the price of the clothes was low, in comparison to the quality of them (Andersson 2008; Lindex annual report 2006/2007).

Instead of considering low prices to be the important, Lindex changed the focus to the experience inside a Lindex-store. This initiative was something that the new CEO together with the executive management team, changed. Thereafter, three main measures were taken into action. This was in order to regain the market position as well as the profit. The first main measure was the disposal of the lingerie chain, Twilfit, which was completed in September 2005. The reason for the disposal of Twilfit was the lack of a satisfactory profit. Lindex had acquired the chain Twilfit while believing in a multi brand strategy. The belief with that approach was that it would gain the organisation. However, some years after the acquisition Lindex realised that the multi brand strategy did not suit the business. Instead, the company decided to reintroduce a single brand strategy. The second measure was to concentrate on the markets, which were regarded to be the most essential for Lindex. The Scandinavian countries were at that time considered as these crucial markets. The third and final measure was to withdraw from the German market, where Lindex established itself in 1998. The closure occurred in 2007. During the process of regaining profit, the executives along with the owners of the company, united upon the need for new strategies, which would better suit the organisation. Lindex consider that in order to succeed a company need many things and the strategies are one of these important components (Andersson, 2008).

Ardfelt was of the conception that Lindex today position itself as a fashion company. Moreover, Andersson was of the opinion that Lindex now has taken the responsibility of its positioning. Andersson meant that Lindex for example has put a lot of effort into making the stores inspiring. Regarding Lindex new business concept “*Inspiring, affordable fashion*”, it implies that the company wants to offer their customers fashion to a good price. That means that the company needs to be a very good follower of the leading fashion companies and at the same time offer it at an affordable price. The affordable price means that the company tries to be cost conscious. Furthermore, Lindex wish to give their customers a world-class fashion experience. An example is, when a customer has paid for a piece of clothing the customer’s expectation should correspond or exceed the quality (Andersson, 2008).

Another large change Lindex has gone through the last couple of years is the shortening of the supply-chain. The company has put a lot of effort into this task. The investments in the supply-chain had two motives. Firstly, the time from when a piece of clothing was ordered until it could be sold in the stores needed to be more effective. Secondly, Lindex decided that some of the actions within the supply-chain could be performed in parallel. The reason for the investments was the desire to become a fashion company. A fashion company cannot have long lead-times, since the fashion constantly is changing. The sharp competition also demands a close relationship to the market. Otherwise, it is likely that the company loses market shares (Ardfelt, 2008).

To be able to perform these improvements, Andersson pointed out two main actions. One of these actions was to develop a new and better computer system. This was in order to facilitate the process of ordering and supervising the clothes. The other action was to build a distribution centre in the Gothenburg region. The distribution of the clothes as well as all the whole logistics had earlier been an outsourced activity. Lindex decided that in order to make the supply-chain more flexible the company also needed to be in charge of the distribution. These two measures led to that the organisation has succeeded in shortening the lead-time. An additional positive effect resulted in that it is easier for Lindex to order smaller volumes of clothes, which in turn admit the desired higher flexibility. During this time, Lindex has also decided to go from using budgets to rolling forecasts (Andersson, 2008).

After Lindex accomplished to regain profitability, the next step described by Andersson was to increase its market shares. Lindex desires to expand both in Sweden as well as in other countries, such as Russia and Saudi Arabia.

4.3.2 Developing new strategies

After the agreement that new strategies were needed, the developing process began. At first, with the assistance of the SWOT-analysis, an evaluation of Lindex's market position was made. Another important and already mentioned starting-point was for the owners, the executive management team and the manager of the Swedish market to establish where they wanted the business to be in the future. The time spent on this part of the process was, according to Brax, approximately a two-day meeting. When that was set, the CEO gathered the rest of the managers to a meeting where they were asked to place Lindex on the Fashion curve. That was requested in order to decide whether they perceived Lindex to be a clothing- or as a fashion company. Everyone wished to become a fashion company, although an overwhelming majority agreed that Lindex at the time was a clothing company. That knowledge was then used as a base for the rest of the process. Ardfelt expressed that this awareness gave the executives the idea that Lindex had to abandon the push strategies and start using the so-called pull strategies. The pull strategies focus on the customers as well as the stores. Earlier Lindex had focused too much on pushing the articles to the market and had forgotten about the stores and the customers. The new notion should instead try to tempt the customers to visit the Lindex-stores, which should be apprehended as showrooms.

At the time for the change, Lindex started to use a strategy model, which is illustrated in Figure 5. As a beginning to the rest of the strategy process, the six primary elements were set as a foundation. These were; *vision, business concept, values, target group, brand target* and *financial objectives*. These components will be developed further below. The six elements combined together, creates the rest of the strategy model that Lindex uses. Moreover, the strategic model involves three categories; *strategic aims, critical success factors* and *strategic action plan*.

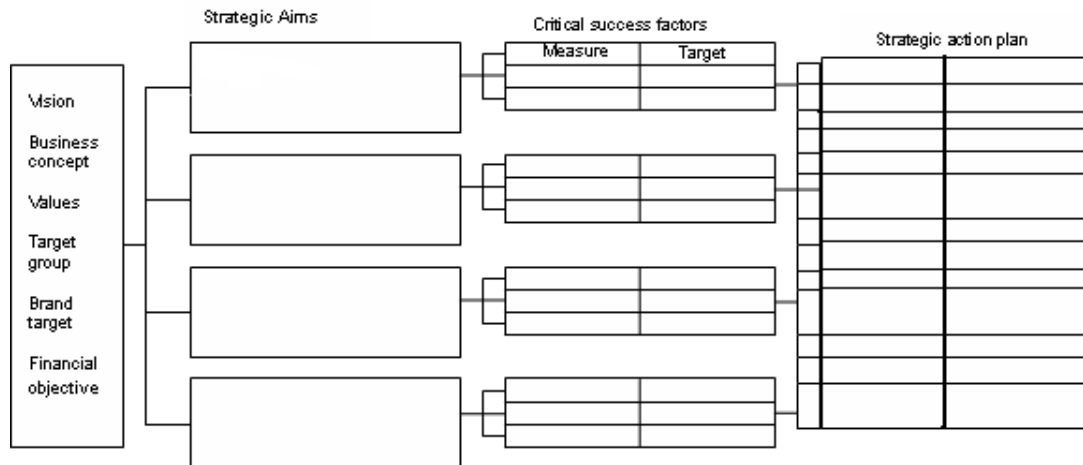


Figure 5. Lindex's Strategic Model

Source: Strategy Development Business Planning Process 1210

4.3.2.1 Explanations to the six elements

Vision: The purpose of the vision is to portray *where* Lindex wishes to be in the future. The “future” is estimated to be a period of three to five years (PowerPoint-document, Lindex). Lindex further anticipates the vision to guide and energize the company’s employees. According to Andersson, the vision is a necessity for the whole organisation to stand behind and strive for. The previous vision was “*Our passion is to inspire women to look and feel great*” (Lindex annual report 2004/2005). As already mentioned the old vision could be apprehended as old-fashioned and complex according to both Anderson and Brax. After the evaluation of where Lindex *was* at that time and *where* the company desired to be in the future, it was evident that the vision needed to change, since it no longer mediated Lindex objectives. The new vision is “*World-Class Fashion Experience*”. This first stage to define and renew the vision was considered very important for Lindex (Andersson 2008; Brax 2008).

Business target group: This concept will strive to explain how Lindex is supposed to make money and why they are operating in its specific field. The formulation includes; what Lindex should do, for whom they do it and what characterizes their way of doing it. The business target today is “*Inspiring, affordable fashion*” (Lindex annual report 2006/2007).

Values: The values are one of the most fundamental parts of the strategy process for it to be successful. Andersson pointed out that Lindex already at the beginning of the strategy process understood that the old values did no longer fit the company. The purpose with values is to explain to the employees *how* they should behave in order to attain the vision. Moreover, the values should be inspiring and challenging. However, it is not just enough to create and compile values, all employees need to support and take responsibility for them. In order to make all employees feel responsible for the values, Lindex involved them all (from the top to the very bottom of the organisation) when creating the values. Subsequently, the entire organisation was gathered in so-called workshops. At the workshops, the employees were asked to list such things they could stand for, as well as things they considered Lindex to stand for. The result was collected and compiled and formed the new values of the organisation (Andersson, 2008; Brax, 2008; Strategy Development Business Planning Process 1210).

Target group: This element should describe *for whom* Lindex is working (PowerPoint-document, Lindex). The company, along with hired consultants, examined who the company's target group was. They identified the typical customer to be a woman in her mid-thirties and having children. The typical customer was also considered to have little time for shopping but to be interested in fashion. However, when Lindex began their renewal process they realised that the earlier statement about an ideal customer was not entirely correct. The foundation and work behind how Lindex reached the new conclusion was the following statement; "*the target group is the set of people Lindex try to demonstrate and attract, while designing their clothes*" (Strategy Development Business Planning Process 1210). With that as a start, Lindex changed the approach and developed a new idea. They concluded that Lindex do not have one single ideal customer. Instead, the company changed focus from describing who she (the target customer) was, to instead describe for all customers what Lindex can offer them. Hence, the new definition of the target group is; "*Women interested in fashion*" (Andersson, 2008).

Brand target: This element should describe for Lindex how the customers perceive the company. Brand target is therefore the same as the general knowledge of the brand Lindex. In order for the company to gain this information, external consultants are hired. They measure this according to special targets. Principally the consultants measure the brand target, in for example the following areas: top of mind and the customer's feeling about the company when coming to the store. Top of mind means, that when a customer is asked about the first three retail stores in mind, one of them should be Lindex. Andersson emphasises that the company today tries to focus more on the customer's emotional feeling for Lindex in comparison to the earlier more functional focus.

Financial objectives: The importance of the financial objectives has changed a bit since the Finnish group Stockmann purchased Lindex. Before the acquisition, Lindex had an explicit goal that by August 2009 the company should have an EBITA of 14-15 per cent. This target is still up-to-date however; it is now more of an internal goal than earlier. The reason for that is that Lindex used to be a public company and their goals were then made for the shareholders. Today Lindex states financial objectives that should assist the organisation to achieve its targets (Ardfelt, 2008). Other financial targets (gained from Lindex annual report 2006/2007) were:

- A sustainable gross margin of 59–60 per cent by August 2009
- 20–25 new stores each year during 2008–2009
- An annual growth of 6–9 per cent over the next two years

4.3.2.2 The three categories

Strategic aims: Lindex's strategic aims are derived from the six different concepts stated above (also illustrated in the strategic model). The idea with strategic aims is to indicate in what direction Lindex needs to go, to certify a desired profitability and a so-called competitive performance. In other words, the strategic aims are the same as Lindex overall strategies. During the strategy process, the company came to the conclusion that the maximum number of aims should not exceed eight (Strategy Development Business Planning Process 1210). Strategy as a concept, should give answers to the questions *what*, *when* and *who*. The seven strategies Lindex has today are illustrated in the picture below:

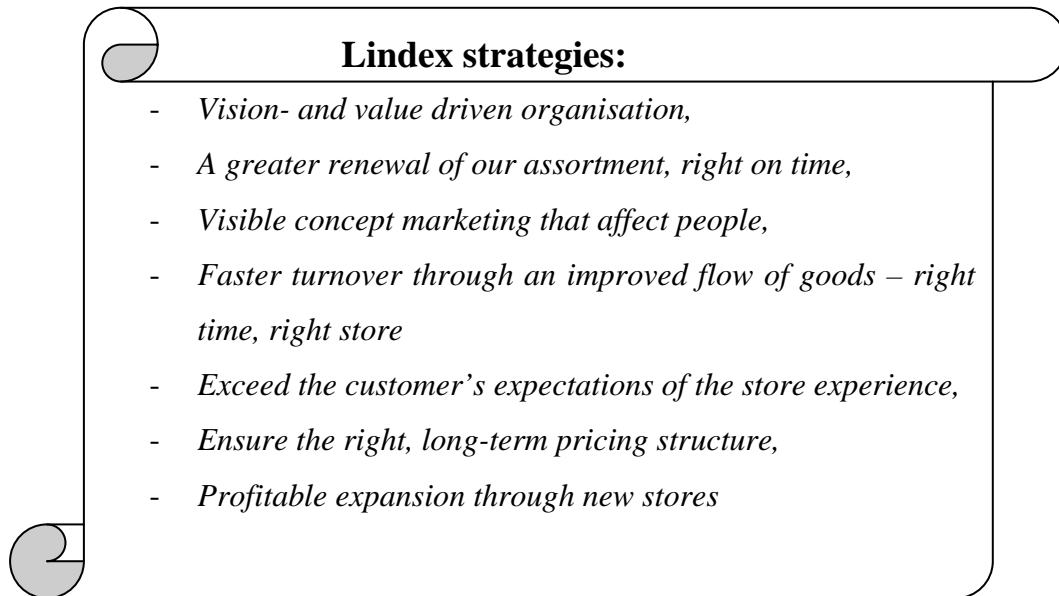


Figure 6. Lindex strategies

Source: PowerPoint-document, Lindex

From these seven strategies, one strategy has been chosen in order to reveal what the strategy work within the company can look like. The strategic aim that will be studied more carefully is “*Vision and value driven organisation*”. This strategic aim is the responsibility of the HR Manager.

Critical Success Factors: A critical success factor includes measurable goals that the company should obtain to facilitate their overall objectives. These aims must be accomplished within a two-year period. The critical success factors are articulated in form of measures and targets. Lindex advocate a limit of three critical success factors to each strategic aim. All of them must be carefully selected and decided. Otherwise, it might emerge difficulties in measuring and evaluating the performance later on. The CEO and the executive management team have the responsibility to decide these measures and targets. They do this without external models (Strategy Development Business Planning Process 1210; Andersson, 2008).

From the strategy that was chosen in the strategic aim, one of the measures has been chosen to continue the example. The measure that will express how Lindex works to accomplish the strategy is; “*Right person at the right position to secure competence and efficiency within the organisation*”. However, to know if this measure is accomplished, the company has decided for some targets. The targets that are related to this measure are divided into a soft- and a hard target. The soft target is; “*Proportion of employees within purchase, marketing, and sales department, who have the right competence*”. The hard target is; “*Total cost over turnover for office cost, should be X per cent → affordable*” (Andersson, 2008).

Strategic Action Plan: Based on the decisions taken about the strategic aims along with the critical success factors, the next step in the strategic model is to create the strategic action plan. The purpose with this plan is to implement the strategies and especially to reach the goals stated within the critical success factor category. However, before the implementation process could begin the previous situation in Lindex, in comparison to the critical success factor targets, had to be evaluated.

The strategic action plan is composed in order to describe the forthcoming year. Lindex further, uses the plan in the company's overall forecasting process. When the rolling forecasts have been set, the different responsibility areas are assigned (PowerPoint-document, Lindex). The company is divided into the following nine responsibility areas (group functions): HR, Information, Marketing, Purchasing, Logistics, IT, Finance, Expansion and E-trade. Moreover, the strategic action plan explains in depth the different strategic action plans per group function and country (see Figure 7. for how Lindex strategies are linked together). It is of great significance that the group function plan and the country plan to go hand-in-hand with each other. However, Lindex also realised that the different plans needed to be closely related to the general business strategies (Strategy Development Business Planning Process 1210).

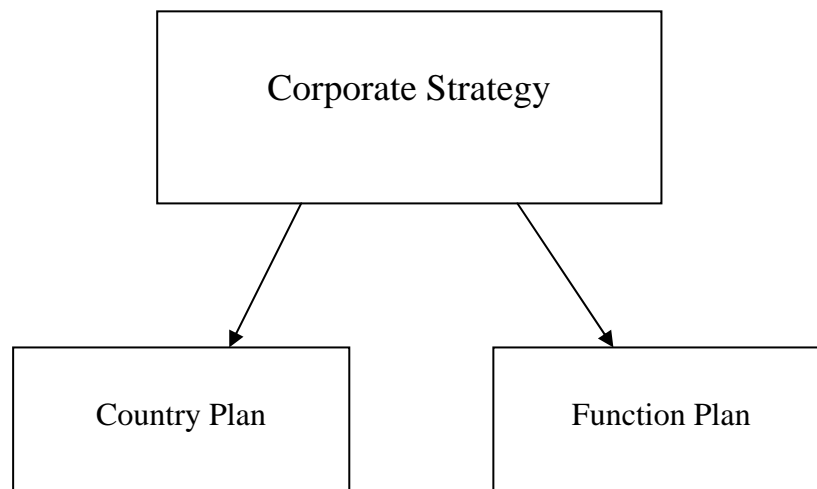


Figure 7. The connection between Lindex strategies

Source: Peter Andersson, Lindex

The example of a strategic action (a group function plan) for the strategy “*Vision and value driven organisation*” is that the HR Manager should accomplish “Lindex academy vision and values”.

4.4 Implementation of Strategies

As already stated, the process of changing Lindex' strategies began in 2004, when Bille replaced the old CEO. Since then, the new strategies have been developed and just recently, the implementation process started. The execution process began at the top of the organisation. During 2008, the plan is to continue with the implementation process in the rest of the organisation. This considers approximately taking one year to complete. The company's new strategies are therefore planned to be completely integrated and operating within the organisation in 2009. It is crucial to remember that the strategy process never ends. Lindex has to continue to revise and improve its strategies regularly (Andersson, 2008; Brax, 2008).

The HR Manager at Lindex has a significant role in the execution process. Brax can be considered the messenger of the implementation. For example the HR Manager had the overall responsibility to educate the executive managers at Lindex head office, as well as all store managers in Lindex in a pedagogically way. This was carried out during so-called inspiration days. The inspirations days were held in order to get a deep understanding of the

new strategies and the values. After these so-called inspiration days, the other executives have along with the HR Manager the responsibility to educate and teach the rest of the company about the new strategies as well as the new values. According to both Brax and Andersson, this second part of educating the strategies is today not totally completed. However, the hope is that all employees already should know about the new values even though they have not yet been taught about the strategies.

Andersson pointed out that commitment around strategies and values is enormously important. This is a matter for all employees within the organisation. Furthermore, both Andersson and Brax state that the executives need to stand united and advocate the same message, in order to gain superior performance. This is explained with a very descriptive sentence “*to walk the talk*” (Andersson, 2008). The quote implicates that what is said must also be followed in practice.

A key factor for success with the implementation process is to consider the strategies as “*a living instrument*” (Brax, 2008). It is of great importance that strategies are not something just written down on a piece of paper. Strategies must be formulated both shortly and briefly, in order to be clear and thriving. To be able to facilitate the desired superior performance Lindex needs to act in accordance with its strategies (Andersson, 2008; Brax, 2008).

4.5 Following-Up Process

Lindex divides the following-up process into different levels. There is of course regularly following-up meetings in the different function- and country levels. In most business units there will be meetings once a month to follow-up the strategies and the action plans (Andersson, 2008). However, Ardfelt did point out that it is up to the managers in the different fields to decide how the following-up process is proceeded. Some departments might have weekly meeting whereas others might have monthly gatherings (Ardfelt, 2008). The next paragraph pursues a more defined example of the following-up process within a group function. However, it is also important to follow-up the employees and their attitudes towards the strategies and values. Sofia Brax informed that all employees in Lindex have so-called appraisal discussions, where personal goals and development are discussed. These meetings, provide a possibility for the managers to see how the employees perceive the company, the values, and the strategies (Brax, 2008).

The following-up process can be carried out in different ways depending on what group function is regarded. Lindex is as stated, divided into nine different subcategories, in which finance is one. The finance department works with regular meetings in order to reveal how it is going for the company. They have at least one meeting every week. The department compares the obtained figures to the established rolling forecasts and key ratios (Ardfelt, 2008).

The executive management team goes through the strategies once every quarter in order to reveal how the strategies are followed. At the meetings, the different persons responsible for the strategic aims announce their department’s strategic aim and furthermore, how the actions related to that aim is running. After all presentations, the executive management team will discuss if they need to change some of the priorities or if they can continue the same way, they have already done. Further, they are responsible not only for the strategy revising but also to discuss whether the strategies need to be improved (Andersson, 2008). However, the meetings are more of following-up opportunities than actual improvement gatherings. The

executive management team should reach a conclusion about the possible need for improvement (Brax, 2008).

Lindex do not consider these quarterly gatherings to be enough. They have a larger two-day-meeting opportunity every year, where the strategies are carefully evaluated. These meetings are held, in order to see that the company is heading in the right direction. If there need to be changes with the strategies, it is on this meeting they occur (Andersson, 2008; Brax 2008). The CFO estimates that Lindex must revise and/or improve their strategies every year. The HR Manager confirmed this theory. However, Andersson emphasises that the strategies do not have a best before date. The reason for the yearly evaluation is to make sure that they still are in line with the company's objectives. The executive management team alone accomplishes the improvement or renewal. As long as the strategies are regarded as relevant, Lindex does not consider them to be in need of change. Relevant in this meaning is that the vision and values still should be defensible according to the company's objectives. Therefore, Andersson referred to that the following-up process of the values as well as of the vision is of even greater importance (than the following-up process of the strategies), since those are the foundation to them.

5 ANALYSIS AND DISCUSSION

Chapter five consists of an analysis of the earlier given empirical findings and the theoretical framework. The differences and similarities found between these two areas are analysed and discussed.

In the beginning of this thesis the authors states that the main goal of most companies is to accomplish profit. That reasoning is in compliance with what Porter states in his famous article “What is strategy”. As the title of the article describes, Porter poses the question of what a strategy really is. This thesis has no intention to give an answer to that, due to the complexity of the reality and that various authors have different opinions of what strategy really is. However, it is said in all chapters of this thesis that a company cannot compete without strategies. According to Porter, Kaplan and Norton, it is necessary for a company to have both operational effectiveness and strategies. However, to gain superior performance, a company must be able to combine these two. To answer the questions stated in the background in chapter one, regarding how companies can attain profit and what is required to achieve it, it is relevant also to answer the first sub-question posed in the problem definition “*why do companies need strategies*”. In the theoretical chapter of this thesis, it is obvious that companies need an instrument to control and organise their processes to head in the right direction. Even the quote from Merchant and Van der Stede (2007, p. 6) “*strategies define how organisations should use their resources to meet their objectives*” refers to the importance of strategies. It is that strategies assist the companies with the management control system, and explain for the employees how to achieve its goals. Furthermore, it is important to execute activities in a different way than what a company’s competitors do. Additionally, not to forget is that strategies need to be treated as a dynamic tool and not as a paper product. The last important thing to remember is that companies constantly must evaluate its organisation, position and business environment.

To be able to perform the rest of this analysis and answer the second sub-question in the problem definition “*why do companies change strategies*” the authors consider a need for a short summary of why Lindex needed to change its strategies. At the beginning of the 21st century, it was clear that the old strategies did no longer rightfully serve the company’s objectives. Lindex had earlier used “push” strategies, which inter alia resulted in too large volumes of clothes, both in the stores and in the warehouses. To be able to sell the clothes and re-fill the stores with new clothes, the company was forced to give the customers discounts on the clothes. When Lindex used that approach, the customers did not find the company attractive. Important to remember, is that, Lindex at the time desired to be a fashion company, which it in fact was not. The old strategies were not the only thing that no longer worked desirably. It was the whole mechanism (mission, vision and values) behind them as well. Some answers to the question why companies change strategies are; when the old strategies no longer serve the company’s objectives, when they are not well implemented and/or the profit has decreased and cannot be regained with the assistance of the old strategies.

The starting-point for Lindex’s new strategies was in 2004, when Göran Bille became the new CEO. During the interviews, the authors perceived that the respondents consider Bille to be the change Lindex needed. Further, they were very willing to point out that before Bille came to Lindex, the company lost market shares and had a diminishing profit. An interesting thought is that perhaps Bille did an excellent work to help Lindex regain profit, but who knows if he is the right person now, when the company now tries to expand its operations?

5.1 Design of New Strategies

Even though the theory divides strategy into three different levels, corporate, business and functional, it was clear that Lindex makes no difference between the corporate- and business strategy. Andersson said that for Lindex account these two could be apprehended in the same way. The strategic aims are therefore both Lindex corporate- as well as the business strategy. A possible explanation why Lindex consider it to be no difference between the corporate- and business strategy level, is that the company only has one concentration area, the clothes. In contrast, a company that will use the three strategy levels could be a company with different concentration areas.

The strategy process model by Kaplan and Norton is the base for this thesis when discussing the development of strategies. Therefore, this model will serve as a foundation to the analysis of Lindex's strategy process. Using a model like this will hopefully imply that successful strategies will be created as well as implemented and followed. The next coming paragraphs discover whether Lindex's strategy process have similarities with the model suggested by Kaplan and Norton. The first step in the strategy process model, **Develop the Strategy**, suggests that executives should examine the business environment around the company. To be able to compare Lindex process with what the literature advocates, the support questions that were suggested within this step will facilitate the process.

- *What business are we in and why*: The first thing a company needs to do when developing its new strategies is to agree on the company's mission, vision, and values. All the managers need to know why the company exists, what the company's objectives are but also to agree on what the company stands for. The theory advocates that this is essential, no matter what business the company operates within. This knowledge should then serve the organisation as a base when creating new strategies. As stated in the empirical chapter, the interviewees pointed out that the previous vision was a bit unclear and could be difficult to understand. That affected the strategies. The greatest problem at that time was that, the entire management team did not share the same picture of Lindex. It is relevant to pose the question; how is it possible for the rest of the organisation to know what to achieve and what to stand for, if not even the managers know how to do it? As the authors to this thesis soon found out, the executives at Lindex concluded that something needed to be done and thereby the renewal process started. This time Lindex began by developing a clear vision and united values that the employees could support. The creation of the values was something the entire organisation was involved in, from the head office in Sweden to the manufacturer in Asia. The authors to this thesis perceived that the interviewees were very keen in pointing this out. It sounds almost too good to be true, that a company can involve all employees in this process. However, the authors have not been able to find out whether it is true or not. Nevertheless, if it is true, it is the perfect start for a process like this and the chances to succeed increases. Further, the respondents mentioned that the renewal of the vision and the values were crucial for the rest of the process. The vision and values should now imbue the entire organisation. If Lindex had not put a lot of effort on these crucial steps, it would probably have been hard to accomplish the following steps in the renewal process. When comparing this first step, with what the information in the theoretical framework states with what Lindex initially did, the authors to this thesis find it very congruent. The risk for Lindex to end up in the same place as before is not large if the company continues the work it has started. The company knows that the most important this time is that all managers stand united and share the same picture.

- *What are the key issues we face in our business*: The second support question declares that the organisation needs to do a strategic analysis of where the company is at the time. The

literature suggests different options for the internal as well as the external scanning and thereafter, to compile the results in the SWOT-analysis. Even though the SWOT-analysis at first seems quite easy to use, companies can have difficulties to bring forth the different components. That is why the theory also proposes methods as the PESTEL-analysis or Porter's five forces. When studying how Lindex began the renewal process, the organisation started precisely like the literature suggests by evaluating where the company was at the time. However, the authors only found out that the organisation revealed this position with the assistance of the SWOT-analysis. It was not possible to discover whether the company also used one of the other methods. Even if the literature suggests different methods than just the SWOT-analysis, the authors concluded that Lindex still succeeded by evaluating its position. Lindex used two curves to evaluate its position and the authors perceive them as an extension of the SWOT-analysis. Lindex concluded that the company was in need of more "winners", with the assistance of the "Winners and losers-curve" (Figure 3). Further, the fashion curve (Figure 4) depicted Lindex's situation at the time very clearly and the movement needed in order to be the desired fashion company. The results gathered from these two curves, to understand that a change was inevitable, was crucial for Lindex executive management team. To sum up, also this step is very coherent with the theoretical framework and the way Lindex did. A difference is the use of the two curves. The authors found the additional use of the curves surprisingly good for the company. Furthermore, the authors consider that even other companies should use curves like those as well, when revealing its position on the market. The reason why the use of a depicted curve is better than just a written document is the old saying; "a picture says more than 1,000 words", meaning that it is easier for the entire company and not just the executives, to understand the company's position.

- **How can we best compete:** The next step when developing new strategies as well as renewing old ones is to figure out, how a company best can compete. Managers need to design strategies that will distinguish the organisation from its competitors. Otherwise, the risk for the strategies is to be apprehended as marketing slogans rather than unique value offers. The answer to the question of how the company best can compete is two-fold. Firstly, the question should answer how strategies should be formulated and secondly, how to achieve the objectives. One way to answer these questions is through Porter's *generic strategies*. The generic strategies are, as already declared, divided into three categories; cost leadership, differentiation and focus. When interviewing Andersson, he was asked to put Lindex in one of these categories. However, he considered Lindex to be a mixture of cost leadership and differentiation. The authors to this thesis also agree with Andersson, Lindex cannot be placed in only one of these categories. In one way, the company focuses on differentiation (to offer *fashion*) but in another way, the focus is on the cost leadership (to offer *affordable* fashion). Andersson was also of the opinion that Lindex expresses itself not as a cost leader but as a cost conscious company. The business target, "*Inspiring, affordable fashion*", shows this thoughts.

Before discussing how this focus will affect Lindex today, it is relevant to describe the previous situation. In order to do that, it is relevant to answer the question; were the earlier problems in Lindex connected to the generic strategies? The authors' answer to this question is, yes. Already at that time, Lindex tried to focus on the two generic strategies; differentiation and cost leadership. The authors consider that there were no problems connected with the cost leadership. The clothes Lindex offered had a good price compared with the quality of them. In that way, Lindex succeeded to position itself as a cost leader. The problems that occurred were instead linked to the differentiation. A company can differentiate in many ways, were one is through its products. According to the authors of this thesis, that is what Lindex

thought they were doing, by being a fashion company. However, it was only through marketing campaigns that Lindex was considered as a fashion company, though the stores and the clothes still mediated the sense of the old clothing company. A clothing company does not differentiate its products the same way a fashion company does. A fashion company needs constantly to evaluate its clothing line and always try to find new and different fashion clothes than what its competitors do. As stated many times already, no one, not even the company itself, apprehended Lindex to be a fashion company, relating to its placement on the Fashion curve. The authors are of the opinion that if Lindex instead only focused on cost leadership, the problem might never have emerged. However, it probably would have resulted in that the company had stayed on the right side of the curve. Going back to the literature, Lindex's failure is exactly what Porter states when a company tries to succeed in two or more strategies and fail in any of them. As stated in the theoretical framework Porter has received many critics for this opinion. However, when the authors study Lindex, they agree with the difficulties that Porter pointed out.

Going back to study Lindex, from the change until now, the company seems more successful than before. It is therefore relevant to pose another question; what is the difference now? Firstly, it is important once more to remember that Lindex still try to position itself as both cost leader (actually cost conscious) and different. According to the authors, one large difference makes it possible for Lindex to succeed this time. This is because the entire company knows what it stands for and where to go. Everybody in the company knows how to act to be a cost leader (by being cost consciousness) but also how the company can differentiate (to get to the "right" side of the fashion curve). This new viewpoint regards and compares Lindex with its main competitors in Sweden, H&M and Zara. Considering for instance the position that H&M has on the Fashion curve (Figure 4), the authors' opinion is that H&M is a very good follower to the fashion inventors. Lindex is not yet there, but it is on its way. Lindex need though to regard that also H&M offers the clothes to an affordable price. A difference between the two companies is that H&M tries even harder to position itself as a fashion company for young people, whereas Lindex wishes to offer its collection to all women, not matter of age. The authors consider it good that the two companies do not position themselves in the exactly same way, while otherwise it can lead to the not recommended strategy; *follow the leader*. The literature points out that it is dangerous to concentrate too hard on what its competitors do, since a risk is that the company then forgets its own strengths and weaknesses.

5.2 Implementation of Strategies

As said in chapter four, Lindex has not completed their implementation process. This analysis will therefore discuss what has happened until now, compare it with what the literature advocates, and thereafter state what Lindex must consider for the rest of the process.

The discussion of why companies require strategies reveals the need for a tool that will guide the company and its employees in how they should achieve the stated objectives. Moreover, the strategies should communicate and facilitate the employees in how to take the right decisions. The process cannot end when a company has developed the "right" strategies, organisations must understand that strategies are an ongoing process. Montgomery describes that if organisations fail in implementing the strategies they will become a paper product. Implying, that the strategies then are not working in practice and their only aim will be to sound good. What is then the use for strategies? Brax, the HR Manager at Lindex uttered the same viewpoint. In addition, the authors to this thesis consider it essential that strategies do

not become something, which sole meaning is to sound good. If the company fails in implementing the strategies, the organisation will lose its competitiveness and just waste time. Strategies cannot be something that companies put a lot of effort in when developing them and then consider the work to be done. The literature emphasises that strategies exist in order to be used. The earlier situation in Lindex was very similar to this discussion; the organisation had developed good strategies but could not communicate them within the company. A further problem was that the executive management team did not stand united and advocated the same picture about Lindex. The contributing reasons led to unawareness among the employees about how to act, which resulted in the loss of market shares and profit. The importance for Lindex today is to manage with the implementation of the new strategies and not get lost on the way again. A reflection can therefore be, for Lindex to have the history clear in mind when working with the strategies.

The literature, asserts that strategies need to be translated into actual measures and objectives. This is the second step in the strategy process model **Translate the Strategy**. Thereafter, the strategies can be communicated within the organisation. When revising the strategy process in Lindex, it is clear that the company tries to follow that recommendation. The critical success factors, the second step in Lindex's strategy model, deal with this. This is illustrated in Figure 5. The company split the critical success factors into measures and targets, just like Kaplan and Norton advocate. Further, the theory states that a company can use tools such as balanced scorecards or strategy maps to assist the creation of strategies. In Lindex's case, the authors could not discover what tool the company used to bring forth the critical success factors. The company uses no external models and the internal models are not described. This was due to the secrecy both what models the company uses and what measures and targets are considered. Taking into consideration that Lindex only uses its own models; the authors' opinion is that it might be a good idea to use at least one external instrument. The reason for this view is not to repeat history.

After the strategies are translated into measures and objectives, the company has to make plans regarding how to achieve them. This is compared with the third stage in the strategy model Lindex uses, also known as the strategic action plan. Another reason why the theory advocates the need for plans is that the managers then will know what strategies to make prioritise on. The theory further promotes that to succeed with this step, companies should develop sales-, and capacity plans. These should then lead to budgets, in Lindex case, the use of rolling forecasts. Kaplan and Norton divided this part of the strategy process into four different areas. The following paragraph will compare these areas with how Lindex has done.

Improvement of processes: This step goes hand-in-hand with the translation of the strategies. It is important that the strategies are sub-divided in order to recognise the critical success factors. The reason is that the critical success factors need to be distinguished and it is crucial that they are measurable. Otherwise, the company will not know whether its strategies succeed or not. Moreover, the literature advocates that the measurement should be in areas such as responsiveness, speed, quality and cost. From the authors' observation, this is exactly how Lindex follows this step as well. The company has split its critical success factors and divided how to measure them. However, the information of how they are measured is not official but the authors consider the company to measure the targets in at least some of the recommended areas.

Sales plans: With the help of a strategic plan, the managers should realise what needs to be done. This is performed by subdividing the sales objectives into targets. Further, the right

measures to accomplish the goals must be found. When studying Lindex, the authors perceive this step to be in coherence with Lindex's developed strategic action plan. The strategic action plan in Lindex informs the company and its employees how to achieve the strategic aims.

Resource capacity plan: The literature advocates that the next step for the managers is to estimate what resources are needed to achieve the strategic aims. The authors consider this the rolling forecasts that Lindex regularly update. The company uses the old forecasts to estimate what the future might look like.

Dynamic operating and capital budgets: Kaplan and Norton state that when the company has finished the other steps, it can develop a budget and specify what financial resources are needed. When studying the case company, it is obvious that the strategic action plan is the activities that will make the company accomplish the strategic aims. Further, the plan should assist the organisation in developing the rolling forecasts and be an aid when the different departments demand money for carrying out the strategies.

Lindex's strategic action plan should thus serve many purposes, however; the overall goal is to fulfil the strategic aims. When comparing the implementation process within Lindex with what the literature recommends, there are almost only similarities. It is obvious that Lindex executive management team has a plan of how to complete the implementation even if it today is not entirely finished. Since the implementation is not finished, an evaluation of the result is not possible. The authors can instead only conclude that Lindex until now has been more successful with the strategies than earlier. Graph one in the appendix supports this statement, where the operating profit has increased rapidly since 2003/2004.

In the introduction to this thesis, the authors presented an interesting quote. An old survey revealed that 80 per cent of managers considered its company to have the right strategies but only 14 per cent considered the company to implement them well. Even if that study was made a long time ago, the information is still up to date. Many managers create good strategies but stop working with them afterwards. As Montgomery said, that is one of the absolute greatest dangers, when thinking about strategies. These statements are very relevant to the case company. When interviewing some of the executives at Lindex and the corporate group controller, they all share the view, that Lindex today has the right strategies and are heading in the right direction. They are also of the opinion that there is no risk for an incorrect implementation of the strategies. Further, they all agree on that the process could not end where they are now. The authors do not find this reasoning as a surprise, since a company would not admit if they just developed new strategies and considered them a failure.

5.3 Following-Up Process

The last important measure a company must accomplish when strategies are concerned is the following-up process. In Kaplan and Norton's strategy process model, the following-up process is separated into two steps whereas the first deals with evaluating the strategies and the second with adapting them when it is necessary. These two steps include three types of meetings, which were explained in the theoretical framework of this thesis. The authors mostly found similarities during the comparison of the process within Lindex with what the theory recommends. To structure the following paragraph, the similarities will first be discussed; therefore, the analysis will start with the last step of the closed-loop management system **Test and adapt the strategy**.

Lindex has well-structured yearly meetings where the executive management team revise and discuss whether the strategies still serve the objectives of the company. The authors compare this meeting with the last step that Kaplan and Norton advocate. From the information gathered and compared with the literature, Lindex appear to be a perfect example in this step. Since this year's meeting in Lindex has not yet taken place, the consequences were not possible to evaluate. Nevertheless, since 2008 is the first year that the strategies are somewhat implemented within the organisation it is for the first time possible to do some kind of evaluation of them. Therefore, it is the authors' guess that no large changes will be made. However, if the company will reach the conclusion that one of the strategies is faulty, they will of course revise it. Furthermore, what was communicated to the authors was that all employees at Lindex today support the new strategies.

When going back to study the second last step in the management-cycle, **Monitor and Learn**, the literature advocates that two types of meetings should be held. The first meeting concerns the operational effectiveness and held often. The managers should also have a second type of meeting, where they evaluate the strategies. This occurs not as frequently as the first type of meetings do. As already explained this analysis goes backwards, therefore the second kind of meeting is first discussed. Lindex has quarterly meetings that review and discuss the strategies. The importance with these meetings are that they are held regularly, which also occurs in Lindex. So even at this point, Lindex is a perfect example of how it should be. It is important to remember that when the authors consider Lindex as a perfect example, it is the strategy plans Lindex has, that are referred to. Of course, it is crucial that these plans are carried out, or Lindex will end up were they started. The last meeting that will be discussed in this analysis is the meeting that reveals the upcoming problems within the company's operations. These meetings need to be held frequently according to the theory. This is to act at an early stage and then be able to do something before it is too late. During the interviews with Lindex, it was unclear to the authors what this step looks like. It was not difficult to understand that the different departments have their own meetings, but if it was on a daily, weekly, monthly bases was not understood. According to Ardfelt, the reason was that, it is up to the different managers to decide when they consider the gatherings necessary. The finance department held weekly gatherings but that was the only example the authors got. It is therefore likely to guess that some of the other departments do not have strategy meetings as regularly. Therefore, Lindex (the finance department) is in one way a perfect example here as well, but on the other hand it is not probable that the entire company have these regularly meetings. Therefore, a recommendation to the company is that it should have a set rule within the organisation of how often these meetings need to be held.

5.4 Components to Consider When Developing Strategies

This thesis imbues the fact that strategies are substantial for companies that wish to succeed with their objectives. During the interviews, it appeared that Lindex considered the strategies to be very important, however, the company also considered other factors to affect the success. In this thesis, only those components that are connected with the strategy process will be mentioned. The authors to this thesis therefore, wished to know what components within the strategy process Lindex believes is most important. The result gathered from the interviews is revealed and compared with what the literature advocates.

Both Brax and Andersson pointed out that most crucial for a company in order to succeed is that all managers share the same picture of the company and that they advocate this shared picture to the employees. The importance of this has been stated many times in this thesis.

However, without this shared picture among the managers, unawareness amongst the employees of how they should act, will appear. Andersson's quote expressed this very well when he stated, that the executive management team needed to "*walk the talk*". The literature proclaims that strategies should guide the company's employees and help them to take the right decisions. From this statement, it is possible to support and agree on the assertion Lindex pointed out. If the company's managers do not stand united, the rest of the organisation will not know partly what is expected of them and partly what they should achieve.

Andersson also talked about commitment among the employees, meaning that in order to succeed, all employees within the organisation must feel committed to Lindex. Otherwise, they will not care about what the executive management team emphasises. One example is that all employees need to know about the company's values and vision, albeit the knowledge of the values is considered most crucial, this reasoning is supported by the literature. If Lindex succeeds or not has to do with how the customers perceive the company. If the employees cannot stand for what the company wishes to mediate, the customers will get a split picture, which can lead to a profit decrease. Regarding the strategies, the vision and the values, Andersson and Brax agree on that, these elements need to be clear and sufficient. That the elements need to be clear and sufficient is something that the authors to this thesis could not find supported in the theory studied. However, they agree with what Lindex utter and consider it absolutely to be among the most important factors in order to attain superior performance.

Another component that is important to consider when discussing strategies is that the strategies are not becoming a paper product. Brax said that strategies instead have to be a living instrument, meaning that they always must be up to date and used all the time within the organisation. Even this view is supported by the theory and especially the research by Montgomery. She links the risk for strategies to become a paper product to the failure with the implementation process. The issues with the implementation, the thoughts regarding strategies as a paper product and the risk for failure are discussed in chapter 5.2.

The last thing that Lindex and the literature agree on is that the strategy process needs to be an ongoing process that never ends. This was a part of Lindex earlier problems; that the company had developed good strategies but that the implementation failed. Two things that the literature warns for is that companies must remember to "choose what not to do" and not to create too grand strategies. "Choose what not to do" imply that a company cannot operate in all fields if it wishes to be successful and too grand strategies mean that companies must be able to accomplish the designed strategy. Lindex mentioned neither of these statements. The authors did not find it surprisingly that Lindex did not mention anything about too grand strategies, since it is not likely that a company would admit that it designs strategies that are impossible to fulfil.

6 CONCLUSION & SUGGESTIONS

Chapter six, which also is the last chapter in this thesis, consists of the conclusion and a discussion about what furthermore can and need to be studied within this area.

6.1 Conclusion

6.1.1 Similarities

In the beginning of this thesis, the authors stated two questions they wished to answer during this study. The first one is:

- **Are there any similarities between the strategy process Lindex went through and the strategy model suggested by Kaplan and Norton?**

From the analysis in chapter five it can be concluded, that there are almost only similarities between the recent strategy process Lindex went through, with what Kaplan and Norton suggest. However, since the strategy process model by Kaplan and Norton is relatively new, it is not likely that Lindex used that model when developing the new strategies. The authors consider it though very possible that the company had some other kind of model to follow when the strategies were developed. It is interesting to draw some conclusions of what this implies. Firstly, a short summary of the similarities found:

- All managers need to agree on the company's mission, vision and values.
- The process needs to begin with the performance of a SWOT-analysis to reveal the company's position at the time.
- The managers need to know how the company best can compete, which is related to how a company position itself. One way to do this is with the assistance of the generic strategies.
- Strategies exist in order to be used; therefore, it is essential that the implementation of the strategies succeed.
- To be able to reveal how well the strategies are functioning, so-called critical success factors need to be established. They must include measures and objectives.
- When the strategies as well as the critical success factors are established, plans in how to achieve them need to be created. The managers also need to decide what strategies to prioritise.
- Yearly follow-up meetings need to be held, in which the strategies are discussed in depth and decisions if the strategies need to be revised or not, are taken. The company also needs regular meetings, in order to review the strategies. More frequently, meetings that discuss the company's operations must be held.

From these similarities some conclusions can be drawn. First, it seems like Lindex has learned its lesson about the importance that all managers in a company agree and share the same picture about the organisation. Secondly, as stated in the beginning of this chapter, it appears

as Lindex has followed an already developed strategy process model when the company renewed its strategies. Since Lindex failed with its strategies last time, the authors consider it intelligent if Lindex this time proceeded from an already developed model. If the model has showed success earlier, the chances for Lindex to fulfil its objectives are even larger. The chances for the company to be one of the so-called 14 per cent, which considers its strategies to be “right” as well as well-functioning, increases the more the organisation works with the implementation process. The discussion considering the 14 per cent is retrieved from the problem discussion in chapter 1.

A last observation is that, since the strategy process model developed by Kaplan and Norton is relatively new it is not possible to know whether that model is a good example. However, due to the respect the two researchers have within the strategy field and their former success with the balanced scorecard and strategy maps, the authors to this thesis believe in it. The only thing within the model that the authors did not sympathise with was the organisation’s need, to follow up the strategies almost every day. The reason for this opinion is that the authors see a risk if companies focus too hard on their strategies and forget about their daily operations.

Since Lindex has not completed the implementation process, the authors cannot conclude about the total success of the new strategies. However, the authors are of the opinion that if the company continues with the implementation process and regularly follows up its strategies, it is likely that also Lindex will find this statement true: Strategies – the way to succeed.

6.1.2 Important components

Considering that Lindex did not succeed with its former strategies and now seems to be on the right way again, it is very interesting to study what the difference is. Therefore, it is relevant to know what the company considers most important to succeed with. This leads to the second question posed in the problem definition:

- **Did the case company point out particular components within the strategy process, which are essential to succeed with, and do they correlate with what the literature advocates?**

Most of the components Lindex stated as essential to succeed with, were the same as the literature advocates. However, three differences were found; two that the literature emphasises and one that Lindex pointed out. Below, the correlating components as well as the aspects Lindex and the literature disagreed on are mentioned:

- The managers need to share the same picture of the company and stand united.
- All employees need to know about the company’s values and vision.
- Strategies cannot become a paper product; instead, it needs to be a living instrument.
- The strategy process is a constantly ongoing process that never ends.
- Lindex states that all employees need to feel committed to the company.

- The literature advocates that companies must be careful not to create too grand strategies, which goes hand-in-hand with the last aspect, that companies must choose what activities not to do.

The components stated above are thus the crucial components the authors found during this study. The authors then conclude that if Lindex focus on these factors and succeed with them it ought to imply that the company will be more successful with its strategies this time and so gain superior performance.

The authors regard that all the stated components might be useful even to other companies, who then can view what Lindex (who has had bad experiences regarding previous strategies) today consider crucial in order to succeed. Since the literature advocate almost the same things as Lindex does, the authors desire to share this knowledge.

6.2 Suggestions for Further Studies

This study is set to be a foundation concerning the strategy process in Lindex. The purpose of the thesis was primarily to describe the change Lindex went through when they renewed its strategies. However, the authors also wished to try to evaluate if the new strategies have been better for the company. Since Lindex still is in the middle of the implementation process this evaluation was not possible. Therefore, it would be interesting in the future to do a second study of the company. In that study, the implementation process is suggested to be the main focus.

Another interesting study would be to discover how the strategies are followed further down in the organisation. In this thesis, only some of the executive management team is questioned. A suggestion is to interview middle managers and employees in the stores.

A third study can be to compare the strategies in Lindex with some other retail companies. It might then be possible to see whether Lindex tries to follow some other companies or if the company actually has created its own idea and success factor.

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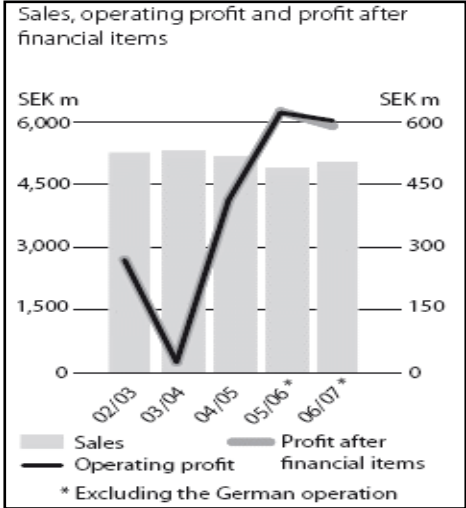
Strategy Development Business Planning Process 1210

PowerPoint-document

APPENDIX 1 - GRAPHS

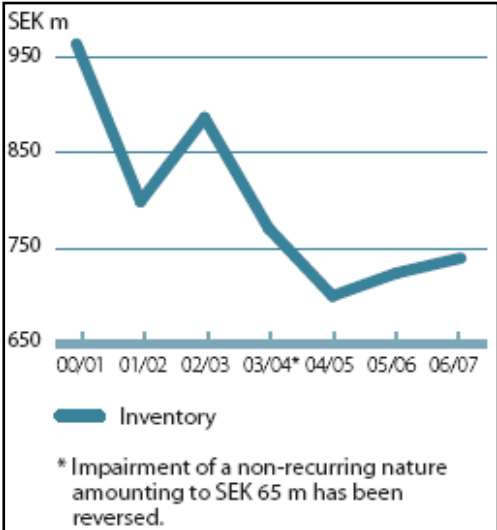
Graph 1

This graph illustrates how the operating profit has changed since the time Göran Bille entered Lindex.



Graph 2

This graph illustrates the effort put into decreasing Lindex inventories.



APPENDIX 2 - INTERVIEW MANUAL

Personal questions

- What role do you have at Lindex?
- How many years have you worked at Lindex?
- What role do you have in the development of Lindex strategies?
- Are we allowed to use your names in the thesis?

Lindex's strategies

- Why did Lindex change its strategies?
- Was the old strategy implemented within the entire company?
- How many strategies do Lindex have?
- What does the strategy process look like?
- Who are involved in the strategy process?
- How much time is spent on the strategy process?
- Does Lindex use instruments such as balanced scorecards or strategy maps?
- How long lifetime does Lindex consider its strategies to have?
- After how long time is Lindex, strategies revised or totally renewed?
- How much does Lindex prioritise its strategies?
- What consider Lindex to be most important for strategies to be successful?
- What part in the strategy process is most critical to success with?
- Is there any difference in how Lindex works with the strategies now/before?

Implementation process

- What does the implementation process look like?
- Are the employees informed about the new strategies?
- When does Lindex consider the new strategies to be fully implemented?

- How are the strategies communicated within the organisation?
- Are there any educational-days for the employees, regarding the strategies?

Following-up process

- What does the following-up process look like?
- Is it already now possible for Lindex to measure if the strategies are successful?
- Are the new strategies working well?
- Who are involved in the following up process?
- How often are the strategies revised?

Further questions

- What did the process with the investment in the supply-chain look like?
- How does Lindex position itself? (cost leadership, differentiation or focus)
- Are we allowed to use Lindex name in our thesis?